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Impax Environmental Markets plc

Annual Report and Accounts

For the year ended 31 December 2017

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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 2017

Net assets	£506.9m
Net asset value ('NAV') per Ordinary Share[1]	281.6p
Ordinary Share price	256.5p
Ordinary Share price discount to NAV[1]	8.9%

Performance Summary[2]

NAV total return per Ordinary Share[1,3]	+16.4%
Share price total return per Ordinary Share[1,3]	+18.7%
MSCI AC World Index	+13.2%
FTSE ET100 Index	+20.2%

1. These are considered to be alternative performance measures ('APMs').

2. Total returns in sterling for the year to 31 December 2017.

3. Source: Bloomberg.

Alternative Performance Measures ('APMs')

The disclosures as indicated in footnote 1 above are considered to represent the Company's APMs. In addition to the above APMs, other performance measures have been used by the Company to assess its performance, which can be found in the key performance indicators section of the annual report, on page 7. Definitions of these APMs together with how these measures have been calculated can be found in the Glossary on page 48.

Further financial information can be found in the financial record on page 47.

Financial calendar

Annual General Meeting	17 May 2018 at 2.00 pm 7th Floor, 30 Panton Street London SW1Y 4AJ
Dividend	Record date: 27 April 2018 Payment date: 24 May 2018 Amount: 2.5p per ordinary share

Chairman's Statement

John Scott
Chairman

During the year to 31 December 2017 ('the Period'), global equity markets proved to be far more resilient than many investors and observers had predicted. The 'Goldilocks' scenario of low volatility, steady growth, and muted inflation contributed to strong global growth, with most world markets ending the year at record highs. These trends were reflected in the performance of Impax Environmental Markets plc ('IEM' or 'the Company'), with solid earnings delivery and an acceleration of growth largely responsible for driving outperformance versus its global comparator index.

Throughout 2017, but especially in the final quarter, environmental issues continued to dominate the news, and the reaction time between public concern and government response narrowed. For example, while against a background of ongoing discussions regarding various controls and bans of plastic, governments acted particularly rapidly in response to the public reaction to one particular television documentary series dealing with the problem of plastics in our oceans. This shift in public interest also stimulated discussion about food packaging and the waste this produces. A number of the Company's holdings tackle this challenge and are developing future solutions, such as bioplastics.

The world also saw a series of extreme weather events, including six severe hurricanes hitting the US, major winter storms affecting the UK, mainland Europe and the US East Coast, and wildfires and mudslides in California. IEM has significant investments in companies that provide adaptation and mitigation solutions for extreme weather, for which there is an increasing need.

Performance

For the 12 months ended 31 December 2017, the net asset value per share ('NAV') of IEM achieved a total return of 16.4% and ended the Period at 281.6p. During the year, IEM achieved a share price total return of 18.7% and ended the Period at 256.5p, reflecting the combination of the NAV performance and a narrowing of the discount at which our shares trade.

The Company outperformed its global comparator index, the MSCI All Country World Index ('MSCI ACWI'), which increased by 13.2% (total return, GBP) over the Period. Whereas a large part of the Company's success in 2016 was due to stock selection, this year we benefited from asset allocation and foreign exchange movements. The Company slightly lagged its environmental comparator index, with the FTSE ET100 Index ('FTSE ET100') returning 20.2% over the Period. This was largely accounted for by our decision not to hold Tesla (the largest constituent of the FTSE ET100, representing some 10%), which Impax Asset Management (AIFM) Limited, our Manager, still believes to be overvalued. The Manager's Report details an explanation of performance and a breakdown of the absolute contributors and detractors.

Gearing

The Company has a £30 million multicurrency, revolving credit facility with The Royal Bank of Scotland plc to January 2019.

The loan was fully drawn down throughout the Period. As at 31 December 2017 the Company's gearing, net of cash, was 3.2%.

Discount and share buybacks

During the Period, the discount to NAV at which the Company's Ordinary Shares traded ranged from 5% to 14% and ended at 8.9% though I am pleased to report that no buybacks have taken place since June 2017. The Company bought back 11,083,249 Ordinary Shares in the Period at an average discount to NAV of 12.7%. The buybacks enhanced the NAV per Ordinary Share by approximately 1.9p, equivalent to 0.7% of the NAV per Ordinary Share at the Period end.

Dividend

The Company's net revenue return for the year was £5.1 million (2016: £3.9 million), equivalent to 2.83p (2016: 1.99p) per Ordinary Share. Shareholders will be aware that it has been the Board's policy to pay out substantially all earnings by way of dividends and we see no need to vary this.

As a result, the directors are recommending a dividend for the year ended 31 December 2017 of 2.5p per share (2016: 1.95p). If approved by shareholders at the Company's Annual General Meeting ('AGM'), this dividend will be paid on 24 May 2018 to shareholders on the register as at the close of business on 27 April 2018. As the primary objective of the Company is capital growth, it should not necessarily be assumed that this level of earnings, and hence our ability to pay a similar dividend, will be available in future years.

Management fee

As announced last October, I am pleased to report that we have agreed a new scale of investment management fees with our Manager, which simplifies what had become an unnecessarily complex arrangement, while at the same time offering savings to IEM, particularly as the fund grows. Details of the new arrangements are set out on page 14.

Shareholder communications

We aim to communicate as effectively as possible with all of our shareholders, in line with our investment philosophy. Thus we believe it to be most appropriate to focus on digital communication because of its low environmental impact and the significantly lower costs involved. However, we continue to print a small number of copies of this report and are happy to provide hard copies of it to shareholders who request them from the Registrar.

Further information can be found on our website, www.impaxenvironmentalmarkets.co.uk, which includes videos, podcasts, media releases, financial calendar updates and all regulatory news. You may also wish to follow us on Twitter, @IEMplc.

Outlook

With central banks providing more visibility on how they intend to unwind their quantitative easing programmes, and in many cases signalling a rise in interest rates, there are many commentators who suggest that the extraordinary run in global equity markets is at an end. The question for many is whether conditions will remain supportive of current asset prices. Any sustained return of significant volatility may also shake investors' confidence, while the 'Brexit' issue adds further uncertainty to the global economy.

The Board and Manager believe that the direction of travel is towards a more sustainable global economy, and that the factors driving these are fundamental and have widespread public support. Furthermore, we remain confident that there remain many more high-growth stories yet to be discovered within Environmental Markets, and our Manager's 15 years of expertise in identifying these prospects means that your Company is well placed to benefit from a sector that is growing both in size and attraction.

John Scott
Chairman

28 March 2018

Manager's Report

Jon Forster

Bruce Jenkyn-Jones

During the Period, the Company delivered robust performance, with accelerated earnings growth and continuing merger and acquisition ('M&A') activity contributing to a 3.2% outperformance against its global comparator index, the MSCI ACWI. Asset allocation and foreign exchange movements provided further benefits, notably our zero weighting in energy companies and telecoms, and our being overweight on technology, but there were winners in all main sectors. Regarding foreign exchange, our underweight exposure to the US Dollar and overweight position on the Euro contributed 1.6% to the Company's NAV.

The 3.8% NAV total return underperformance against its environmental comparator index, the FTSE ET100, follows the Company's 15.4% outperformance last year. Aside from not owning Tesla, our decision not to hold a small number of technology companies contributed to this underperformance. We believe these technology companies to be relatively unproven and we maintain our preference for investing in established, proven, and profitable businesses with reasonable valuations.

In the interim report we discussed the uncertainty of the impact President Trump's policies would have on Environmental Markets. A year of his presidency provides more information. While there have been changes in the US's approach to the environment, including a downscaling of the Environmental Protection Agency's power, and continuing ambiguity over the country's signatory status of the Paris Climate Agreement, many US environmental policies remain. In some high profile cases, such as the White House's stated desire to increase coal power output, advances in renewables technology have resulted in this not being economically feasible without huge government subsidies for fossil fuels. Furthermore, we have seen a prioritisation of environmental concerns at the state and city level as a response to President Trump's rhetoric.

Key developments

Growing concern over plastic pollution

In recent months, the issue of plastic waste, with a particular focus on ocean pollution, has dominated the news and political discussions across the world. China has implemented strict new laws governing the waste it will accept (having formerly imported plastic waste from other countries), and various bans and levies are being mooted in the UK, certain US states, and across Europe. This presents opportunities for waste treatment and recyclers, such as IEM holding Tomra (Waste Technology, Norway) and alternative food packaging manufacturers, which are developing new, sustainable ways of packaging food. Accordingly, we added to our exposure of DS Smith (Recycling and Value-added Waste Processing, UK).

The 2017 US hurricane season

2017 was one of the most active hurricane seasons on record, with the US experiencing six severe hurricanes (Harvey, Irma, Jose, Lee, Maria, and Ophelia). Damages cost an estimated $300-$475 billion. Warming oceans are increasing the intensity of extreme weather events, furthering the need for adaptation and mitigation solutions such as water management and backup power. We hold a number of companies in this area, including Xylem (Water Infrastructure, UK). During the Period we added to Generac (Power Network Efficiency, US).

Sustainable Food and Agriculture

Amazon's $13 billion purchase of Whole Foods heralds possible disruption in organic food distribution due to the web giant's expertise in supply chains and distribution, and its continuing aim to reduce costs and pass savings to the customer. We reduced our exposure to United Natural Foods (Sustainable and Efficient Agriculture, US), and we continue to watch this area closely.

Prospects in this space include Welbilt (Industrial Energy Efficiency, US), which we added. This company supplies efficient industrial and commercial side kitchen equipment, and is also active in driving connected kitchens, which manage food production from order to delivery, reducing waste.

Digitalisation in Environmental Markets

In the last annual report, we highlighted the increasing opportunities in this area. We added PTC (Industrial Energy Efficiency, US), a software business with a leading market position in Product Lifecycle Management ('PLM'). PLM involves the integrated use of software to more efficiently manage design, manufacturing and after sales maintenance. The company has well diversified end market exposures and an attractive business model.

Absolute performance contributors and detractors

Contributors

Continuing the theme of recent years, earnings delivery remained robust across most sectors and regions in the portfolio.

Companies with exposure to the rapid growth in hybrid and electric vehicles saw further strong performance. As mentioned previously, IEM favours investments in critical components in the supply chain with broader market exposure, more durable competitive advantages and a more reasonable valuation than that offered by Tesla. Holdings LEM (Power Electronics, Switzerland) and Umicore (materials into cathodes of batteries, Belgium) performed well.

The portfolio's environmental consultancy holdings, which were weak in 2016, saw dramatic improvement in performance during the Period, reflecting improving markets and strong execution, especially on the part of Arcadis (Environmental Support Services, Netherlands).

The portfolio's European holdings also performed well, outperforming the European components of both the MSCI ACWI and the FTSE ET100, reflecting strong earnings delivery and attractive valuations in the region.

Finally, 2017 saw material amounts of M&A activity, with four portfolio holdings taken over, all at significant premiums. We continue to see M&A as a validation of the attractiveness of Environmental Markets in the eyes of the large industrial and financial institutions, which are the typical buyers. Portfolio holdings also continued to make acquisitions of their own, with Kingspan (Buildings Energy Efficiency, Ireland), DS Smith (Recycling and Value-added Waste Processing, UK) Spirax Sarco (Industrial Energy Efficiency, UK) being particularly active.

Detractors

Negative commodity price developments in select markets presented challenges in the Period. Hazardous waste companies often provide waste and recycling services to oil and gas markets, and underperformed against the backdrop of oil price weakness, impacting Clean Harbors (Hazardous Waste Management, US) and Newalta (Hazardous Waste Management, Canada). Sustainable Food and Agriculture holdings saw some consolidation following particular strength in 2016. Lenzing (Sustainable and Efficient Agriculture, Austria) also fell on anticipated weakness in viscose prices following material industry capacity expansion in the fibre, which represents the 'rump' of the business. We continue to hold Lenzing, attracted by the more technical fibres Tencel and Modal, where the company has a very strong market position. United Natural Foods, a distributor of organic and natural foods, was weak subsequent to Amazon's acquisition of Wholefoods, a material customer.

Unquoted

As at 31 December 2017, IEM held only one significant unquoted company in its portfolio with a valuation of £9.9 million, representing 2.0% of net assets. This valuation is reviewed regularly and we are working towards a timely exit.

Movements in the year were as follows:

	£million
Valuation at 1 January 2017	10.9
Foreign exchange movement	(1.0)
Valuation at 31 December 2017	9.9

Portfolio positioning, valuation, and risk

IEM had a well-diversified portfolio of 59 listed holdings at the end of the Period. Positioning by sector and region is set out on page 10, with small changes since the interim report.

Regarding environmental sectors, the Company's exposure to Energy Efficiency has increased 4%, reflecting the new additions discussed earlier, and funded by small decreases in Waste Management and Technology, and to a lesser extent Renewable Energy and Food, Agriculture and Forestry. Versus the FTSE ET100, positioning is similar, being underweight in the more volatile sectors of Renewable Energy and Energy Efficiency and overweight in the more defensive area of Water Infrastructure and Technologies.

Compared to the MSCI ACWI, regional positioning remains unchanged, with a significant underweight position in North America and an overweight position in Europe, which we remain comfortable with on the basis of relative valuations. The portfolio remains slightly more cyclical than the MSCI ACWI. We are focusing on finding additional opportunities for defensive growth within our markets.

Portfolio valuation is slightly above the 10 year average level, but with a premium to the MSCI ACWI slightly below the long-term average. We consider valuation to be neutral, but remain confident of solid prospects for earnings growth for the portfolio.

The Company's risk metrics remain slightly above that of the MSCI ACWI, but well below those of the FTSE ET100.

Outlook

During the Period, the Company delivered superior returns versus global equities markets, which themselves rose significantly. Despite some macroeconomic uncertainties (as discussed in the Chairman's Statement), we are positive that 2018 will bring further growth for Environmental Markets, which continue to benefit from economic and political headwinds, among other powerful drivers. On this basis, we continue to believe that IEM offers compelling investment opportunities for long-term growth.

Impax Asset Management (AIFM) Limited
28 March 2018

Measuring our Positive Environmental Impact

In last year's Report we published the details of our impact measurement project. Our analysis (independently assured by EY) showed that, in 2016, every £10 million investment in IEM produced:

- a net carbon reduction of 7,970 tonnes of CO_2;
- 2,990MWh of renewable energy;
- 3,040 megalitres of water treated or saved; and
- 790 tonnes of materials recovered or treated.

We have continued to develop our impact measurement work during the Period and we will publish our 2017 data in the 2018 interim Report. We have changed the timing of our analysis to be more in-line with our investee companies' audit and reporting cycles, enabling us to capture more and better quality, underlying data. In addition, as part of this work, we have assessed the alignment of IEM with the United Nations Sustainable Development Goals ('SDG'), as outlined below.

IEM's alignment to the United Nations SDGs

As part of its sustainable development agenda, in 2015 the United Nations developed 17 Sustainable Development Goals ('SDGs'), a series of targets the UN has challenged the world's economies to achieve by 2030.

Asset owners are increasingly adopting SDGs as a useful framework for allocating capital towards positive impact investments.

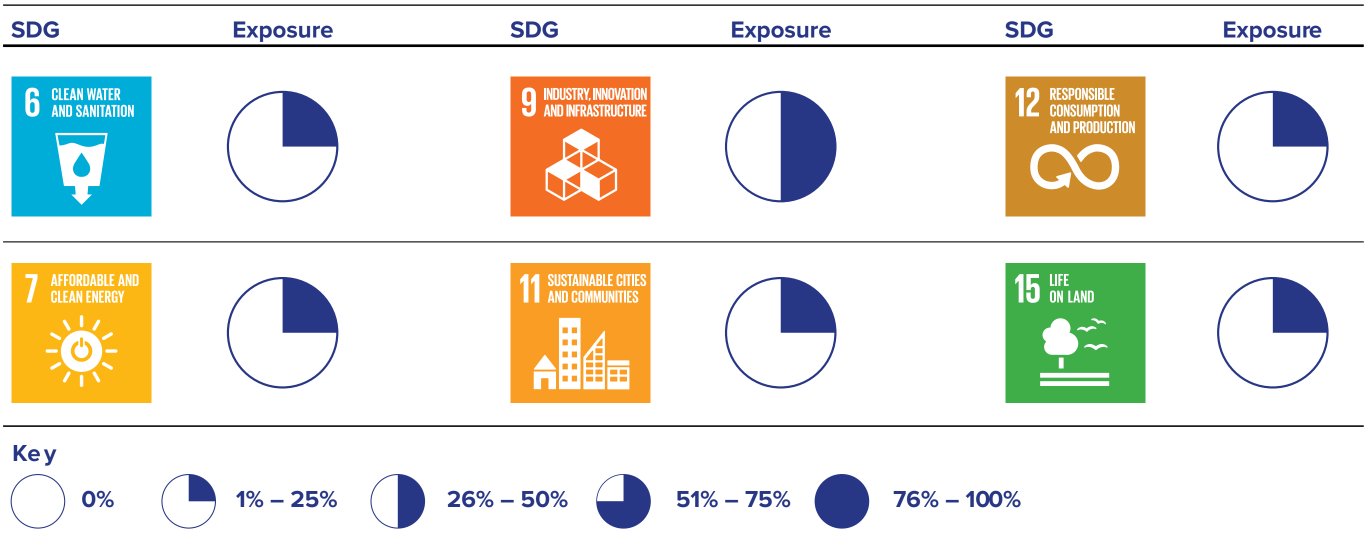
We have undertaken a mapping exercise to explain how IEM's investment strategy aligns with these goals.

The classification of the Environmental Markets investment universe enables us to link each of the 29 FTSE Environmental sub-sector classifications to the most relevant environmental SDGs.

We have focused on those where the underlying targets of the goal are relevant to private sector investment opportunities, rather than public funding or policy action. For example, we have low exposure to SDG target 13, 'Climate Action', which may seem surprising. This is because we consider the target to be aimed at government rather than private actors. We aim to continue refining our work in this area.

Our work shows that the Company provides exposure to goals 6, 7, 9, 11, 12 and 15.

SUSTAINABLE DEVELOPMENT GOALS



Investment Policy, Results and Other Information

Investment policy

(i) Objective and policy

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

(ii) Asset allocation

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

Alternative energy and energy efficiency

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

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

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.

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.

(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 5% or more would in aggregate represent more than 40% of net assets.

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.

(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.

Asset allocation at year end

The breakdown of the structure of the portfolio at the Company's year end is shown on page 10.

Results and dividend

The Company's revenue return after tax for the year amounted to £5,144,000 (2016: £3,920,000). The directors expect the Company normally to generate returns in the form of capital gains rather than revenue. The directors are proposing that the Company will pay a final dividend of 2.5p per Ordinary Share (2016: 1.95p per Ordinary Share) totalling £4,501,000 (2016: £3,530,000) 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 AGM on 17 May 2018, the final dividend will be paid on 24 May 2018 to shareholders on the register at the close of business on 27 April 2018.

The Company made a capital return after tax of £64,863,000 (2016: £122,002,000). Therefore the total return after tax for the Company was £70,007,000 (2016: £125,922,000).

Dividend Policy

The Directors typically expect the Company to generate returns in the form of capital gains rather than revenue. In order to meet the Investment Trust requirements, the Company intends to pay dividends on an annual basis by way of a final dividend, with the dividend paid following approval at the Annual General Meeting each year. It is the Board's policy to pay out substantially all of the Company's revenue reserves.

In accordance with regulation 19 of the investment trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15 per cent. of its income (as calculated for UK tax purposes) in respect of an accounting period. Dividends are expected to be financed from the Company's revenue reserves.

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 1 and 2 incorporates a review of the highlights during the year. The Manager's Report on pages 3 and 4 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 NAV

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 8). 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 2017	3 years to 31 December 2017	5 years to 31 December 2017	10 years to 31 December 2017
NAV of the Company[1,2]	16.4%	69.4%	131.0%	132.7%
Share price of the Company[1,2]	18.7%	72.6%	160.7%	116.3%
MSCI ACWI[2]	13.2%	50.5%	100.7%	131.8%
FTSE ET100/ FTSE ET50[2,3]	20.2%	53.8%	127.2%	18.3%

Note: Index numbers are net total returns for the MCSI ACWI index and total returns for the FTSE indices, in all cases in sterling terms.

1. These are considered to be APMs.

2. Total return.

3. FTSE ET50 data until 31 December 2013 and then FTSE ET100 thereafter.

Discount

The Company's shares traded at an average discount to NAV of 10.9% during the year ended 31 December 2017 and within a range of 5% to 14%. The year end discount to NAV was 8.9%.

Ongoing charges

Based on the Company's average net assets during the year ended 31 December 2017, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 1.05% (2016: 1.13%).

Principal risks and uncertainties

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

(i) Market risks

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

The Company invests in companies with small market capitalisations, which are likely to be subject to higher valuation uncertainties and liquidity risks than larger capitalisation securities. The Company also invests in unquoted securities which generally have greater 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 59 quoted companies and also held 4 unquoted companies of which 3 were valued at nil.

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 controls risk

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 performance of the Manager, the performance of administrative, registration, custodial and banking services, and the failure of information technology systems used by external agencies. These risk areas could lead to the loss or impairment 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 16 to 19.

(iv) Cyber security risks

Cyber security risks could potentially lead to breaches of confidentiality, data records being compromised and the inability to make investment decisions. The underlying risks primarily exist in the third party service providers to whom the Company has outsourced its depositary, registration, administration and investment management activities.

Risk mitigation

The Company's key service providers report periodically to the Board on their procedures to mitigate cyber security risks including their alignment with industry standards. The Board also meets with its service providers on a periodic basis.

(v) 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.

(vi) 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.

(vii) 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 2019. The directors have assessed the viability of the Company for the period to 31 December 2022. The Board believes that the period, being approximately five years, is an appropriate time horizon over which to access the viability of the Company, particularly when taking into account the long-term nature of the Company's investment strategy, the principal risks outlined above and it's gearing. Based on this assessment, the directors have a reasonable expectation that the Company will be able to continue to operate and to meet its liabilities as they fall due over the period to 31 December 2022.

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 and as the company grows the annual ongoing charges ratio is expected to decrease. 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 of their assessment. 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 2017 the Company had five directors, of whom two are male and three are female. The Board's policy on diversity is contained in the corporate governance report (see page 18).

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 2.

Strategic Report

The Strategic Report set out on pages 1 to 12 of this Annual Report was approved by the Board of Directors on 28 March 2018.

For and on behalf of the Board

Julia Le Blan

Director

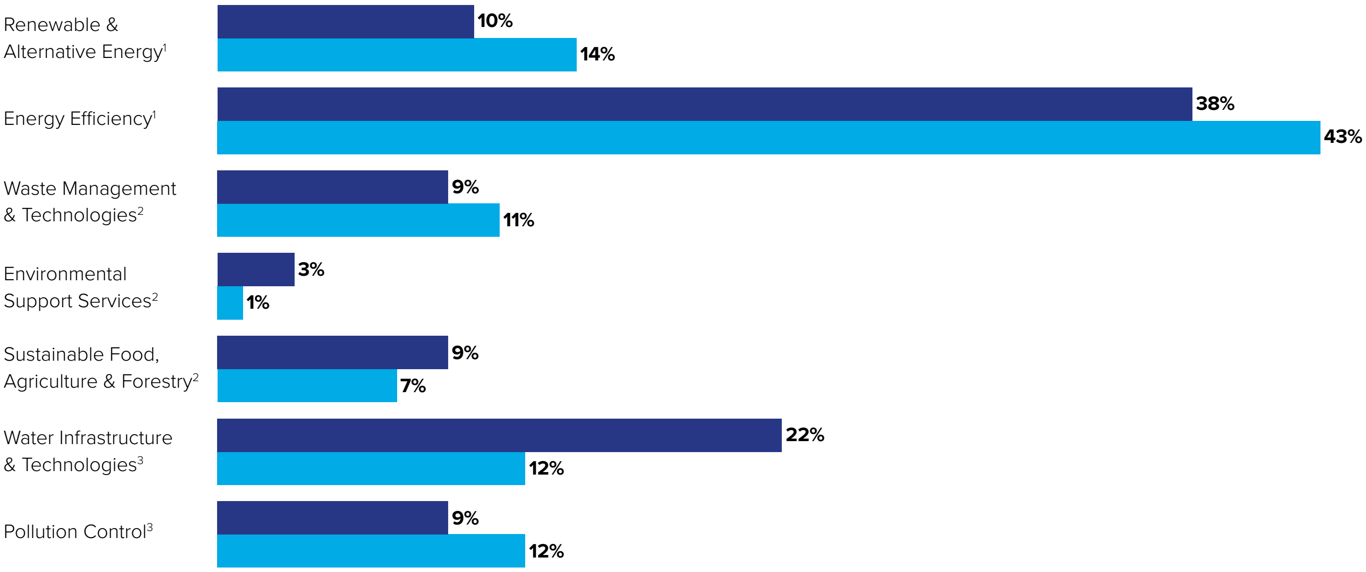
28 March 2018

Structure of the Portfolio

As at 31 December 2017

Breakdown by environmental markets classification system

- IEM plc
- FTSE ET100 Index

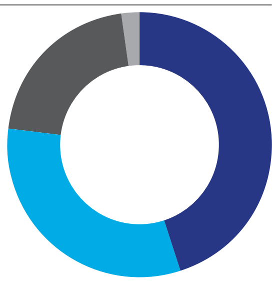


Investment policy classification

1. Alternative Energy and Energy Efficiency
2. Waste Technologies and Resource Management
3. Water Treatment and Pollution Control

Breakdown by region

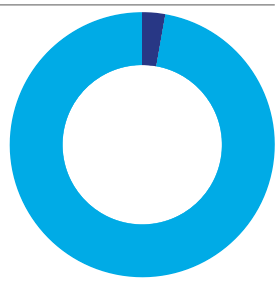
- North America: **45%**
- Europe: **32%**
- Asia Pacific: **21%**
- Rest of World: **2%**



Breakdown by company profitability[1]

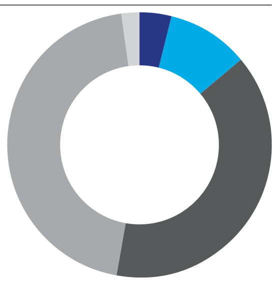
- Unprofitable (including unquoted): **3%**
- Profitable: **97%**

1. based on next 12 months' earnings' estimates



Breakdown by market capitalisation

- Less than US$500m: **4%**
- US$500m-2bn: **10%**
- US$2bn-5bn: **39%**
- More than US$5bn: **45%**
- Unquoted: **2%**



Ten Largest Investments

As at 31 December 2017

1 **Brambles – Australia**
3.0% of net assets (2016: 2.1%)

Brambles is an Australian logistics solutions company that focuses on outsourced management of reusable pallets, crates and containers, predominantly for supermarket and food supply chains. It has six main business segments – American pallets, European pallets, Asia-Pacific pallets, reusable plastic crates, containers, and a corporate division. It is the undisputed global leader in the pallet and container pooling business, with over 850 service centres and a dominant market share in most global markets, which gives scale benefits and creates significant barriers of entry to competitors. The company has made good acquisitions in recent years and has identified Asia as a growth area.

www.brambles.com

2 **EDP Renovaveis – Portugal**
3.0% of net assets (2016: 2.6%)

EDP Renovaveis is a global wind farm operator with over 10GW of capacity spread over 11 countries in Europe and the US, where it is the third-largest operator. The company creates significant value by developing projects, managing construction and then owning and operating the assets. In addition, the company also creates value by selling selective assets to 'yieldcos', and recycling proceeds into new projects.

www.edpr.com

3 **Zhuzhou CRRC Times Electric – Hong Kong**
2.7% of net assets (2016: 1.1%)

Zhuzhou CRRC Times Electric provides propulsion and control systems for high speed trains, electrical multiple units (rail cars or carriages that are self-powered using electric motors), mass transit, electric, and diesel locomotives. It also develops and makes other electric components for the railway industry. Zhuzhou's services are distributed domestically, which is the company's main focus, and to select overseas markets. It is the market leader in high speed rail in China, and benefits from strong support from its parent, CRRC (China Railway Rolling Stock Corporation). Zhuzhou likewise benefits from the upward trend in rail-related infrastructure investment in China.

4 **Arcadis – Netherlands**
2.7% of net assets (2016: 1.8%)

Arcadis is a leading global design and consultancy firm for natural and built environments. From its original base in the Netherlands it has developed a global presence with good geographical balance, employing 27,000 people in over 70 countries. The company has strong market positions and a well-diversified business regionally, by industry, and in terms of its balance of public and private sector clients. In recent years, Arcadis has struggled against multiple headwinds, but with a strong underlying franchise, improving markets, and new management, it is well positioned for a resumption in growth.

www.arcadis.com

5 **Generac Holdings – United States**
2.6% of net assets (2016: 1.6%)

Generac Holdings is leading designer and manufacturer of standby and portable generators for the residential, commercial and industrial markets. Following years of underinvestment in grid infrastructure, there are an increasing number of power disruptions, and Generac is well positioned to benefit as a provider of uninterruptible power sources. The company has an estimated 70% share in the North American residential standby generator market, and an established distribution network that is difficult for competitors to replicate. A more active Atlantic Coast hurricane season provides a tailwind for the residential business, while the commercial and industrial business should benefit from rising demand, growth in the rental channel, and improving margins.

6 **Xylem – United States**
2.5% of net assets (2016: 2.4%)

Xylem is a leading global water technology provider, enabling customers to transport, treat, test, and efficiently use water in public utility, residential and commercial building services, and industrial and agricultural settings. It has a compelling long-term growth profile, driven by factors such as increasing urbanisation and regulatory focus on water quality.

www.xyleminc.com

7 **TOMRA Systems – Norway**
2.5% of net assets (2016: 1.9%)

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, which provides some balance against the more cyclical metals recycling market. The company is set to benefit from increased scrutiny over plastic pollution and the consequent government response.

www.tomra.com

8 **Advantech – Taiwan**
2.4% of net assets (2016: 2.1%)

Advantech is a leading brand in industrial computers and controls, embedded automation computers and industrial connectivity infrastructure with data analytics capabilities. The company's products are used to improve efficiency across industrial processes, enable remote asset tracking, and optimise equipment operation. Advantech has a diversified revenue base across geographies and strong domain expertise. As industrial companies are stepping up investment, Advantech can benefit from strong demand for 'Internet of things'-related hardware such as sensors, network communication modules and industrial computers, as well as associated software.

www.advantech.com

9 **Umicore – Belgium**
2.3% of net assets (2016: nil%)

Umicore supplies cathode materials for batteries used in consumer devices and electric vehicles, operates the world's largest, most flexible and profitable precious and specialty metals recycling business, and is a global co-leader in emission control catalysts for gasoline and diesel vehicles. The company has a market share of approximately 20% in the auto battery material market and enjoys a long history and technological expertise in the cathode material market. Recently, Umicore announced significant capacity expansion plans in cathode materials, which should allow it to benefit from the growing penetration of electric vehicles. The company has better access to raw materials than most rivals via its sourcing networks and recycling activities, and has implemented an industry-leading framework for ethical sourcing of controversial commodities, such as cobalt.

www.umicore.com

10 **Power Integrations – United States**
2.2% of net assets (2016: 2.4%)

Power Integrations supplies high-performance electronic components for use in high-voltage power conversion systems. Its products are used in compact, energy-efficient AC-DC power supplies for a vast range of electronic products, including mobile devices, TVs, PCs, appliances, smart utility meters and LED lights. Its products also enhance the efficiency, reliability and cost of high power applications, such as industrial motor drives, solar and wind energy systems, electric vehicles and high-voltage DC transmission. The company continues to deliver above-industry growth, and is diversified across four end markets.

www.power.com

Details of Individual Holdings

As at 31 December 2017 Company	Sector	Country of main listing	Current value £'000	% of net assets
Brambles	Waste Management & Technologies	Australia	15,416	3.0
EDP Renovaveis	Renewable & Alternative Energy	Portugal	15,046	3.0
Zhuzhou CRRC Times Electric	Energy Efficiency	Hong Kong	13,603	2.7
Arcadis	Environmental Support Services	Netherlands	13,552	2.7
Generac Holdings	Energy Efficiency	United States	13,083	2.6
Xylem	Water Infrastructure & Technologies	United States	12,878	2.5
Tomra Systems	Waste Management & Technologies	Norway	12,689	2.5
Advantech	Energy Efficiency	Taiwan	12,232	2.4
Umicore	Pollution Control	Belgium	11,830	2.3
Power Integrations	Energy Efficiency	United States	11,365	2.2
American Water Works	Water Infrastructure & Technologies	United States	11,316	2.2
Philips Lighting	Energy Efficiency	Netherlands	10,999	2.2
Watts Water Technologies	Water Infrastructure & Technologies	United States	10,900	2.2
Acuity Brands	Energy Efficiency	United States	10,563	2.1
Smith (A. O.)	Energy Efficiency	United States	10,470	2.1
Clean Harbors	Waste Management & Technologies	United States	10,468	2.1
Ormat Technologies	Renewable & Alternative Energy	United States	10,443	2.1
LEM Holding	Energy Efficiency	Switzerland	10,268	2.0
Beijing Enterprises Water Group	Water Infrastructure & Technologies	Hong Kong	10,198	2.0
Thermax	Energy Efficiency	India	10,180	2.0
Coway	Water Infrastructure & Technologies	South Korea	10,150	2.0
Horiba	Pollution Control	Japan	10,046	2.0
Sensata Technologies Holding	Energy Efficiency	United States	9,963	2.0
Ensyn (unquoted)	Renewable & Alternative Energy	Unlisted	9,911	2.0
Smith (DS)	Waste Management & Technologies	United Kingdom	9,771	1.9
Top twenty five holdings			**287,340**	**56.8**
Other holdings			236,965	46.6
Other unquoted holdings (see below)			–	–
Total holdings in companies			**524,305**	**103.4**
Cash			13,054	2.6
Other net liabilities			(30,452)	(6.0)
Total net assets			**506,907**	**100.0**

All the above holdings are quoted unless otherwise stated.

As at 31 December 2017, the Company held the following investments in unquoted companies:

Company	Current value £'000	% of total net assets
Ensyn	9,911	2.0%
Emergya Wind Technologies	–	0%
New Earth Recycling & Renewable	–	0%
Pelamis Wave Power	–	0%

The Board

Aine Kelly Julia Le Blan John Scott William Rickett Vicky Hastings

The directors present their report and accounts for the year ended 31 December 2017.

Strategic report

The Directors' Report should be read in conjunction with the Strategic Report on pages 1 to 12.

Corporate governance

The Corporate Governance Statement on pages 16 to 19 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 2017.

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 and was appointed as the AIFM for the Company.

The AIFM must ensure that an annual report containing certain information on the Company is made available to investors for each financial year. The investment funds sourcebook of the FCA (the 'Sourcebook') details the requirements of the annual report. All the information required by those rules is included in this Annual Report or will be made available 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 2017. 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 (see glossary on page 48). 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 2017	103%	106%

Share issues

The authority to issue new shares for cash granted at the AGM held on 17 May 2017 will expire at the conclusion of the forthcoming AGM.

The Board recommends that the Company be granted a new authority to issue up to a maximum of 17,985,920 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 AGM. The maximum number of Ordinary Shares which can be admitted to trading on the London Stock Exchange without the publication of a prospectus is 20% of the Ordinary Share Capital on a rolling previous 12 month basis at the time of admission of the shares.

Treasury shares

The Companies Act allows companies to hold shares acquired by way of market purchases as treasury shares, rather than having to cancel them. This would give the Company the ability to re-issue Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. No Ordinary Shares will be sold from treasury at a price less than the (cum income) Net Asset Value per existing Ordinary Share at the time of their sale unless they are first offered pro rata to existing Shareholders. At the period end and currently, 45,698,109 shares are held in Treasury (representing 20.2% of the issued share capital of the Company at 31 December 2017).

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 makes 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 2017 the Company purchased 11,083,249 of its own Ordinary Shares for cancellation. Since the year end, no Ordinary Shares have been bought back.

The authority for the Company to purchase its own shares granted by the AGM held on 17 May 2018 will expire at the conclusion of the forthcoming AGM. The directors recommend that a new authority to purchase up to 26,987,882 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 AGM are purchased) be granted and a resolution to that effect will be put to the AGM.

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 (representing 20.2% of the issued share capital of the Company at 31 December 2017).

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 AGM 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 AGM to be held in May 2019. In the event that such a resolution is not passed, the directors are required to draw up proposals for Shareholders' approval for the voluntary liquidation or unitisation or other reorganisation of the Company, which would require a special resolution of Shareholders.

Market information

The Company's share capital is listed on the London Stock Exchange. The 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 2017, the facility was fully drawn down and the Company's loans outstanding totalled, in aggregate, £29.4 million. Loans have been drawn down in GBP 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

Under the 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') has been appointed as the Company's Investment Manager ('Manager').

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

With effect from 1 October 2017, the Manager is entitled to remuneration each month at a rate equivalent to one twelfth of 0.9 per cent on the Company's net assets up to and including the first £475 million and 0.65 per cent on net assets in excess of £475 million.

Prior to 1 October 2017, the Manager was 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 up to £300 million; plus one twelfth of 0.825 per cent on the net assets in excess of £300 million up to £400 million; plus one twelfth of 0.8 per cent on net assets in excess of £400 million.

Management engagement

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

Company Secretary and administrator

PraxisIFM Fund Services (UK) Limited has been appointed to provide company secretarial and administration services to the Company.

Capital structure and voting rights

At the year end the Company's issued share capital comprised 225,737,355 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 not purchased any 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 2017, the following shareholdings comprising 3 per cent or more of the issued share capital (excluding Treasury Shares) of the Company:

	Holding	%
Rathbone Brothers plc	15,286,152	8.5%
East Riding of Yorkshire Council	14,928,368	8.3%
Church Commissioners for England	13,551,666	7.5%
Kames Capital plc	10,303,548	5.7%

There are no 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 15 in the notice to the AGM is required to reflect the requirements of the Shareholder Rights Directive. The regulations in this Directive for the notice period for general meetings is 21 days. The Company is currently able to call General Meetings, other than an AGM, 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 15 seeks such approval. The approval would be effective until the Company's next AGM, 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.

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 2017, the Company held £13.1 million in cash and £514.4 million in quoted investments. It is estimated that approximately 88.7% by value of the quoted investments held at the year end could be realised in one month under normal market conditions. The total ongoing expenses (excluding taxation and finance costs) for the year ended 31 December 2017 were £5.1 million, which represented approximately 1.05% 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 audited net assets at 31 December 2017 were £507.0 million.

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 AGM.

By order of the Board

Anthony Lee

For and on behalf of

PraxisIFM Fund Services (UK) Limited
Company Secretary

28 March 2018

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 2016 (the 'UK Code'), as issued by the Financial Reporting Council ('FRC'). The UK Code can be viewed on the FRC's website.

The related AIC Corporate Governance Guide for Investment Companies issued in February 2016 (the 'AIC Guide') provides specific corporate governance guidelines to investment trusts. The FRC has confirmed that AIC member companies who follow and report against the AIC Code of Corporate Governance ('AIC Code') will be meeting their obligations in relation to the UK Code. The AIC Code can be viewed on the AIC's website.

The Board has considered the principles and recommendations of the AIC Code by reference to the 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 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 (provision A2.1)
- the need for an internal audit function (provision C3.6)
- executive directors' remuneration (section D)

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 five 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. Miss Kelly was appointed on 15 November 2016. Mr Scott was appointed as Chairman of the Company on 21 May 2015. Mrs Le Blan has been appointed as the Board's Senior Independent Director and as Chairman of the Audit Committee.

The Board believes that during the year ended 31 December 2017 its composition was appropriate for an investment company of the Company's nature and size. All of the directors are independent of the Manager and 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 (non-executive director and Chairman)

Mr Scott is a former investment banker who spent 20 years with Lazard Brothers and is currently a director of several investment trusts. He was Chairman of Scottish Mortgage Investment Trust between 2010 and 2017 and is currently Chairman of Jupiter Emerging and Frontiers Income Trust and of the Lloyd's members' agency Alpha Insurance Analysts.

He is currently a director of CC Japan Income & Growth Trust and of the Guernsey-based Bluefield Solar Income Fund.

Vicky Hastings (non-executive director)

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 The Edinburgh Investment Trust plc, Moorfields Eye Charity and JPMorgan Asset Management (UK) Ltd and JPMorgan Asset Management International Ltd.

Julia Le Blan (non-executive director, Senior Independent Director and Audit Committee Chairman)

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. Julia is a non-executive director of JPMorgan US Smaller Companies Investment Trust plc, F&C UK High Income Trust plc, Aberforth Smaller Companies Trust plc and The Biotech Growth Trust plc.

Aine Kelly (non-executive director)
Miss Kelly is an Independent Impact Consultant, working primarily as a retained Consultant on The Impact Management Project. She is a member of QBE's Classification of Social Investment Committee. Aine worked as Head of Financial Sector and Investor Engagement at Big Society Capital from 2013-2016 and spent the previous 4 years at Barclays Wealth as a Private Banker working with High Net Worth and Key Clients. Prior to that she worked 16 years in investment banking at Kleinwort Benson, JP Morgan and Citigroup. Aine has a wide experience of introducing new investment opportunities to investors and has covered UK, European and Asian equity markets. Aine has worked in London, New York and Zurich and is currently based in Ireland.

William Rickett, C.B. (non-executive director)
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 and 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 on page 17.

The directors have appointment letters which do not provide for any specific term. Copies of the directors' appointment letters are available on request from the Company Secretary. Upon joining the Board, any new director will 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 23 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. Mrs Le Blan is the Chairman of the Audit Committee.

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 Directors' Remuneration Report is included on page 21 of these financial statements.

Management Engagement Committee

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

Nominations Committee

All of the directors are members and Mr Scott is the Chairman 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 also chairs the Nominations Committee.

Each Committee has adopted formal terms of reference, which are reviewed at least annually, and copies of these are available on the Company's website or on request from the Company Secretary.

Meeting attendance

	Quarterly Board	Other Board	Audit Committee	Remuneration Committee	Management Engagement Committee
Number of meetings held	4	2	2	1	2
John Scott	4	2	2	1	2
Vicky Hastings	4	2	2	1	2
Aine Kelly	4	2	2	1	2
Julia Le Blan	4	2	2	1	2
William Rickett	4	2	2	1	2

In addition, a Board strategy meeting was held and there were also committee meetings to deal with administrative matters and the formal approval of documents. No meetings of the Nominations Committee were held during the year ended 31 December 2017.

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

Performance appraisal
A formal annual performance appraisal process is performed on the Board, the committees, the individual directors and the Company's main service providers. The performance appraisal was managed by an external provider, Lintstock Limited.

A formal annual performance appraisal process is performed on the Board, the committees, the individual Directors and the Company's main service providers. 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 Senior Independent Director reported back the results to the Chairman. The results of the most recent performance evaluation were positive and demonstrated that the directors showed the necessary commitment for the effective 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
These are detailed in the Report of the Audit Committee.

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.

The contacts with the Manager and the Administrator enable 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 are set out in the Strategic Report.

Shareholder relations

The Board encourages all shareholders to attend the AGM 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

The remuneration policy must be put forward for shareholder approval at a maximum interval of three years. The remuneration policy was last approved by shareholders at the AGM held on 19 May 2015. Accordingly, the remuneration policy of the Company will be put forward for approval by Shareholders at the AGM to be held on 17 May 2018. Subject to approval, the provisions set out in this policy apply until they are next submitted for shareholder approval. 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. 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.

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 by the Board within the limits set out in the Company's Articles of Association or as amended by on ordinary resolution of shareholders 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 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.

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

The remuneration policy is effective from the date of approval by shareholders.

Current and future policy

Component	Director	Purpose of reward	Operation
Annual fee	Chairman of the Board	For services as Chairman of a plc	Determined by the Board
Annual fee	Other directors	For services as non-executive directors of a plc	Determined by the Board
Additional fee	Chairman of the Audit Committee	For additional responsibility and time commitment	Determined by the Board
Expenses	All directors	Reimbursement of expenses incurred in the performance of duties	Submission of appropriate supporting documentation

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 AGM.

The Directors' Remuneration Report is put forward for approval by shareholders on an annual basis. The result of the shareholder resolution on the 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 shown on page 26.

Remuneration Committee

The Company currently has five non-executive directors.

With effect from 1 April 2017, annual directors' fees were payable at £34,500 for the Chairman, £23,000 to the other directors of the Company with an additional annual amount of £5,000 payable to the Chairman of the Audit Committee. Prior to this, annual directors' fees were paid at £33,000 for the Chairman, £22,000 to the other directors of the Company with an additional annual amount of £4,500 paid to the Chairman of the Audit Committee.

Following the year end, a review has been performed and the Remuneration Committee has recommended, and the Board has approved, that, with effect from 1 April 2018, annual directors' fees will be increased to £35,250 for the Chairman, £23,500 to the directors of the Company with an additional amount of £5,125 payable to the Chairman of the Audit Committee.

The Remuneration Committee believes that these fees appropriately reflect prevailing market rates for an investment trust of the Company's complexity and size, and will also enable the Company to attract appropriately experienced additional directors in the future.

The Remuneration Committee comprises the whole Board. Further detail on the duties of the Remuneration Committee can be found in the Corporate Governance statement on page 17.

The maximum level of fees payable, in aggregate, to the directors of the Company is currently £150,000 per annum. An Ordinary Resolution will be put forward for approval by shareholders at the forthcoming AGM to increase the maximum fees the directors can receive to £200,000.

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. They are subject to re-election by shareholders at a maximum interval of three years although, as good governance, submit themselves for annual re-election. 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.

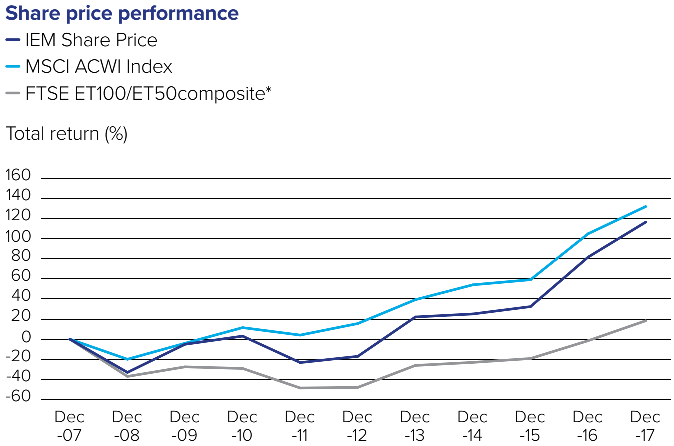
Director search and selection fees

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.

Share price performance



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

Directors' emoluments for the year (Audited)

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

	Fees and taxable benefits 2017 £'000	Fees and taxable benefits 2016 £'000
John Scott	34	33
Julia Le Blan	28	27
Aine Kelly	24	3
Vicky Hastings	23	22
William Rickett	23	22
	132	**107**

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 were paid to third parties.

A non-binding ordinary resolution to approve the Directors' Remuneration Report contained in the Annual Report for the year ended 31 December 2016 was put forward at the AGM held on 19 May 2017. 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 AGM held on 19 May 2015. The resolution was passed with proxies representing 99.99% of the shares voted being in favour of the resolution.

The Directors' Remuneration Policy set out on page 20 of this Annual Report will be put forward for approval at the AGM to be held on 17 May 2018. The Company has no employees. Therefore, the process of consulting with employees on the setting of the remuneration policy is not applicable.

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.

	2017 £'000	2016 £'000	Difference £'000
Income receivable	8,265	6,360	1,905
Spend on Directors' fees	132	107	25
Management fees and other expenses	5,089	4,552	537
Share buybacks	24,825	29,392	(4,567)
Dividends paid to shareholders	3,530	2,874	656

The disclosure of the information in the table above is required under The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 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 2017 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 2017	Ordinary Shares At 1 January 2017
John Scott	84,012	35,087
Julia Le Blan	14,907	14,907
Aine Kelly	10,000	N/A
Vicky Hastings	19,500	19,500
William Rickett	5,000	5,000

There have been no purchases of shares by any of the Directors since the year end.

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 Remuneration Report and Remuneration Policy summarises, as applicable, for the year to 31 December 2017:

(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

28 March 2018

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 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 two Audit Committee meetings during the year ended 31 December 2017. All Directors attended both meetings.

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. The Audit Committee received control reports from the Company's Depository, Administrator and Registrar which contain reporting accountant's reports.

The Statement of Directors' Responsibilities in respect of the accounts is on page 25 and a Statement of Going Concern is on page 15. The Report of the Independent Auditor is on pages 26 to 31.

Financial statements and significant accounting matters

The Audit Committee reviewed the financial statements and considered the following significant accounting issues in relation to the Company's financial statements for the year ended 31 December 2017;

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 15.

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 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's business model, strategy and performance. The Audit Committee has reported its conclusions to the Board of directors. The Audit Committee reached this conclusion through a process of review of the document and enquiries to the various parties involved in the production of the annual report.

Audit tender

Ernst & Young LLP has been appointed as external auditor to the Company since its launch in February 2002. In line with good corporate governance practice, a tender of the audit was conducted during the financial year ended 31 December 2013. The incumbent auditor and two other firms were invited to participate in the tender. The Audit Committee concluded that the continuing appointment of Ernst & Young LLP was in the best interests of the Company.

Effectiveness of external audit

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

Provision of non-audit services

The Audit Committee has put a policy in place on the supply of any non-audit services provided by the external auditor. Such services are considered on a case-by-case basis and may only be provided to the Company if the provision of such services is at a reasonable and competitive cost and does not constitute a conflict of interest or potential conflict of interest which would prevent the auditor from remaining objective and independent. No non-audit services were provided by the auditor during the year.

Julia Le Blan

Audit Committee Chairman

28 March 2018

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, including FRS 102 The Financial Reporting Standard and applicable in the UK and the Republic of Ireland. 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

Julia Le Blan

Director

28 March 2018

Independent Auditor's Report to the members of Impax Environmental Markets plc

Opinion

We have audited the financial statements of Impax Environmental Markets Plc ('the Company') for the year ended 31 December 2017 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 17, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 8 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 18 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 directors' statement set out on page 15 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;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 9 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.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment. • Incorrect valuation and existence of the investment portfolio
Materiality	• We determined materiality of the Company to be £5.1m (2016: £4.6m), which is 1% of the net assets.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate income recognition through failure to recognise proper income entitlements or to apply the appropriate accounting treatment for recognition of income *Refer to the Audit Committee Report (page 23; the accounting policies (page 36) and the notes to the financial statements (note 3)* The investment income receivable by the Company during the year directly affects the Company's ability to make a dividend payment to shareholders. The income receivable for the year to 31 December 2017 was £8.3m (2016: £6.4m). Included within the dividend income figure above were special dividends totalling £0.4m (2016: £nil) all of which were recognised within revenue. Given the manual and judgmental element in allocating special dividends between revenue and capital, we considered there to be a fraud risk in accordance with Auditing Standards in this area of our audit.	**We performed the following procedures:** • Obtained an understanding of Impax Asset Management Limited (the 'Manager') and the Administrator's processes and controls surrounding revenue recognition and the allocation of special dividends and performed a walkthrough to evaluate the design effectiveness of controls. • Reviewed the acquisition and disposal report to identify special dividends greater than our testing threshold (set at 25% of our revenue tolerable threshold) received in the year. • Reviewed the treatment of all special dividends from the income report and those from the acquisition and disposal report greater than our testing threshold, based on the underlying motives and circumstances for the payment, and considered the treatment of the classification of these dividends as either revenue or capital that was adopted by the directors. • Tested the appropriateness of journal entries and other adjustments made in respect of the recording and processing of special dividends. • Agreed a sample of dividends from the income report to an independent source and to bank statements. • Agreed the exchange rate used to book income on foreign dividends to an independent source. • To test for completeness, we agreed a sample of dividends declared by investee companies from an independent source to the income report. • Agreed 100% of accrued dividends to an independent source to assess whether the ex-dividend date was prior to the year-end and agreed the cash received to post year-end bank statements, where possible.	We have no matters to communicate with respect to our assessment of the Manager's and Administrator's processes and controls surrounding revenue recognition and the allocation of special dividends. We noted no issues in agreeing the accounting treatment adopted with respect to special dividend receipts above our testing threshold that we reviewed. We noted no inappropriate journal entries or other adjustments made in respect of the recording and processing of special dividends. We noted no issues in agreeing the sample of dividend receipts to an independent source, recalculating these amounts, agreeing the exchange rate used on foreign dividends, and agreeing them to the bank statements. We noted no issues in agreeing the sample of investee Company announcements to the income entitlements recorded by the Company. We noted no issues in recalculating the accrued dividends, agreeing the rate to Company announcements, agreeing, where possible, to post year end bank statements and confirming that the income obligation arose prior to 31 December 2017.

Independent Auditor's Report to the members of Impax Environmental Markets plc continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incorrect valuation and existence of the investment portfolio *Refer to the Audit Committee Report (page 23); the accounting policies (page 36) and the notes to the financial statements (note 2)* The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. As at 31 December 2017, the Company's total investment portfolio was £524.3m (2016: £483.4m) made up of investments in quoted companies of £514.4m (2016: £472.5m) and an unquoted investment of £9.9m (2016: £10.9m). The unquoted investments consisted of three investments of which two are valued at £nil and one, Ensyn Corporation, is valued at \$35 per share (2016: \$35 per share) with a total sterling value of £9.9m (2016: £10.8m). Incorrect asset pricing or a failure to maintain proper legal title of the investments held by the Company could have an impact on the portfolio valuation and, therefore, the return generated for Shareholders.	**We performed the following procedures:** • Obtained an understanding of the Manager's and the Administrator's systems and controls in relation to the valuation and existence of the investment portfolio. • Engaged our EY valuation specialist team to assist us in reviewing the basis for determining the fair value of the unquoted investment and considered the appropriateness of the valuation methodology. • Agreed inputs into the valuation models to source documentation and reperformed the calculations prepared by management in order to confirm their arithmetical accuracy. • Reviewed the applied methodologies on the valuation of unquoted investment to confirm it is consistent with FRS 102 fair valuation principles. • Agreed 100% of the quoted investment prices and exchange rates used to an independent source. • Reviewed pricing exception reports and investigated any discrepancies. • For a 100% of the investment portfolio, confirmed the accuracy of the calculation of the unrealised gains/(losses) incurred on the investment portfolio. • Obtained an independent confirmation from BNP Paribas Securities Services (the 'Depositary' and 'Custodian') of all the investments held at the year-end and agreed 100% of the investment holdings from the Company's records to the holdings per the confirmation. • To test for completeness, we checked that all investments listed on the confirmation were included in the Company's records.	We have no matters to communicate with respect to our assessment of the Manager's and Administrator's processes and controls surrounding the valuation and existence of the investment portfolio. We noted no issues in the valuation of the unquoted investment or in the appropriateness of the valuation methodology. We noted no issues in agreeing inputs into the valuation models to source documentation or in reperforming the calculations prepared by management to confirm their arithmetical accuracy. We have no matters to communicate with respect to the consistency of the applied methodologies with FRS 102 fair valuation principles. For all investments, we noted no differences in market value or exchange rates when compared to an independent source in excess of our reporting threshold. We noted no issues with our review of pricing exception and stale pricing reports. For all investment, we noted no issues in the accuracy of the calculation of the unrealised gains/(losses) incurred on the investment portfolio. We noted no differences between the Custodian and Depositary confirmations and the Company's underlying financial records. We noted no issues in the completion of investments included on the Company's records.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. 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 controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

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 planning materiality for the Company to be £5.1m (2016: £4.7m), which is 1% (2016: 1%) of net assets as at 31 December 2017. We believe that net assets are the most important financial metric on which shareholders would judge the performance of the Company and, accordingly, consider this to be an appropriate metric to determine materiality.

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% (2016: 75%) of our planning materiality, namely £3.8m (2016: £3.6m). We have set performance materiality at this percentage based on our understanding of the control environment that indicates a lower risk of material misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate tolerable threshold of £0.3m (2016: £0.2m) for the revenue column of the Statement of Comprehensive Income, being 5% of profit before taxation.

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 £0.3m (2016: £0.2m), 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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 25** – the statement given by the directors that they consider 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, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit committee reporting set out on page 23** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 16** – the parts of the directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Independent Auditor's Report to the members of Impax Environmental Markets plc continued

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 25, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are the Companies Act 2006, the Listing Rules, the UK Corporate Governance Code and section 1158 of the Corporation Tax Act 2010.
- We understood how the Company is complying with those frameworks through discussions with the Audit Committee and Company Secretary and review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified a fraud risk with respect to incomplete or inaccurate revenue recognition relating to the recognition of special dividends. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the Directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the Company.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed as auditors by the Board of Directors for the year 1 January 2002 to 31 December 2002 and subsequent years. Subsequent to Audit tendering for the year ended 31 December 2013, EY was appointed as the auditor.
- Our total period of uninterrupted engagement is 16 years, covering the years ending 31 December 2002 to 31 December 2017.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Sue Dawe (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

28 March 2018

Notes:

1. The maintenance and integrity of the 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

	Notes	Year ended 31 December 2017 Revenue £'000	Capital £'000	Total £'000	Year ended 31 December 2016 Revenue £'000	Capital £'000	Total £'000
Gains on investments	2	–	68,546	68,546	–	125,251	125,251
Income	3	8,265	–	8,265	6,360	–	6,360
Investment management fees	4	(1,083)	(3,248)	(4,331)	(955)	(2,866)	(3,821)
Other expenses	4	(758)	–	(758)	(731)	–	(731)
Return on ordinary activities before finance costs and taxation		**6,424**	**65,298**	**71,722**	**4,674**	**122,385**	**127,059**
Finance costs	6	(144)	(435)	(579)	(128)	(383)	(511)
Return on ordinary activities before taxation		**6,280**	**64,863**	**71,143**	**4,546**	**122,002**	**126,548**
Taxation	7	(1,136)	–	(1,136)	(626)	–	(626)
Return on ordinary activities after taxation		**5,144**	**64,863**	**70,007**	**3,920**	**122,002**	**125,922**
Return per Ordinary Share	8	2.83p	35.63p	38.46p	1.99p	61.91p	63.90p

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 year.

The notes on pages 36 to 46 form part of these financial statements.

Balance Sheet

	Notes	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Fixed assets			
Investments at fair value through profit or loss	2	524,305	483,366
Current assets			
Income receivable		88	97
Sales awaiting settlement		256	–
Taxation recoverable		13	129
Other debtors		18	5
Cash and cash equivalents		13,054	13,099
		13,429	**13,330**
Creditors: amounts falling due within one year			
Purchases awaiting settlement	10	(204)	(414)
Other creditors	10	(1,181)	(593)
		(1,385)	**(1,007)**
Net current assets		**12,044**	**12,323**
Total assets less current liabilities		**536,349**	**495,689**
Creditors: amounts falling due after more than one year			
Bank loan	11	(29,442)	(30,434)
Total net assets		**506,907**	**465,255**
Capital and reserves: equity			
Share capital	12	22,574	23,682
Share premium account		16,035	16,035
Capital redemption reserve		9,877	8,769
Share purchase reserve		95,772	120,597
Capital reserve	13	354,471	289,608
Revenue reserve		8,178	6,564
Shareholders' funds		**506,907**	**465,255**
Net assets per Ordinary Share	14	281.55p	243.43p

Approved by the Board of directors and authorised for issue on 28 March 2018 and signed on their behalf by:

Julia Le Blan

Director

Impax Environmental Market plc incorporated in England with registered number 4348393.

The notes on pages 36 to 46 form part of these financial statements.

Statement of Changes in Equity

For the year ended 31 December 2017	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 2017		**23,682**	**16,035**	**8,769**	**120,597**	**289,608**	**6,564**	**465,255**
Dividends paid	9	–	–	–	–	–	(3,530)	(3,530)
Share buybacks	12	(1,108)	–	1,108	(24,825)	–	–	(24,825)
Profit for the year		–	–	–	–	64,863	5,144	70,007
Closing equity as at 31 December 2017		**22,574**	**16,035**	**9,877**	**95,772**	**354,471**	**8,178**	**506,907**

For the year ended 31 December 2016	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 2016		**25,380**	**16,035**	**7,071**	**149,988**	**167,606**	**5,518**	**371,598**
Dividends paid	9	–	–	–	–	–	(2,874)	(2,874)
Share buybacks	12	(1,698)	–	1,698	(29,391)	–	–	(29,391)
Profit for the year		–	–	–	–	122,002	3,920	125,922
Closing equity as at 31 December 2016		**23,682**	**16,035**	**8,769**	**120,597**	**289,608**	**6,564**	**465,255**

The Company's distributable reserves consist of the Share purchase reserve, Capital reserve and Revenue reserve.

The notes on pages 36 to 46 form part of these financial statements.

Statement of Cash Flows

	Notes	Year ended 31 December 2017 £'000	Year ended 31 December 2016 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation*		71,722	127,059
Less: Tax deducted at source on income from investments		(1,136)	(626)
Foreign exchange non cash flow losses		(169)	(519)
Adjustment for gains on investments	2	(68,546)	(125,251)
Decrease in other debtors		112	327
Increase in other creditors		392	428
Net cash flow from operating activities		**2,375**	**1,418**
Investing activities			
Add: Sale of investments		146,716	131,687
Less: Purchase of investments		(120,748)	(87,844)
Net cash flow used in investing		**25,968**	**43,843**
Financing activities			
Equity dividends paid	9	(3,530)	(2,874)
Movement in bank loan	11	350	(2,353)
Finance costs paid		(383)	(838)
Share buybacks	12	(24,825)	(29,391)
Net cash flow used in financing		**(28,388)**	**(35,456)**
(Decrease)/increase in cash		**(45)**	**9,805**
Opening balance at 1 January		13,099	3,294
Balance at 31 December		**13,054**	**13,099**

* Cash inflow from dividends was £8,164,000 (2016: £6,471,000).

The notes on pages 36 to 46 form part of these 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 ('New UK GAAP') including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the UK's Financial Reporting Council (FRC) in September 2015 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.

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 'at fair value through profit or loss' and are initially recognised on the trade date and measured at fair value in accordance with sections 11 and 12 of FRS 102. 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.

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.

Foreign exchange gains and losses and expenses which are attributable to capital are 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

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the financial reporting date, where transactions or events that result in an obligation to pay more tax in the future or right to pay less tax in the future have occurred at the financial reporting date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the timing differences can be deducted. Deferred tax assets and liabilities are measured at the rates applicable to the legal jurisdictions in which they arise.

1 Accounting policies continued

(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. Monetary assets and liabilities and financial instruments carried at fair value denominated in foreign currency 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 measured at amortised cost. They are initially recorded at the proceeds received net of direct issue costs.

(j) Estimates and assumptions

The preparation of financial statements requires the directors to make estimates and assumptions that affect items reported in the Balance Sheet and Income Statement. Although these estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions, the Company's actual results may ultimately differ from those estimates, possibly significantly.

The assumptions regarding the valuation of unquoted financial instruments are disclosed in note 16.

(k) Dividends payable

Dividends are included in the financial statements on the date on which they are approved by shareholders and are shown in the Statement of Changes in Equity.

2 Investments at fair value through profit and loss

(a) Summary of valuation	2017 £'000	2016 £'000
Analysis of closing balance:		
UK quoted securities	37,320	35,444
Overseas quoted securities	477,074	437,064
Overseas unquoted securities	9,911	10,858
Total investments	**524,305**	**483,366**

(b) Movements during the year		
Opening balance of investments, at cost	337,903	343,512
Additions, at cost	120,538	87,844
Disposals, at cost	(93,110)	(93,453)
Cost of investments at 31 December	**365,331**	**337,903**
Revaluation of investments to fair value:		
Opening balance of capital reserve – investments held	145,463	55,533
Gains on investments held	13,511	89,930
Balance of capital reserve – investments held at 31 December	158,974	145,463
Fair value of investments at 31 December	**524,305**	**483,366**

(c) Gains on investments in year (per Income Statement)		
Gains on disposal of investments	53,862	38,234
Net foreign exchange gain/(loss)	1,173	(2,912)
Movement on valuation of investments held	13,511	89,929
Gains on investments	**68,546**	**125,251**

During the year, the Company incurred transaction costs on purchases totalling in aggregate £122,000 (2016: £153,000) and on disposals totalling in aggregate £103,000 (2016: £163,000). Transaction costs are recorded in the capital column of the Income Statement.

3 Income

	2017 £'000	2016 £'000
Income from investments		
Dividends from UK listed investments	660	611
Dividends from overseas listed investments	7,605	5,749
Total income	**8,265**	**6,360**

4 Fees and expenses

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fees	1,083	3,248	4,331	955	2,866	3,821
Secretary and administrator fees	188	–	188	185	–	185
Depository and custody fees	158	–	158	151	–	151
Directors' fees	132	–	132	107	–	107
Directors' other employment costs	11	–	11	13	–	13
Broker retainer	7	–	7	19	–	19
Auditor's fees	29	–	29	29	–	29
Association of Investment Companies	20	–	20	21	–	21
Registrar's fees	49	–	49	34	–	34
Marketing fees	58	–	58	52	–	52
FCA and listing fees	39	–	39	25	–	25
Other expenses	67	–	67	95	–	95
	758	–	758	731	–	731
Total expenses	**1,841**	**3,248**	**5,089**	**1,686**	**2,866**	**4,552**

5 Directors' fees

Fees payable to the directors effective 1 April 2017 were: £34,500 to the Chairman, £28,000 to the Chairman of the Audit Committee and £23,000 to the other directors. Fees prior to that were £33,000, £26,500 and £22,000 respectively. There were no other emoluments. Employers' National Insurance upon the fees is included as appropriate in directors' other employment costs disclosed in note 4.

Further detail on directors' fees in the year is provided in the Directors' Remuneration Implementation Report on page 21.

6 Finance costs

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest charges	144	435	579	123	365	488
Direct loan costs	–	–	–	5	18	23
Total	**144**	**435**	**579**	**128**	**383**	**511**

7 Taxation

(a) Analysis of charge in the year:

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas taxation	1,136	–	1,136	626	–	626
Taxation	**1,136**	**–**	**1,136**	**626**	**–**	**626**

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

The effective UK corporation tax rate applicable to the Company for the year is 19.25% (2016: 20.00%). The tax charge differs from the charge resulting from applying the standard rate of UK corporation tax for an investment trust company. The standard rate UK corporation tax rate at 31 December 2017 was 19.00% (2016: 20.00%).

The differences are explained below:

	2017 £'000	2016 £'000
Total profit before tax per accounts	71,143	126,548
Corporation tax at 19.25% (2016: 20%)	13,695	25,310
Effects of:		
Non-taxable UK dividend income	(127)	(122)
Non-taxable overseas dividend income	(1,464)	(1,150)
Movement in unutilised management expenses	979	910
Movement on non-trade relationship deficits	112	102
Gains on investments not taxable	(13,195)	(25,050)
Overseas taxation	1,136	626
Total tax charge for the year	**1,136**	**626**

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 £43,587,000 (2016: £37,963,000). 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 17% (2016: 18%) amounts to £7,410,000 (2016: £6,833,000).

8 Return per share

Return per share is based on the net gain on ordinary activities after taxation of £70,007,000 comprising a revenue return of £5,144,000 and a capital return of £64,863,000 (2016: gain of £125,922,000 comprising a revenue return of £3,920,000 and a capital return of £122,002,000) attributable to the weighted average of 182,046,517 (2016: 197,055,871) Ordinary Shares of 10p in issue (excluding Treasury shares) during the year.

9 Dividends

	2017 £'000	2016 £'000
Dividends reflected in the financial statements:		
Final dividend paid for the year ended 31 December 2016 of 1.95p (2015: 1.45p)	3,530	2,874
Dividends not reflected in the financial statements:		
Recommended ordinary dividend for the year ended 31 December 2017 of 2.5p (2016: 1.95p) per share*	4,501	3,540

* If approved at the AGM, the dividend will be paid on 24 May 2018 to shareholders on the register as at the close of business on 27 April 2018.

10 Creditors: Amounts falling due within one year

	2017 £'000	2016 £'000
Finance costs payable	302	106
Other accrued expenses	879	487
Purchases awaiting settlement	204	414
Total	**1,385**	**1,007**

11 Bank loan

	2017 £'000	2016 £'000
Bank loan		
Between two and five years	29,442	30,434

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 2017 loans of US$19,000,000 (2016: US$19,000,000) and £15,392,000 (2016: £15,042,000) 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.

In the opinion of the directors, the fair value of the bank loan is not materially different to its amortised cost.

12 Share capital

	As at 31 December 2017		As at 31 December 2016	
	Number	Authorised, issued and fully paid £'000	Number	Authorised, issued and fully paid £'000
Ordinary Shares of 10p:				
Opening balance	236,820,604	23,682	253,799,129	25,380
Shares bought back in year	(11,083,249)	(1,108)	(16,978,525)	(1,698)
Closing balance	**225,737,355**	**22,574**	**236,820,604**	**23,682**

At the year end 45,698,109 (2016: 45,698,109) of the above Ordinary Shares were held in Treasury. The number of shares in issue (excluding shares held in Treasury) as at 31 December 2017 was 180,039,246 Ordinary Shares (2016: 191,122,495).

Ordinary Share buybacks

During the year, the Company bought back for cancellation 11,083,249 (2016: 16,978,525) Ordinary Shares at an aggregate cost of £24,825,000 (2016: £29,391,000).

Other than in respect of shares held in Treasury there are no restrictions on the transfer of Ordinary Shares, nor are there any limitations or special rights associated with the Ordinary Shares.

13 Capital reserve

Disposal of investments

	2017 £'000	2016 £'000
Opening balance	144,146	112,073
Gains on disposal of investments	53,862	38,234
Net foreign exchange gain/(loss)	1,173	(2,912)
Investment management fees charged to capital	(3,248)	(2,866)
Finance costs charged to capital	(435)	(383)
Balance at 31 December	**195,498**	**144,146**

Investments held

	2017 £'000	2016 £'000
Opening balance	145,462	55,533
Movement on valuation of investments held	13,511	89,929
Balance at 31 December	**158,973**	**145,462**
Capital reserve balance at 31 December	**354,471**	**289,608**

14 Net asset value per Ordinary Share

Net asset value per Ordinary Share is based on net assets of £506,907,000 (2016: £465,255,000) divided by 180,039,246 (2016: 191,122,495) 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 14. Fees payable to the Manager are detailed in note 4 on page 38; the relevant amount outstanding as an accrual at the year end was £371,000 (2016: £354,000). The directors' fees are disclosed in note 5 and the Directors' shareholdings are disclosed in the Directors' Remuneration Implementation Report on page 21.

16 Financial risk management

The principal components of financial risk management cover the areas of market risks, credit risks, liquidity risks and capital management. These metrics are monitored by the AIFM. 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 2017 are detailed in the following table.

16 Financial risk management continued

Currency sensitivity

The below table shows the strengthening/(weakening) of sterling against the local currencies over the financial year for the Company's financial assets and liabilities held at 31 December 2017.

	2017 % change[1]	2016 % change[1]
Australian Dollar	1.2%	(18.2%)
Canadian Dollar	2.0%	(22.7%)
Danish Krone	(3.8%)	(16.2%)
Euro	(3.9%)	(15.8%)
Hong Kong Dollar	10.4%	(19.3%)
Indian Rupee	3.0%	0.0%
Japanese Yen	5.7%	(23.0%)
Korean Won	(3.1%)	(16.3%)
Norwegian Krone	4.0%	(22.5%)
Swedish Krona	(1.4%)	(11.1%)
Swiss Franc	4.8%	(17.3%)
Taiwanese Dollar	0.7%	(22.3%)
Thai Baht	(0.4%)	(20.0%)
US Dollar	9.6%	(19.4%)

1. Percentage change of sterling against local currency from 01 January 2017 to 31 December 2017.

Based on the financial assets and liabilities at 31 December 2017 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 2017 and the Company's net assets at 31 December 2017 would have been as follows:

	2017 Potential effect £'000	2016 Potential effect £'000
Australian Dollar	(1,542)	(997)
Canadian Dollar	(565)	(536)
Danish Krone	(368)	(551)
Euro	(9,677)	(6,950)
Hong Kong Dollar	(3,919)	(2,937)
Indian Rupee	(1,018)	–
Japanese Yen	(1,814)	(2,766)
Korean Won	(1,015)	(933)
Norwegian Krone	(1,269)	(1,628)
Swedish Krona	(855)	(773)
Swiss Franc	(1,027)	(882)
Taiwanese Dollar	(1,223)	(974)
Thai Baht	(705)	(785)
US Dollar	(23,701)	(24,080)
Total	**(48,698)**	**(44,792)**

16 Financial risk management continued

Based on the financial assets and liabilities at 31 December 2017 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 2017 and the Company's net assets at 31 December 2017 would have been as follows:

	2017 Potential effect £'000	2016 Potential effect £'000
Australian Dollar	1,542	997
Canadian Dollar	565	536
Danish Krone	368	551
Euro	9,677	6,950
Hong Kong Dollar	3,919	2,937
Indian Rupee	1,018	–
Japanese Yen	1,814	2,766
Korean Won	1,015	933
Norwegian Krone	1,269	1,628
Swedish Krona	855	773
Swiss Franc	1,027	882
Taiwanese Dollar	1,223	974
Thai Baht	705	785
US Dollar	23,701	24,080
Total	**48,698**	**44,792**

(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 two bank loans in place during the year. The loan interest is based on a variable rate. A change of 25 basis points in interest rates at the reporting date would have increased/(decreased) the profit or loss by the amounts shown below. The analysis assumes that all other variables remain constant:

	Profit or loss	
	25 bps increase	25 bps decrease
31 December 2017		
USD bank loan	(£35,123)	£35,123
GBP bank loan	(£38,480)	£38,480

The interest rate on the loan is typically fixed for a period of 3 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 7.9% over the 10 year period to 31 December 2017. The historic 3-year (annualised) volatility of the Company to 31 December 2017 is 10.5%.

At the year end the Company held investments with an aggregate market value of £524,305,000 (2016: £483,366,000). 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 £52,430,500 (2016: £48,336,600) in the profit after taxation for the year ended 31 December 2017 and the Company's net assets at 31 December 2017.

16 Financial risk management continued

Overall sensitivity

The Manager has used the Bloomberg 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 2017 over 1 day, 5 day, 10 day and 21 day 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 as percentage at limit	
	1 in 20 (95%)	1 in 100 (99%)
1 day return	1.0	1.4
5 day return	2.2	3.1
10 day return	3.1	4.4
21 day return	4.6	6.5

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

• The distribution of share price returns will be the same in the future as they were in the past.

• The portfolio weightings will remain as they were at 31 December 2017.

The above results suggest, for example, that there is a 5% or less chance of the NAV falling by 2.2% or more over a 5 day period. Similarly, there is a 1% or less chance of the NAV falling by 1.4% 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 2017 included £12,859,000 (2016: £3,199,000) held in its bank accounts at the Depositary. The Company also held £195,000 (2016: 9,900,000) 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 custodian 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 £514,394,000 in respect of quoted investments and £13,054,000 in respect of cash on behalf of the Company.

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 2017, 5.2% 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 2017 and the results for different time bands are reported as follows:

Percentage of portfolio by value that could be liquidated in one week	72.7
Percentage of portfolio by value that could be liquidated in one month	88.7
Percentage of portfolio by value that could be liquidated in three months	94.8
Percentage of portfolio by value that could be liquidated in one year	97.6

16 Financial risk management continued

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 £9,911,000 (2016: £10,858,000); these investments have been valued at fair value at the year end. Three of the investments in unquoted companies were valued at £nil.

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

	2017 £'000	2016 £'000
Less than one year	1,385	1,007
Between one and two years*	29,442	–
Between two and five years*	–	30,434
	30,827	**31,441**

*Bank loans.

Classification of financial instruments

FRS 102 requires that the classification of financial instruments be valued by reference to the source of inputs used to derive the fair value. The fair value hierarchy descriptions are listed below:

Level 1

The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3

Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

	2017				2016			
	Level 1 £'000	Level 2* £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2* £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss								
– Quoted	514,394	–	–	514,394	466,921	5,587	–	472,508
– Unquoted	–	–	9,911	9,911	–	–	10,858	10,858
	514,394	**–**	**9,911**	**524,305**	**466,921**	**5,587**	**10,858**	**483,366**

*Level 2 investments detailed above are holdings in quoted companies held through broker participatory notes. As at 31 December 2017 there were no participatory notes held. As at 31 December 2016 the Company held one investment, Thermax (India), through a participatory note.

The valuation of level 3 investments is based on unobservable inputs.

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

	2017 £'000	2016 £'000
Opening balance at 1 January	10,858	9,097
Additions during the year	–	–
Disposals during the year	–	–
Foreign exchange movement	(947)	1,761
Closing balance at 31 December	**9,911**	**10,858**

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. The value of the Company's holding in Ensyn has been valued at a discount to a recent transaction and translated into sterling at 31 December 2017.

16 Financial risk management continued

Financial assets and liabilities

All liabilities carrying amount approximates fair value.

The Company's financial assets and liabilities at 31 December 2017 comprised:

	2017			2016		
	Interest bearing £'000	Non-interest bearing £'000	Total £'000	Interest bearing £'000	Non-interest bearing £'000	Total £'000
Investments						
Australian Dollar	–	15,416	15,416	–	9,965	9,965
Canadian Dollar	–	5,653	5,653	–	5,359	5,359
Danish Krone	–	3,675	3,675	–	5,512	5,512
Euro	–	96,772	96,772	–	69,502	69,502
Hong Kong Dollar	–	39,193	39,193	–	29,371	29,371
Indian Rupee	–	10,180	10,180	–	–	–
Japanese Yen	–	18,141	18,141	–	27,664	27,664
Korean Won	–	10,150	10,150	–	9,330	9,330
Norwegian Krone	–	12,689	12,689	–	16,282	16,282
Sterling	–	37,320	37,320	–	35,444	35,444
Swedish Krona	–	8,554	8,554	–	7,732	7,732
Swiss Franc	–	10,268	10,268	–	8,817	8,817
Taiwanese Dollar	–	12,232	12,232	–	9,743	9,743
Thai Baht	–	7,054	7,054	–	7,846	7,846
US Dollar	–	237,008	237,008	–	240,799	240,799
	–	**524,305**	**524,305**	**–**	**483,366**	**483,366**
Cash at bank						
Floating rate – £ sterling	13,054	–	13,054	13,099	–	13,099
Short term debtors	–	375	375	–	231	231
Short term creditors	–	(1,385)	(1,385)	–	(1,007)	(1,007)
Long term creditors	(29,442)	–	(29,442)	(30,434)	–	(30,434)
	(16,388)	**523,295**	**506,907**	**(17,355)**	**482,590**	**465,255**

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 2017 there were 180,039,246 Ordinary Shares in issue (of these shares 45,698,109 were held in Treasury at the year end). (2016: 236,820,604 Ordinary Shares were in issue of these shares 45,698,109 were held in Treasury.)

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 11,083,249 (2016: 16,978,525) Ordinary Shares during the year.

Use of distributable reserves is disclosed in note 17.

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

17 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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net assets (£ millions)	305	394	453	345	341	386	374	372	465	507
Net asset value per Share[1,2]	99.6p	127.2p	142.7p	117.0p	126.0p	167.9p	169.8p	178.6p	243.4p	281.6p
Share price	85.0p	119.1p	129.8p	95.8p	102.9p	150.0p	152.8p	160.0p	218.0p	256.5p
Premium / (discount)[2,3]	(14.7%)	(6.4%)	(9.0%)	(18.1%)	(18.3%)	(10.7%)	(10.2%)	(10.4%)	(10.4%)	(8.9%)

Year ending 31 December	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net asset value return[2,4]	-22.1%	28.4%	12.6%	-17.2%	8.5%	34.1%	1.7%	6.0%	37.3%	16.4%
MSCI ACWI Index[5]	-20.0%	19.9%	16.2%	-6.7%	11.0%	20.5%	10.6%	3.3%	28.7%	13.2%
FTSE ET100[5,6]	-37.1%	-15.2%	-2.2%	-27.4%	1.2%	44.9%	4.1%	5.0%	21.9%	20.2%
Revenue return per Share	0.9p	0.8p	0.8p	1.0p	0.9p	1.3p	1.5p	1.5p	2.0p	2.8p
Dividends paid	0.3p	0.85p	0.75p	0.75p	0.9p	0.9p	1.2p	1.4p	1.45p	1.95p
Ongoing charges[2,7]	1.17%	1.12%	1.11%	1.11%	1.16%	1.13%	1.12%	1.11%	1.13%	1.05%

Notes

1. Net asset value per Share is measured on a diluted basis in years 2008 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. These are considered to be APMs.
3. Share price premium/(discount) to net asset value.
4. Total return (discrete annual returns) – source: Morningstar up to 2016, Bloomberg 2017.
5. Net total return for MSCI indices and total return for FTSE indices (discrete annual returns).
6. ET5O data up until 31 December 2013 and then ET100 thereafter.
7. Total expense ratio up to and including 2011.

Total returns to 31 December 2017

	NAV[1]	Share price[1]	MSCI ACWI Index	FTSE ET100 Index[2]
1 year	16.4%	18.7%	13.2%	20.2%
2 years	59.8%	63.1%	45.7%	46.5%
3 years	69.4%	72.6%	50.5%	53.8%
4 years	72.3%	76.9%	66.5%	60.1%
5 years	131.0%	160.7%	100.7%	127.2%
6 years	150.8%	181.8%	122.8%	129.9%
7 years	106.2%	109.5%	108.0%	66.9%
8 years	132.7%	127.5%	141.7%	63.2%
9 years	200.7%	223.4%	189.7%	88.0%
10 years	132.7%	116.3%	131.8%	18.3%

Notes

1. These are considered to be APMs.
2. FTSE ET50 data up until 31 Dec 2013 and then FTSE ET100 thereafter.

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. As at 31 December 2017, the net gearing is calculated by adding the bank loan of £29,442,000 (2016: £30,434,000) to the total net assets of £506,907,000 (2016: £465,255,000) and deducting the cash and cash equivalents of £13,054,000 (2016: £13,099,000). This amount is then divided by the total net assets to give a net gearing level of 3.2% as at 31 December 2017 (2016: 3.7%).
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)
Ongoing charges	A measure of the regular, recurring annual costs of running an investment company, expressed as a percentage of average net assets.
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. This may take into account capital gains, dividends, interests and other realised variables over a given period of time. The FTSE ET is a combination of FTSE ET100 and FTSE ET50 indices. FTSE ET50 data is from, since inception to December 2013 and FTSE ET100 data from January 2014 onwards.
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

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John Scott, DL (Chairman)
Vicky Hastings
Aine Kelly
Julia Le Blan
William Rickett, CB

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*Registered in England no. 4348393

www.impaxenvironmentalmarkets.co.uk

Notice of Meeting

Notice is hereby given that the Annual General Meeting ('AGM') of Impax Environmental Markets plc will be held at 7th Floor, 30 Panton Street, London SW1Y 4JR on 17 May 2018 at 2:00 pm. for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 13 will be proposed as Ordinary resolutions and resolutions 14 to 16 will be proposed as Special resolutions.

1. To receive the Company's annual accounts for the year ended 31 December 2017, with the reports of the directors and auditors thereon.

2. To approve the Directors' Remuneration Policy included in the Annual Report for the year ended 31 December 2017.

3. To approve the Directors' Remuneration Implentation Report included in the Annual Report for the year ended 31 December 2017.

4. To re-elect Vicky Hastings as a director of the Company.

5. To re-elect Aine Kelly as a director of the Company.

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

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

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

9. To re-appoint Ernst & Young LLP as auditors to the Company.

10. To authorise the directors to fix the remuneration of the auditors until the conclusion of the next AGM of the Company.

11. To approve a final dividend of 2.5p per Ordinary Share of the Company in respect of the year ended 31 December 2017.

12. In accordance with Article 87 of the Articles of Association of the Company, to increase the maximum aggregate for the Director's remuneration from £150,000 to £200,000.

13. 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 £1,798,592 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 AGM and that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the AGM of the Company to be held in 2019 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.

14. 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 26,987,882 (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 higher of the price of the last independent trade and the highest current independent bid for the Ordinary Shares.

(d) the authority hereby conferred shall expire at the conclusion of the AGM of the Company in 2019 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.

15. That, subject to the passing of resolution 13, 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 13 up to an aggregate nominal amount of £1,798,592 as if section 561(1) of that Act did not apply to such allotment (subject to a maximum of 9.99 % of the aggregate nominal value of the issued share capital at the date of this resolution).

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

By order of the Board

Anthony Lee
Company Secretary

For and on behalf of

PraxisIFM Fund Services (UK) Limited
Registered Office:
3rd Floor, Mermaid House
2 Puddle Dock
London, EC4V 3DB

28 March 2018

Notes to Notice of AGM

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 2.00 pm on 15 May 2018 or, if this meeting is adjourned, at 2:00 pm 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 Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF at 2.00 pm on 15 May 2018 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 Link Asset Services no later than 48 hours before the rescheduled meeting.

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

Appointment of Proxy through CREST

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

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to a proxy's appointee through CREST should be communicated to the appointee through other means.

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

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

All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 2.00 pm on 15 May 2018 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 Link 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 Link 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.

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 225,737,355 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 180,039,246. 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 Link Asset Services' shareholder helpline (lines are open from 9.00 am to 5.30 pm 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 Link 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 7th Floor, 30 Panton Street, London SW1Y 4JR on 17 May 2018 at 2.00 pm 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 2017.	☐	☐	☐	☐
2. To approve the directors' remuneration policy.	☐	☐	☐	☐
3. To approve the directors' remuneration report.	☐	☐	☐	☐
4. To re-elect Vicky Hastings as a director.	☐	☐	☐	☐
5. To re-elect Aine Kelly as a director.	☐	☐	☐	☐
6. To re-elect Julia Le Blan as a director.	☐	☐	☐	☐
7. To re-elect William Rickett as a director.	☐	☐	☐	☐
8. To re-elect John Scott as a director.	☐	☐	☐	☐
9. To re-appoint Ernst & Young LLP as auditors to the Company.	☐	☐	☐	☐
10. To authorise the directors to fix the remuneration of the auditors.	☐	☐	☐	☐
11. To approve a final dividend of 2.5p per Ordinary Share.	☐	☐	☐	☐
12. To approve an increase in the Director's aggregate remuneration to £200,000.	☐	☐	☐	☐
13. Authority to allot new shares.	☐	☐	☐	☐
14. Authority for the Company to purchase its own shares.	☐	☐	☐	☐
15. To disapply pre-emption rights.	☐	☐	☐	☐
16. Authorise calling of 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 2018

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).
6. 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.
7. 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, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF not less than forty-eight hours before the time appointed for holding the General Meeting or adjournment as the case may be.
8. The completion of this form will not preclude a member from attending the Meeting and voting in person.
9. 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, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF, so as to arrive before 2.00 pm on 15 May 2018 (48 hours prior to the Annual General Meeting).

Cut along dotted rule

Impax
ENVIRONMENTAL
MARKETS
PLC