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Impax Environmental Markets plc

Annual Report and Accounts
For the year ended 31 December 2018

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.
Gearing effect	The effect of borrowing on the Company's returns.
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 or net asset value ("NAV")	An investment company's assets less its liabilities
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.
Relative Performance	Measurement of returns relative to an index.
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.

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 2018

Net asset value ("NAV") per Ordinary Share	**249.6p**
Ordinary Share price	**253.0p**
Ordinary Share price premium to NAV[1]	**1.4%**
Net assets	**£450.0m**

Performance summary[2]

For the year ended 31 December 2018	% Change
NAV total return per Ordinary Share[1]	**-10.8%**
Share price total return per Ordinary Share[1]	**-0.4%**
FTSE ET100 Index[3]	**-9.9%**
MSCI AC World Index[3]	**-3.8%**

1. These are alternative performance measures.
2. Total returns in sterling for the year to 31 December 2018.
3. Source: Bloomberg and FactSet.

ALTERNATIVE PERFORMANCE MEASURES ("APMs")

The disclosures as indicated in footnote 1 above are considered to represent the Company's APMs. Definitions of these APMs and other performance measures used by the Company, together with how these measures have been calculated, can be found on page 52.

CONTENTS

Chairman's Statement

John Scott
Chairman

2018 was an interesting, if challenging, year for investors, markets being difficult throughout, but particularly in the fourth quarter.

The resulting effect on Impax Environmental Markets plc ("IEM", or the "Company") was underperformance against both of its comparative indices, which was disappointing following the run of excellent performance that we have been enjoying.

It was not all bad news, however, the fundamentals underpinning IEM remaining strong. Rising demand for our shares, predominantly from private investors, helped the Company's share price to move from a significant discount to a small premium, which means that the returns for investors – the combination of share price movement and dividends paid – were well ahead of both comparative indices; indeed, the shares now trade generally at a premium to underlying Net Asset Value ("NAV") and we were able to issue shares out of treasury to meet investor demand. The Board's view is that the issues and drivers propelling environmental markets, and the investment potential they offer, remain compelling.

VOLATILE MARKETS

Over the course of 2018 (the "Year"), global equity markets were volatile. The reasons for this included deteriorating trade relationships such as those between China and the USA, and growing concern that interest rates might rise and growth rates decline. In the last three months of the Year global equities fell sharply, culminating in the worst performance during December since the 1980s. Smaller companies (global small caps), core investments for IEM, were particularly vulnerable, significantly underperforming the broader market.

PERFORMANCE

The turbulent market conditions did no favours to IEM's investment portfolio. The poor performance of smaller companies had a strong negative impact and as a result IEM's NAV total return per Ordinary Share fell by 10.8%, underperforming the MSCI All Country World Index ("MSCI ACWI") by 7%, and modestly underperforming the FTSE Environmental Technologies 100 Index ("FTSE ET100"). As discussed above, IEM's share price delivered returns well ahead of both indices, benefitting from the effect of the shares moving from a significant discount at the start of the Year, to closing at a premium.

IEM's share price total return over the Year (taking account of share price movements and dividends paid) was -0.4%, significantly boosted by the elimination of the discount, and ending the Year at a premium for the first time in ten years. The Manager's Report includes detail on the contributors and detractors to performance.

INVESTMENT CASE

The socio-economic drivers behind the growth of environmental markets gathered pace in 2018. We saw the global controversy surrounding plastics usage escalate further. In January 2018 China, previously the world's biggest recipient of waste materials, banned the importation of 24 categories of waste and recyclates. As waste piles up in regions around the world the need for solutions grows and Governments are under growing pressure to act.

Companies and Governments introduced strategies to target plastic waste. The European Union ("EU") Parliament, and the EU Council, agreed to put clear restrictions on disposable plastic products like straws and cutlery. The UK Government indicated that by 2022 it would introduce a new tax on all plastics that contain less than 30% recycled materials.

Efforts to reduce CO_2 emissions also made some progress. In December, at the United Nations 24th Conference of the Parties (COP24) meeting in Poland, the "Rule Book" was established for the Paris Agreement. It sets out the operational rules governing how the agreement will be implemented to limit temperature increase to 2 degrees Centigrade above pre-industrial levels. China showed leadership by choosing to support similar rules across industrialised and industrialising countries, all of which presents a supportive backdrop for IEM's holdings.

UNQUOTED INVESTMENT

Since the Year end, the carrying value of IEM's holding in an unquoted investment has been reduced, with part of that reduction being reflected in the NAV as at 31 December 2018 as a retrospective "adjusting event". In consequence, the audited NAV per share at the Year end in these accounts is 0.6% lower than the unaudited NAV per share published by the Company on 2 January 2019.

DIVIDEND

The Company's net revenue for the Year was £5.7 million (2017: £5.1 million), equivalent to 3.20p (2017: 2.83p) 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 2018 of 3.0p per share (2017: 2.5p). If approved at the AGM on 21 May 2019, the final dividend will be paid on 28 May 2019 to shareholders on the register at the close of business on 26 April 2019. As the primary objective of the Company is capital growth, it should not necessarily be assumed that this level of dividend will be paid in future years.

Chairman's Statement continued

CONTINUATION VOTE

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

GEARING

In September 2018, the Company refinanced its multicurrency revolving credit facility by entering into agreements with Scotiabank for five year fixed rate loans of £15 million and US$20 million. In addition, a multi-currency revolving credit facility of up to £20 million was agreed, of which £2.5 million is committed and nil was drawn down at the Company's Year end.

As at 31 December 2018, the Company's net gearing was 5.6%.

PREMIUM/DISCOUNT

The Company's Ordinary Shares traded at a discount to NAV of 8.9% on 1 January 2018 and a premium to NAV of 1.4% on 31 December 2018, having traded at a maximum discount of 9.4% and a maximum premium of 5.2% during the Year. By the close of the Year, IEM had traded at a premium continuously since 21 September 2018 with no buy-backs undertaken during the Year.

Increasing appetite for our investment philosophy, coupled with a growing awareness of IEM prompted by articles in the national press, led to more demand for our shares by investors. This created suitable conditions for the issue out of treasury of shares previously bought back as part of the discount management policy. In December 2018 the Company sold 250,000 Ordinary Shares from treasury at a premium to NAV.

Since then, the Board has made an announcement to reflect a proactive approach to issuance and buy-back in order to maintain the share price, in normal market conditions, close to NAV. There were 45,448,109 Ordinary Shares held in treasury on 31 December 2018, and at the time of writing a further 1,550,000 shares have been issued out of treasury.

SHAREHOLDER COMMUNICATIONS

As permitted by existing regulations on the appointment of auditors, IEM has used the same firm, Ernst & Young, for a number of years. IEM re-appointed the present incumbent following a competitive tender in 2013. At the Company's last AGM a significant number of votes were cast against the re-appointment of the auditor, in line with an emerging view that tenures should be shorter. The Board has consulted investors for feedback and, as a result, IEM has undertaken a tender in respect of the audit services for the year ending 31 December 2019. Following completion of the tender, the Audit Committee and the Board are recommending that shareholders approve the appointment of BDO LLP as Auditor to the Company at the forthcoming AGM. Ernst & Young, who did not participate in the tender, have provided IEM with an excellent service over many years and the Board thanks them for that.

During the Year, we also held a tender for the position of broker to the Company, a position last reviewed several years ago. Unlike the appointment of an auditor, the Board is under no obligation to review or replace the broker at specific intervals. The result of this tender was the unanimous decision of the Board to re-appoint Canaccord Genuity. The ongoing efforts of their investment companies team have played a role in the recent re-rating of our shares and a series of discussions with existing shareholders has been conducted in recent months, as well as with prospective investors, with the aim of further growing IEM through the re-issuance of treasury shares.

THE BOARD

The Directors are committed to a process of regular Board refreshment and have spent time developing a succession plan which looks several years ahead. The most recent Director to join the Board was Aine Kelly in 2016. Julia Le Blan has indicated that she will wish to stand down at the 2020 AGM, having by that point served on this Board for nine years and this has prompted the need to seek a new Chairman of the Audit Committee, a search for whom is already underway.

OUTLOOK

Whilst in my opinion the investment case for IEM is stronger than ever, 2018 presented our managers with some stiff challenges. In the circumstances, I feel that the Company weathered the various storms well and it is heartening to see the steady inflow of new shareholders to our register. It is worth remembering that we are operating in a sector which was less familiar to many in the investment world even a decade ago and it is remarkable to see how we have become firmly established in the mainstream in such a short time.

The Board retains its long term conviction in the issues and drivers shaping the development of environmental markets, which we feel were reflected in the shares moving from trading at a discount to a premium in 2018. We find the strong demand for IEM's Ordinary Shares very encouraging, with the updated premium and discount control to maintain the share price close to NAV.

IEM has a high tracking error (the difference in performance of IEM relative to its benchmarks) and in volatile equity markets there are likely to be temporary dislocations. Though the past Year has been unspectacular in terms of investment performance, we have witnessed a number of achievements, not least in becoming one of the few investment trusts which have been able to issue shares out of treasury.

Meanwhile, our longer term performance record remains excellent, our share price and NAV have recovered some ground in the opening months of 2019, and our shareholders are being offered a dividend increase of 20%. The Board joins me in thanking our investment managers for their highly disciplined approach in a financial environment that has been most challenging.

John Scott
Chairman

4 April 2019

Manager's Report

Jon Forster

Bruce Jenkyn-Jones

IEM's investment thesis is that portfolios of companies providing cleaner, more efficient products and services across the energy, water, waste, food and agriculture sectors will offer investors strong long term risk-adjusted returns. As you can see on page 7, the Company now has a long record of delivering strong returns for investors; over 10 years the Company's NAV has grown by +168.3%, comparing favourably against its benchmarks the MSCI ACWI (+178.7%) and the FTSE ET100/FTSE ET50 (+69.4%).

IEM underperformed its global comparative index, the MSCI ACWI, in 2018 by 7.0%, thanks in a large part to the global weakness of smaller companies (the breakdown of market capitalisation of the portfolio is shown on page 11), and it marginally underperformed (less than 1%) its environmental comparative index, the FTSE ET100.

(For details on IEM's ESG process please see page 5.)

DEVELOPMENTS AND DRIVERS FOR ENVIRONMENTAL MARKETS:

Climate change

2018 started with a severe drought in Cape Town and ended with Californian wildfires, highlighting the need for innovation and investment in environmental markets. Evidence linking extreme weather events and climate change appears to grow stronger every year. Morgan Stanley recently estimated that global damage caused by climate-related disasters for the last three years alone stood at around $650 billion. In October, the latest Intergovernmental Panel on Climate Change (IPCC) report suggested that if annual global emissions were maintained at current levels, then damage costs by 2040 could reach $54 trillion. It is hard to digest the size of such figures, nevertheless the implications are clear.

Opportunities for businesses to deliver emission reductions, for example via energy efficiency and renewable energy solutions, and to adapt to changing climate, for example via grid resilience and water infrastructure, are growing.

Circular economy

The traditional economic model is linear, extracting materials with which to produce goods that are then used before being disposed of. The physical effects of climate change, and the focus of consumers and policy makers on plastic pollution, have renewed environmental market focus on the drivers behind the move to a more "circular economy". Over the course of the Year we observed a variety of companies signalling their desire to stop using plastic packaging and adopt strategies to "reduce, reuse and recycle". The Company has exposure to recycling infrastructure, fibre-based packaging and new alternative materials, all of which hold promise in this field.

Trade tensions

Trade frictions between China and the US adversely affected global growth expectations in 2018. IEM's Chinese holdings are more focused on essential domestic spending related to the development of water, rail and natural gas distribution to replace coal, meaning exposure to areas of friction is low, although concerns weighed heavily on the stock market. We have observed how steadfastly China's government has stuck to its infrastructure spending plans to compensate for any destabilisation of economic growth. We will continue to focus on holdings and opportunities that have Chinese domestic supplier strengths and also firms with sufficient pricing power – stemming from competitive positioning – since they will have the ability to pass on tariff-related inflation.

ABSOLUTE PERFORMANCE CONTRIBUTORS AND DETRACTORS

Contributors

The global pressure on companies and policymakers to move away from single-use plastic continued to intensify in 2018. In May, Chinese President Xi Jinping pledged to push the fight against pollution forward. He signalled a desire to fundamentally improve environmental quality standards before 2035. In June, India's Prime Minister Narendra Modi indicated that India will remove all single-use plastics by 2022. European Member States are setting national reduction targets to lower the amount of plastic food containers and drinking cups in circulation and to increase plastic bottle recycling to 90% by 2025. Deposit schemes are currently the most realistic approach to achieving such ambitious targets. Tomra (Waste Technology Equipment, Norway) is the dominant supplier of reverse vending machines and had a strong year.

In previous reports we have highlighted the increased digitalisation of environmental markets and research into this area has led to an investment in PTC (Industrial Energy Efficiency, US), a software developer with a leading market position in product lifecycle management. PTC deploys software to manage the design, manufacturing and maintenance of goods more efficiently. The benefits of this trend in digitising manufacturing processes include greater resource efficiency alongside improving worker safety, cost reductions and increased flexibility. This holding contributed strongly to the Company's performance in 2018.

Mergers and acquisitions played a positive role during the Year. Two companies were exited as a result of acquisitions: Newalta (Hazardous Waste, Canada) and Pure Technologies (Water Infrastructure, Canada).

Performance Contribution analysis

MSCI ACWI	FOR YEAR ENDED 31 DECEMBER 2018
NAV total return	-10.8
MSCI ACWI total return	-3.8
Relative performance	-7.0
Analysis of Relative Performance	
Portfolio total return	-8.7
Less benchmark total return	-3.8
Portfolio underperformance	-4.9
Borrowing:	
Gearing effect	-0.9
Management fee	-0.9
Other expenses	-0.1
Tax	-0.2
Total*	-7.0

FTSE ET100	FOR YEAR ENDED 31 DECEMBER 2018
NAV total return	-10.8
FTSE ET100 total return	-9.9
Relative performance	-0.9
Analysis of Relative Performance	
Portfolio total return	-8.7
Less benchmark total return	-9.9
Portfolio outperformance	1.2
Borrowing:	
Gearing effect	-0.9
Management fee	-0.9
Other expenses	-0.1
Tax	-0.2
Total*	-0.9

* The above analysis contains rounding.

Detractors

Concerns around global growth and volatility in global equity markets in the final three months (last quarter) of 2018 caused a weakness in more indebted stocks. DS Smith (Recycling and Value Added Waste Processing, UK) was marked down, along with other fibre-packaging firms. Welbilt (Sustainable & Efficient Agriculture, US) suffered due to its debt burden and its third quarter results missing sell side analyst expectations, leading to lower guidance on its annual operating margins and earnings. Despite short term market concerns over these companies, our conviction in their medium-term prospects remains and we have retained them in the portfolio.

Following rapid growth in recent years, the light emitting diode ("LED") lighting market has been slowing, as the proportion of LED sales for lighting businesses has matured and the rate of growth in penetration of the building stock has tapered. Slowing growth has driven an increase in competition, resulting in margin pressure for Acuity Brands (Buildings Energy Efficiency, US) and Signify (Buildings Energy Efficiency, Netherlands), formerly known as Philips Lighting. We have consolidated our lighting exposure from three to two names. We nevertheless remain positive about the long-term opportunity for connected lighting technologies.

Unquoted holdings

IEM has one significant holding in an unquoted company named Ensyn Corporation ("Ensyn"), which represented 1.8% of net assets as at 31 December 2018. The Manager received new information in early January 2019 relating to an interpretation of certain regulations by the US Environmental Protection Agency ("EPA"). This interpretation impacted certain Ensyn projects and led the Manager to implement a reduction in valuation, based on a full scenario model, adversely affecting the Company's NAV by 0.6%. The circumstances leading to this reduction existed for a short period during late 2018, and this has therefore been deemed an "adjusting event", i.e. it has been retrospectively applied to the NAV as at 31 December 2018. The value of the holding was reduced further, using the same valuation model, later in January, given the US Government shutdown and its resulting delay in Ensyn's negotiations with the EPA. As of 31 March 2019, the holding represented 1.1% of net assets. Further detail on the impact to valuation from these post balance sheet events is provided in note 18 to the accounts. The Manager continues to see value and potential in Ensyn and is monitoring developments closely to ensure an appropriate valuation in IEM.

Portfolio positioning, valuation and risk

IEM had a well-diversified portfolio of 60 listed holdings at the end of the Year. The portfolio detail is provided on page 12. Positioning by sector, and region, is set out on page 10. The structure is consistent with that highlighted in the 2018 Half-Yearly Report. Themes explored in 2018 included sustainable food and agriculture and a focus on bio-chemicals, where synthetic and petro-chemicals are substituted for better performing, lower environmental footprint alternatives (eg. Corbio, Borregaard and Koninklijke DSM). A small number of new positions were taken, the full list of portfolio holdings can be found on our website **www.impaxenvironmentalmarkets.co.uk** in the About Us/factsheets, documents and videos section.

Our focus was to increase diversification and look for economically defensive businesses. IEM retains its significantly underweight position in North America and is overweight in Europe versus the MSCI ACWI. The weights in various environmental market sectors were not substantially adjusted in 2018. When compared to the FTSE ET100, the portfolio remains underweight in the more volatile and cyclical areas of Energy Efficiency and Renewable & Alternative Energy. In contrast, it is overweight in the more defensive Water Infrastructure & Technology sector and the diversifying Food, Agriculture and Forestry sector.

OUTLOOK

We feel the investment hypothesis is as strong as ever. The global drivers for companies providing environmental solutions remains very compelling, especially in China and the rest of Asia. The behaviour and preferences of consumers, and policy developments, are supportive and evidence of this is already visible in companies' order books And we are seeing an increasing number of disruptive events, such as electric vehicles and the war on plastic, that point to an accelerating growth trend.

We have had a strong start to 2019, catching up on a significant proportion of the end of 2018's underperformance relative to the MSCI ACWI, but we do think market volatility, as seen at the end of 2018, could continue in 2019.

We expect the changes we have seen in investor sentiment to continue and as a result we expect to see attractive long-term investment opportunities. We see parallels between today and other periods in the past, where market returns across sectors varied substantially. Looking ahead, IEM will continue to choose to be positioned in more defensive businesses relative to the FTSE ET100, with an emphasis on diversification, and will seek to invest in companies with quality management teams delivering sustainable and above market returns.

Impax Asset Management (AIFM) Limited
4 April 2019

Integration of Environmental, Social and Governance ("ESG") into the investment process

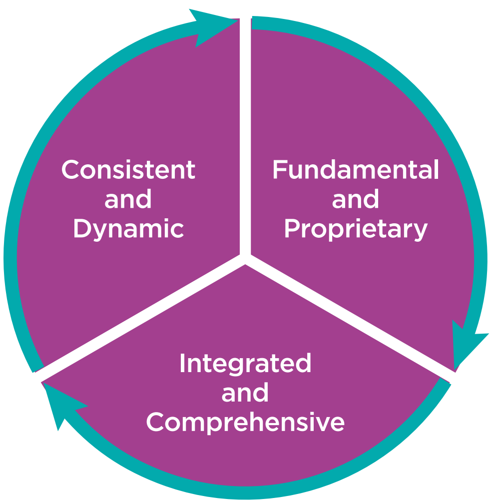
Focus on the integration of material environmental, social and corporate governance risks into financial products is increasing. Impax has included consideration of such risks within the fundamental company research process since the inception of IEM.

The aim of integrating ESG analysis is to understand the "character" of a company by considering some broader questions than traditional financial analysis, such as:

- Are the governance structures, such as board remuneration and shareholder rights strong?
- Does the company effectively manage its environmental, social and other risks?
- Has the company had any controversies and how were they handled?

To answer these questions Impax has developed a proprietary approach applied to every portfolio holding:

ESG methodology:



Analysis of:

Governance – Analysed vs country level

- Based on proprietary ranking of countries' governance quality
- Provides oversight and accountability

Environmental and Social Risks – Analysed at company level

- How strong are E&S policies, processes and incentives to manage the most material risks for a company?

Controversies – Analysed at country level

- Track record of past issues, performance, and company controversies
- How company responds to problems

Proprietary ESG review and score

The Company's Board includes oversight of ESG quality of the portfolio in quarterly board meetings, as well as meeting with the Head of Investment Risk and ESG Risk bi-annually.

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.

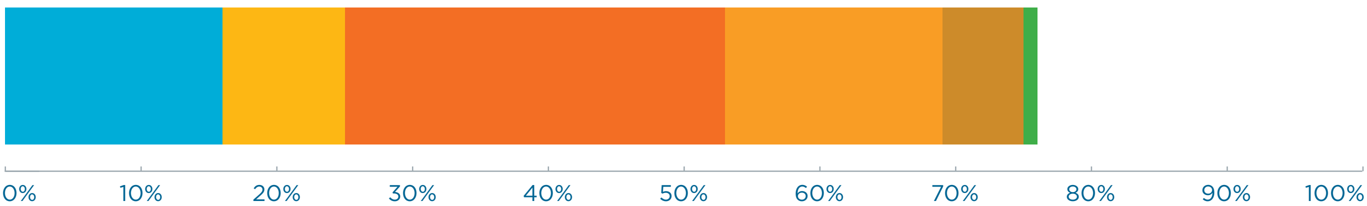
We have focused on those where the underlying targets of the goal are relevant to private sector investment opportunities, rather than public funding or policy action. For example, we have no exposure to SDG target 13, "Climate Action", which may seem surprising. This is because we consider the target 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.

Mapping IEM to the UN Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS

Revenue exposure (%)



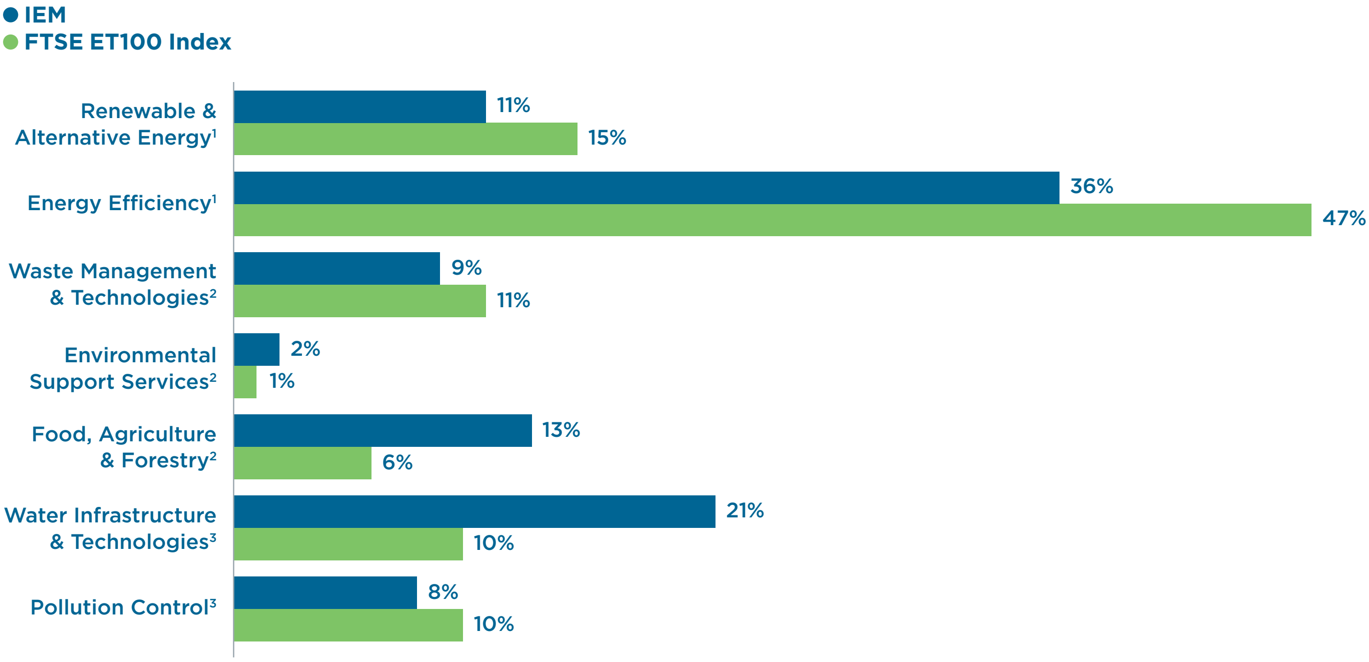
Our most up to date environmental impact reporting can be found in the About/Environmental Impact section of our website **www.impaxenvironmentalmarkets.co.uk**.

Source: Data as at 31 December 2018. Figures are based on Impax internal data.

Structure of the Portfolio

As at 31 December 2018

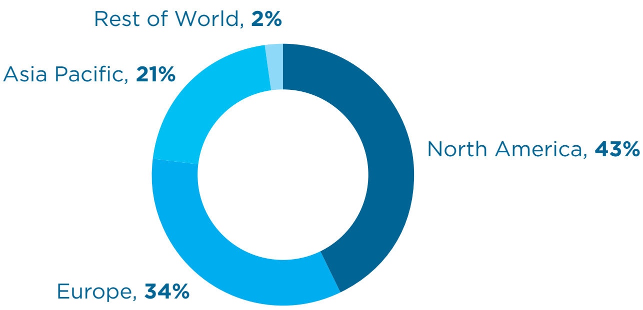
Breakdown by environmental markets classification system



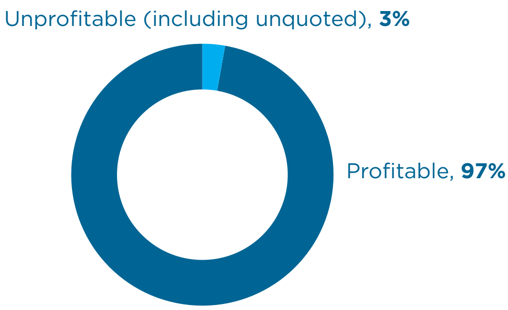
Investment policy classification

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

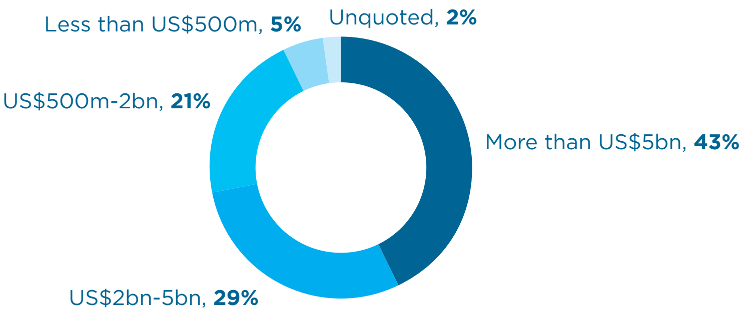
Breakdown by region



Breakdown by company profitability[1]



Breakdown by market capitalisation



1. Based on next 12 months' earnings' estimates.

Ten Largest Investments

As at 31 December 2018

1 Brambles – Australia
3.3% of net assets (2017: 3.0%)

Brambles is a global logistics solutions company that focuses on outsourced management of reusable pallets and crates. In addition to material cost savings compared with single use wooden pallets, the company's extensive logistical expertise helps tighten up the client's distribution chain, reducing cost and working capital. With over 850 service centres and a dominant market share in most global markets, this gives scale benefits and creates significant barriers of entry for competitors. The company has a significant self-help story and has been successfully disposing of non-core assets.

www.brambles.com

2 Advantech – Taiwan
2.8% of net assets (2017: 2.4%)

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

3 EDP Renovaveis – Portugal
2.8% of net assets (2017: 3.0%)

EDP Renovaveis is a global wind farm operator with 11.7 GW 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 selected assets to "yieldcos", and recycling proceeds into new projects.

www.edpr.com

4 Ormat Technologies – United States
2.7% of net assets (2017: 2.1%)

Ormat is a leading geothermal company and the only vertically integrated company solely engaged in geothermal and recovered energy generation, with the objective of becoming a leading global provider of renewable energy. The company has over five decades of experience in the development of state-of-the-art, environmentally sound power solutions including designing, developing, building, owning and operating the power plants. It has been delivering solid earnings growth through execution on its order book and cost controls.

www.ormat.com

5 American Water Works – United States
2.7% of net assets (2017: 2.2%)

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

www.amwater.com

6 AO Smith – United States
2.4% of net assets (2017: 2.1%)

AO Smith is a leading global manufacturer of water heaters and boilers and also supplies water and air purification systems. All products benefit from tightening standards on energy efficiency, where the company has leading technology and brands. The base US business benefits from a high proportion of non-discretionary replacement sales for boilers, and the Asia business has experience strong growth over the years. The company continues to evolve, with recent acquisitions in Point of Use water treatment in the US opening up new avenues for growth.

www.aosmith.com

7 Power Integrations – United States
2.3% of net assets (2017: 2.2%)

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 end markets.

www.power.com

8 Coway – South Korea
2.3% of net assets (2017: 2.0%)

Coway is a water treatment and pollution control firm with the leading brand of environmental home appliances in South Korea. It has a 44% market share in Point of Use water treatment units and also develops and manufactures other environmental products like air purifiers and water softeners. The company operates an attractive and defensive rental business model, with high margins and returns.

www.coway.com

9 PTC – United States
2.3% of net assets (2017: 1.8%)

PTC is an Information Technology company that offers software products which can be deployed toward leaner manufacturing: computer-aided design modelling (CAD) and Product Lifecycle Management (PLM). Importantly, PTC's industrial connectivity platform enables customers to connect "smart" devices, analyse associated data, and create "Internet of Things" applications. PTC is at the forefront of this transformation and is well positioned to benefit from the convergence of the digital and physical worlds. The company has a proven track record of product leadership and bringing new technologies and innovative solutions to the market.

www.ptc.com

10 Trimble – United States
2.3% of net assets (2017: 1.7%)

Trimble is a leading provider of advanced location-based solutions that maximize productivity and efficiency and enhance profitability. It serves a variety of industries including agriculture, engineering and construction, transportation and wireless communications infrastructure. Trimble integrates its expertise in Global Positioning System (GPS), laser, optical and inertial technologies with application software, wireless communications, and services to provide complete commercial solutions. Its portfolio of over 1,200 patents is the basis for the broadest positioning solutions range in the industry. Trimble is targeting low double-digit revenue growth over the long-term from a combination of increased penetration into existing end markets and expansion into adjacent end markets.

www.trimble.com

Details of Individual Holdings

AS AT 31 DECEMBER 2018 COMPANY	SECTOR	COUNTRY OF MAIN LISTING	CURRENT VALUE £'000	% OF NET ASSETS
Brambles	Waste Management & Technologies	Australia	14,968	3.3
Advantech	Energy Efficiency	Taiwan	12,749	2.8
EDP Renovaveis	Renewable & Alternative Energy	Portugal	12,476	2.8
Ormat Technologies	Renewable & Alternative Energy	United States	12,219	2.7
American Water Works	Water Infrastructure & Technologies	United States	11,933	2.7
Smith (A.O.)	Energy Efficiency	United States	10,729	2.4
Power Integrations	Energy Efficiency	United States	10,494	2.3
Coway	Water Infrastructure & Technologies	South Korea	10,462	2.3
PTC	Energy Efficiency	United States	10,347	2.3
Trimble	Food, Agriculture & Forestry	United States	10,188	2.3
Xylem	Water Infrastructure & Technologies	United States	10,153	2.3
Franklin Electric	Water Infrastructure & Technologies	United States	10,096	2.2
Nibe Industries	Energy Efficiency	Sweden	10,050	2.2
Lennox International	Energy Efficiency	United States	9,965	2.2
Spirax-Sarco Engineering	Energy Efficiency	United Kingdom	9,719	2.2
Lenzing	Food, Agriculture & Forestry	Austria	9,650	2.1
Sensata Technologies Holding	Energy Efficiency	United States	9,478	2.1
Zhuzhou CRRC Times Electric	Energy Efficiency	Hong Kong	9,449	2.1
Signify	Energy Efficiency	Netherlands	9,445	2.1
Clean Harbors	Waste Management & Technologies	United States	8,779	2.0
Smith (DS)	Waste Management & Technologies	United Kingdom	8,775	2.0
Watts Water Technologies	Water Infrastructure & Technologies	United States	8,557	1.9
Tomra Systems	Waste Management & Technologies	Norway	8,425	1.9
CIA Saneamento Basico De	Water Infrastructure & Technologies	United States*	8,382	1.9
Koninklijke DSM	Food, Agriculture & Forestry	Netherlands	8,349	1.9
Top twenty five holdings			**255,837**	**57.0**
Other holdings			210,986	46.8
Unquoted holdings (see below)			7,887	1.8
Total holdings in company			**474,710**	**105.6**
Cash			6,481	1.4
Other net liabilities			(31,228)	(6.9)
Total net assets			**449,963**	**100.0**

All the above holdings are quoted unless otherwise stated.

As at 31 December 2018, the Company held the following investments in unquoted companies:

COMPANY	CURRENT VALUE £'000	% OF TOTAL NET ASSETS
Ensyn	7,887	1.8
Emergya Wind Technologies	–	–
New Earth Recycling & Renewable	–	–
Pelamis Wave Power	–	–

* Brazilian company which is held through American Depositary Receipts.

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:

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

(b) 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.

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 AGM 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% of its income (as calculated for UK tax purposes) in respect of an accounting period. Dividends are expected to be financed from net income received.

RESULTS AND DIVIDEND

The Company's revenue return after tax for the year amounted to £5,768,000 (2017: £5,144,000). The Directors are proposing that the Company will pay a final dividend of 3.0p per Ordinary Share (2017: 2.5p per Ordinary Share) totalling £5,455,000 (2017: £4,501,000) 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 21 May 2019, the final dividend will be paid on 28 May 2019 to shareholders on the register at the close of business on 26 April 2019.

The Company made a capital loss after tax of £58,871,000 (2017: capital gain after tax of £64,863,000). Therefore the total return after tax for the Company was a loss of £53,103,000 (2017: total return after tax for the Company was a profit of £70,007,000).

KEY PERFORMANCE INDICATORS ("KPIS")

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

(i) Achievement of NAV and share price growth over the long term

The Board monitors both the absolute and relative NAV and share price performance and compares the performance of the Company against the MSCI ACWI and FTSE ET100 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 3 and 4 incorporates a review of the highlights during the year. The Manager's Report on pages 5 to 7 highlights investments made during the year and how performance has been achieved.

(ii) Maintenance of a reasonable level of premium or discount of share price to NAV

The Manager and the Company's Broker monitor the premium or discount on an ongoing basis and keep the Board updated as and when appropriate. At quarterly Board meetings the Board reviews the premium or discount in the period since the previous meeting on both an absolute basis and in comparison with other investment trusts with a similar mandate. The Board has issued a statement on premium/discount control on page 19. The Board sets parameters under which the Company's shares can be sold from treasury or bought back and each share sale of shares from treasury or 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. The Board reviews the ongoing charges on a quarterly basis and considers these to be reasonable in comparison to peers.

Investment performance

The performance of the Company is shown below:

	1 YEAR TO 31 DECEMBER 2018	3 YEARS TO 31 DECEMBER 2018	5 YEARS TO 31 DECEMBER 2018	10 YEARS TO 31 DECEMBER 2018
NAV of the Company[1,2]	-10.8%	+42.6%	+53.7%	+168.3%
Share price of the Company[1,2]	-0.4%	+62.4%	+76.1%	+222.1%
MSCI ACWI[2]	-3.8%	+40.2%	+60.2%	+178.7%
FTSE ET100/FTSE ET50[2,3]	-9.9%	+32.0%	+44.3%	+69.4%

Note: MSCI index is total net return (net dividend reinvested), FTSE index is total return (gross dividend reinvested), both 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.

Premium/discount

The Company's Ordinary Shares traded at an average discount to NAV of 2.4% during the year ended 31 December 2018 and within a range of a share price discount to NAV of 9.4% to a share price premium to NAV of 5.2%. The year end premium to NAV was 1.4%.

Ongoing charges

Based on the Company's average net assets during the year ended 31 December 2018, the Company's ongoing charges figure calculated in accordance with the AIC methodology was 1.04% (2017: 1.05%).

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 the performance of global equities in general and small and mid-cap equities in particular. Consequently falls in stock markets are likely to adversely 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 60 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 operating 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 page 24.

(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 relative to the net asset value

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

Risk mitigation

The Board has made a statement on premium/discount control as detailed on page 19. The Company utilises its powers to buy back the Company's own shares, or to sell shares from treasury, when circumstances are appropriate. The Board monitors the level of discount or premium 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 Company's next AGM in May 2019. The Directors have assessed the viability of the Company for the Period to 31 December 2023 (the "Period"). The Board believes that the Period, being approximately five years, is an appropriate time horizon over which to assess 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 its 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 2023.

In their assessment of the prospects of the Company, the Directors have considered each of the principal risks and uncertainties set out above 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 premium/discount to NAV and share buybacks/share issues 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, SOCIAL AND GOVERNANCE ("ESG")

The Board has considered the requirements of Section 172 of the Companies Act 2006 (regarding promoting the success of the Company for the benefit of stakeholders).

SOCIAL AND ENVIRONMENTAL POLICY

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**). The Manager's listed equity strategies identify and invest in companies that are set to benefit from the long-term trends of climate change, inadequate infrastructure, environmental constraints, changing demographics, urbanisation and the resultant increases in resource scarcity. Investment is focused on a small number of deeply researched global equity strategies across alternative energy, energy efficiency, water, waste and sustainable food sectors. ESG analysis is an integral part of the investment process. Further detail on the Manager's integrated ESG approach can be found on page 8.

EXERCISE OF VOTING POWERS AND STEWARDSHIP CODE

The Manager engages with investee companies and undertakes long term engagement to improve practice and disclosure across their governance and sustainability activities. The Manager views proxy voting as a key activity in the ongoing dialogue with companies invested. It is committed to ensuring the consistent exercise of voting rights associated with shares held in investment mandates where proxy voting has been delegated to them. The Manager supports the UK Stewardship Code and complies with its guidelines regarding proxy voting and engagement. It publicly discloses a summary of their proxy voting activity on a quarterly basis.

In addition, the Manager is a member of, or signatory to:

- Principles for Responsible Investment (PRI)
- Institutional Investors Group on Climate Change (IIGCC)
- Investor Network on Climate Risk (INCR)
- Carbon Disclosure Project (CDP)
- UK Sustainable Investment and Finance Association (UKSIF)
- USSIF
- Global Impact Investing Network (GIIN)
- Low Carbon Finance Group and
- UK 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.

MODERN SLAVERY DISCLOSURE

Due to the nature of the Company's business, being a company that does not offer goods or services to consumers, the Board considers that it is not within the scope of modern slavery. The Board considers the Company's supply chains, dealing predominately with professional advisers and service providers in the financial service industry, to be low risk to this matter.

ENVIRONMENTAL MATTERS

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.

The Company is an investment company. As such, it does not have any physical assets, property, employees or operations of its own. The Company does not provide goods, nor services in the normal course of business and it does not have customers. In consequence, the Company has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other sources of emissions under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

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.

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.

EMPLOYEES

The Company has no employees. As at 31 December 2018 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 23).

OUTLOOK

The outlook for the Company is discussed in the Chairman's Statement on page 4.

STRATEGIC REPORT

The Strategic Report set out on pages 3 to 17 of this Annual Report was approved by the Board of Directors on 4 April 2019.

For and on behalf of the Board

Julia Le Blan
Director

4 April 2019

Directors' Report

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 2018.

STRATEGIC REPORT

The Directors' Report should be read in conjunction with the Strategic Report on pages 3 to 17.

CORPORATE GOVERNANCE

The Corporate Governance Statement on pages 22 to 24 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 2018.

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") is the AIFM of the Company. The AIFM has received its authorisation to act as an AIFM from the FCA. 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 2018. 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 at the front of this document). 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 2018	105%	107%

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 gives the Company the ability to sell Ordinary Shares quickly and cost effectively, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base. At the year end, 45,448,109 shares were held in treasury (representing 20% of the issued share capital of the Company at 31 December 2018). As at the date of this report and following further sale of shares from treasury, 43,898,109 shares were held in treasury (representing 19.5% of the issued share capital of the Company).

AUTHORITY TO ISSUE SHARES

The authority to allot shares granted at the last AGM held on 17 May 2018 will expire at the conclusion of the forthcoming AGM.

The Board recommends that the Company be granted a new authority to allot up to a maximum of 18,165,740 Ordinary Shares (representing approximately 9.99% of the shares in issue, excluding Shares held in treasury, at the date of this document) and to dis-apply pre-emption rights when allotting 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 Shares on a rolling previous 12 month basis at the time of admission of the shares.

PREMIUM/DISCOUNT CONTROL

On 22 January 2019, the Board announced that the Board remains fully committed to using its powers, including those to issue and buy back shares, in a proactive manner with the aim of seeing the shares, in normal market conditions, trading close to NAV on a consistent and long-term basis.

SHARE BUYBACKS AND RENEWAL OF AUTHORITY TO PURCHASE OWN SHARES

During the year ended 31 December 2018, the Company did not utilise its authority to purchase its own shares.

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 27,257,702 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 43,898,109 Ordinary Shares in treasury.

POLICY ON SALE OF TREASURY SHARES AND ISSUE OF NEW ORDINARY SHARES

Unless otherwise authorised by shareholders, Ordinary Shares will not be issued at less than NAV and Ordinary Shares held in treasury will not be sold at less than NAV.

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 forthcoming 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. For the reasons set out in the Chairman's statement, the Directors recommend that shareholders vote in favour of the continuation of the Company.

MARKET INFORMATION

The Company's Ordinary Shares are listed on the London Stock Exchange ("LSE"). The NAV per Ordinary Share is calculated in sterling for each business day that the LSE is open for business. The daily NAV per Ordinary Share is published through a regulatory information service.

BANK LOAN

On 6 September 2018, the Company entered into agreements for five year fixed rate loans of £15 million and US$20 million with Scotiabank Europe PLC. The interest rates on the loans are 2.910% and 4.504% per annum respectively.

In addition, the Company has entered into a multicurrency revolving credit facility agreement with Scotiabank Europe PLC for a current committed amount of £2.5 million with an uncommitted accordion option to increase the facility by £17.5 million.

In conjunction with the above refinancing, the Company repaid and terminated its £30 million multi-currency revolving credit facility with The Royal Bank of Scotland plc.

RETAIL DISTRIBUTION OF INVESTMENT COMPANY SHARES VIA FINANCIAL ADVISERS AND OTHER THIRD PARTY PROMOTERS

As a result of the Financial Conduct Authority ("FCA") rules determining which investment products can be promoted to retail investors, 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.

The Manager is entitled to remuneration each month at a rate equivalent to one twelfth of 0.9% on the Company's net assets up to and including the first £475 million and 0.65% 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 1% on the net assets up to and including £200 million; plus one twelfth of 0.9% on the net assets in excess of £200 million up to £300 million; plus one twelfth of 0.825% on the net assets in excess of £300 million up to £400 million; plus one twelfth of 0.8% 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.

DEPOSITARY AND CUSTODIAN

BNP Paribas Securities Services has been appointed as the Company's depositary and custodian.

CAPITAL STRUCTURE AND VOTING RIGHTS

At the year end the Company's issued share capital comprised 225,737,355 Ordinary Shares, including 45,448,109 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 sold 1,550,000 Ordinary Shares from treasury and 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

As at 31 December 2018, the directors have been formally notified of the following shareholdings comprising 3% or more of the issued share capital (excluding shares held in treasury) of the Company:

	HOLDING	%*
Rathbones**	**18,060,514**	**10.02%**
Border to Coast Pensions Partnership Limited	**14,306,000**	**7.94%**
Church Commissioners for England	**13,551,666**	**7.52%**
Kames Capital plc	**10,303,548**	**5.72%**

* Based on number of Ordinary Shares in issue at the Company's year end.

** Rathbone Investment Management Ltd and Rathbone Unit Trust Management Ltd.

Since the year-end, the Company has been notified that Rathbone's holding in the Company has decreased to 18,011,803 shares, 9.99% of the issued share capital.

SETTLEMENT OF ORDINARY SHARE TRANSACTIONS

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

NOTICE OF GENERAL MEETINGS

Resolution 15 in the notice to the AGM is required to reflect the requirements of the Shareholder Rights Directive. 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 clear 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. Short notice will only be used by the Board under appropriate circumstances.

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 2018, the Company held £6.5 million in cash and £466.8 million in quoted investments. It is estimated that approximately 91.5% 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 2018 were £5.1 million, which represented approximately 1.04% 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 2018 were £450 million.

As required by its Articles of Association, the Company will put forward a vote for its continuation at the AGM to be held on 21 May 2019. In the event that such a resolution were not passed, the Directors would be 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. The Company's shares are currently trading at a premium. The Directors recommend that shareholders vote in favour of the continuation of the Company and have no reason to believe that the continuation vote will not be passed.

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.

APPOINTMENT OF NEW AUDITOR

As detailed in the Audit Committee Report, the Company has performed an audit tender in respect of the audit for the year ending 31 December 2019. Following completion of the tender, the Audit Committee and the Board recommend that shareholders approve the appointment of BDO LLP as Auditor to the Company. In accordance with Section 489 of the Companies Act 2006, a resolution to appoint BDO LLP as the Company's Auditor will be put forward at the forthcoming AGM on 21 May 2019.

By order of the Board

Anthony Lee
For and on behalf of

PraxisIFM Fund Services (UK) Limited
Company Secretary

4 April 2019

Corporate Governance

INTRODUCTION

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

The Listing Rules and the Disclosure Guidance 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. An updated UK Corporate Governance Code was published in 2018, which will be applicable for the year ending 31 December 2019.

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. An updated AIC code was published in 2019, reflecting changes made in 2018. The 2019 AIC Code will be applicable to the Company for the year ending 31 December 2019.

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 Chair of the Audit Committee.

The Board believes that during the year ended 31 December 2018 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 & Frontier 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 30 years in the investment management industry. She has held investment roles at asset managers including JO Hambro Capital Management, Merrill Lynch Private Investors and Kleinwort Benson Investment Management but latterly has pursued a portfolio career. She is currently a director of The Edinburgh Investment Trust plc, Henderson European Focus 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 Chair)
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, BMO 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. 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. Aine is currently a member of QBE's Classification of Social Investment committee and a member of the External Board of Advisors of Cork University Business School.

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 was previously Director of Eggborough Power Ltd, Helius Energy plc and the National Renewable Energy Centre Ltd. He was appointed a Companion of the Most Honourable Order of the Bath in 2010. He is now Chairman of Cambridge Economic Policy Associates Ltd and a director of Greencoat UK Wind plc and Smart DCC Ltd.

In line with the AIC Code, the Board has decided that each director should be subject to annual re-election by shareholders, although this is not required by the Company's Articles of Association.

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

The Directors have appointment letters which do not provide for any specific term. 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 28 provides details of the role and composition of the Audit Committee together with a description of the work of the Audit Committee in discharging its responsibilities. Mrs Le Blan is the Chair 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 Implementation Report is included on page 26 to 27 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	3	1	1
John Scott	4	2	3	1	1
Vicky Hastings	4	2	3	1	1
Aine Kelly	4	2	3	1	1
Julia Le Blan	4	2	3	1	1
William Rickett	4	2	3	1	1

In addition, a Board strategy meeting was held and there were also Board and 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 2018.

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 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 company 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 AGM 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.

2018 AGM Update

As stated in the announcement made by the Company on 17 May 2018 following the last AGM, the Board noted and discussed the significant vote against the resolution to re-appoint Ernst & Young LLP as auditor to the Company; and the significant vote against the resolution to increase the maximum aggregate remuneration of the Directors from £150,000 to £200,000 per annum. The Board sought feedback from the main shareholders who voted against the resolutions and understands that they have followed the recommendations of a proxy advisor. The following is an update on decisions made by the Board to address any shareholder concerns in respect of these resolutions.

The current appointment of Ernst & Young LLP, which followed a competitive tender in 2013, is compliant with all existing regulations and the Board and the Audit Committee agree that the auditor remains independent. However, the Board and the Audit Committee have recognised the concerns raised and conducted a new tender in respect of the audit for the year ending 31 December 2019; a new auditor BDO LLP, is being proposed at the AGM to be held in May 2019. The Company's incumbent auditor was not invited to participate in this audit tender, but the Board would like to record its appreciation for the excellent service provided to the Company by Ernst & Young over many years.

In respect of the increase in the maximum aggregate remuneration of the Directors, this was introduced to provide the Board with flexibility to meet the Company's circumstances and requirements, for example having the ability to appoint additional Directors during a period of Board succession. It has been the Board's practice to review the ceiling for aggregate Director remuneration on a three year cycle and it confirms that no further increase to the current maximum of £200,000 per annum will be sought before the 2021 AGM. For reference, the aggregate remuneration of Directors in 2018 was £134,000 (2017: £132,000).

The votes against the reappointment of the auditor and the increase in the maximum aggregate remuneration of the Directors represented 23.7% and 22.8% respectively of votes cast at the Company's last AGM. Votes cast represented 66% of total shares with voting rights at the time of the Meeting.

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 17 May 2018. Accordingly, the remuneration policy of the Company will be put forward for approval by Shareholders at the AGM to be held in May 2021. 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 Implementation 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 31.

Remuneration Committee

The Company currently has five non-executive Directors.

With effect from 1 April 2018, annual Directors' fees have been payable at a rate of £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. Prior to this date, annual Directors' fees were paid at the rate of £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. Based on the current composition of the Board, fees payable for the year ending 31 December 2019, in aggregate, to the Directors of the Company would be £134,375.

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 23.

The maximum level of fees payable, in aggregate, to the Directors of the Company is currently £200,000 per annum. The current maximum was approved by shareholders at last year's AGM and the Board has agreed that it will not seek a further increase to the maximum level ahead of the AGM to be held in 2021.

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.

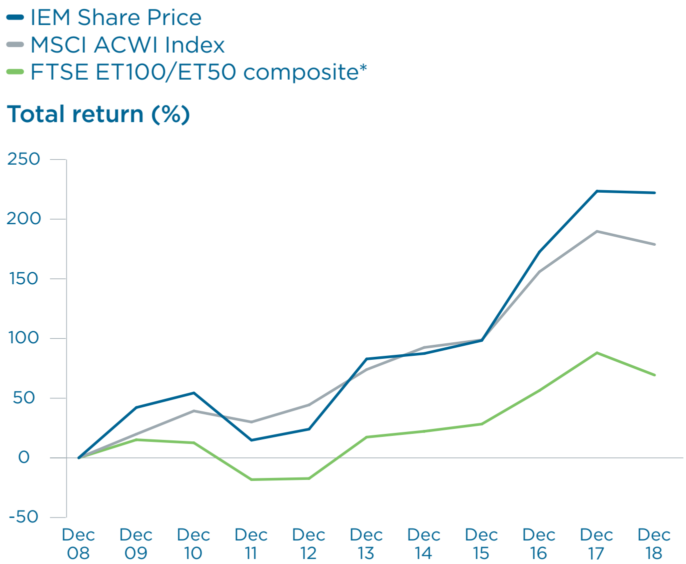
Director search and selection fees

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 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.

IEM share prices total return performance



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

Directors' emoluments for the year (Audited)

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

	2018			2017		
	FEES £'000	TAXABLE BENEFITS £'000	TOTAL £'000	FEES £'000	TAXABLE BENEFITS £'000	TOTAL £'000
John Scott	35.1	1.9	37.0	34.1	–	34.1
Julia Le Blan	28.5	–	28.5	27.6	–	27.6
Aine Kelly	23.4	0.6	24.0	22.8	1.3	24.1
Vicky Hastings	23.4	–	23.4	22.8	–	22.8
William Rickett	23.4	–	23.4	22.8	–	22.8
Total	**133.8**	**2.5**	**136.3**	**130.1**	**1.3**	**131.4**

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

A non-binding ordinary resolution to approve the Directors' Remuneration Implementation Report contained in the Annual Report for the year ended 31 December 2017 was put forward at the AGM held on 17 May 2018. The resolution was passed with 99.98% of the shares voted being in favour of the resolution.

The Directors' Remuneration Policy was last put forward at the AGM held on 17 May 2018. The resolution was passed with 99.98% of the shares voted being in favour of the resolution.

Relative importance of spend on pay

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

	2018 £'000	2017 £'000	DIFFERENCE £'000
Income	**9,006**	8,265	741
Spend on Directors' fees	**134**	132	2
Management fees and other expenses	**5,145**	5,089	56
Share buybacks	**–**	24,825	(24,825)
Dividends paid to shareholders	**4,501**	3,530	971

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 2018 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 2018	ORDINARY SHARES AT 1 JANUARY 2018
John Scott	**84,012**	84,012
Julia Le Blan	**14,907**	14,907
Aine Kelly	**10,000**	10,000
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 2018:

(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

4 April 2019

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 Auditor has not provided the Company with non-audit work during the year.

Composition

All of the Directors of the Company are members 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. Mrs Le Blan is Chair of the Audit Committee. The Board and the Audit Committee believe that this is appropriate as she has recent and relevant financial experience and was independent on her appointment as Chair and remains so.

Meetings

There were three Audit Committee meetings during the year ended 31 December 2018. All Directors attended these 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 30 and a Statement of Going Concern is on page 20.

The Report of the Independent Auditor is on pages 31 to 35.

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 2018;

Valuation and existence of investments

The Company holds virtually all of its assets in quoted investments. The existence and valuation 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 of the Company's investments at the year end with the Manager, and reviewed their existence with the Administrator and other service providers. 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. A post balance sheet adjustment was made in respect of the holding in Ensyn. For further details on this valuation see the Investment Manager's report, note 2 and also note 18 for the post balance sheet adjustments.

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 20.

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 2018, 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 the external auditor to the Company since its launch in February 2002. The current audit partner, Sue Dawe, has held the role since 1 January 2016. An audit tender has been conducted for the audit for the year ending 31 December 2019. The Audit Committee invited three audit firms to participate in the tender. The incumbent auditor was not invited to participate in the tender. The Board would like to record its appreciation for the excellent service provided to the Company by Ernst & Young over many years. Two firms presented to the Audit Committee and it concluded that the appointment of BDO LLP is 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. Additionally, the Audit Committee received feedback from the Investment Manager and Administrator regarding the effectiveness of the external audit process.

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 Chair

4 April 2019

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 or loss of the Company; and

(b) this Annual Report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

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

For and on behalf of the Board

Julia Le Blan
Director

4 April 2019

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

STRATEGIC REPORT GOVERNANCE FINANCIALS OTHER INFORMATION

Opinion

We have audited the financial statements of Impax Environmental Markets Plc ("the Company") for the year ended 31 December 2018 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 18, 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 2018 and of its loss 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.

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 pages 14 and 15 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 24 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 29 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 16 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 £4.5m (2017: £5.1m), which is 1% of net asset value ("NAV")

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

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 28); the accounting policies (pages 40 and 41) and the notes to the financial statements (pages 40 to 50)* The revenue recognised during the year is a key driver to the Company's revenue return. Incomplete or inaccurate revenue recognition could therefore have a significant impact in the return generated for shareholders. The investment income for the year to 31 December 2018 was £9.0m (2017: £8.2m).	• Obtained an understanding of the processes in place and design effectiveness and implementation of controls at Impax Asset Management (AIFM) Limited (the "Manager") and Praxis IFM Fund Services (UK) Limited (the "Administrator") in relation to revenue recognition. • Agreed a sample of dividends received from the underlying financial records to an independent pricing source, recalculated the dividend receivable and confirmed that the cash received as shown on bank statements was consistent with the recalculated amount. • Performed a review of special dividends received above our testing threshold during the period and assessed the appropriateness of the accounting treatment adopted. • To test for completeness, we checked a sample of dividends announced to an independent source to confirm that they were recorded in the correct accounting period. • Tested the appropriateness of journal entries and other adjustments made to revenue during the year and year-end manual journals.	• Our audit procedures did not identify any material matters regarding revenue recognition. • Based on our procedures performed we had no material matters to report to the Audit Committee.
Incorrect valuation and existence of the investment portfolio *Refer to the Audit Committee Report (page 28); the accounting policies (pages 40 and 41) and the notes to the financial statements (pages 40 to 50)* The valuation of the assets held in the investment portfolio is the key driver of the Company's net asset value and investment return. Incorrect asset pricing or a failure to maintain proper legal title of assets by the Company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders. The investment portfolio at the year-end comprised of quoted equity investments (level 1) of £466.8m and unquoted investments of £7.9m.	• Obtained an understanding of the processes in place and design effectiveness and implementation of controls at the Manager and the Administrator in relation to valuation of investments. • We have reviewed the applied methodology of the valuation of the material unlisted investment to confirm it is consistent with The British Private Equity & Venture Capital Association ("BVCA") fair valuation principles and agreed the inputs to the model used. • We agreed all the quoted prices at the year end to a relevant independent source. • We agreed all the exchange rates used to convert investments in foreign currency to Sterling to an independent source. • Agreed the number of shares held for each security to independent confirmations of legal title received from the Company's depository and custodian, BNP Paribas Securities Services.	• Based on our procedures performed we had no material matters to report to the Audit Committee.

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.

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 £4.5m (2017: £5.1m), which is 1% of total equity as at 31 December 2018. We derived our materiality calculation from a proportion of total equity as we consider that to be the most important financial metric on which shareholders judge the performance of the Company.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Company's overall control environment, our judgement was that performance materiality was 75% (2017: 75%) of our planning materiality, namely £3.4m (2017: £3.8m). 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 £344k (2017: £318k) 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 £226k (2017: £254k), 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.

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

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 30** – 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 pages 28 and 29** – 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 22** – 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.

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 30, 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 **https://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 17 years, covering the years ending 31 December 2002 to 31 December 2018.
- 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.

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.

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

4 April 2019

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 2018 REVENUE £'000	CAPITAL £'000	TOTAL £'000	YEAR ENDED 31 DECEMBER 2017 REVENUE £'000	CAPITAL £'000	TOTAL £'000
(Loss)/gains on investments	2	–	(54,053)	(54,053)	–	67,373	67,373
Net foreign exchange (loss)/gain		–	(887)	(887)	–	1,173	1,173
Income	3	9,006	–	9,006	8,265	–	8,265
Investment management fees	4	(1,098)	(3,293)	(4,391)	(1,083)	(3,248)	(4,331)
Other expenses	4	(754)	–	(754)	(758)	–	(758)
(Loss)/profit on ordinary activities before finance costs and taxation		**7,154**	**(58,233)**	**(51,079)**	**6,424**	**65,298**	**71,722**
Finance costs	6	(213)	(638)	(851)	(144)	(435)	(579)
(Loss)/profit on ordinary activities before taxation		**6,941**	**(58,871)**	**(51,930)**	**6,280**	**64,863**	**71,143**
Taxation	7	(1,173)	–	(1,173)	(1,136)	–	(1,136)
(Loss)/profit on ordinary activities after taxation		**5,768**	**(58,871)**	**(53,103)**	**5,144**	**64,863**	**70,007**
Return per Ordinary Share	8	3.20p	(32.69p)	(29.49p)	2.83p	35.63p	38.46p

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 40 to 50 form part of these financial statements.

Balance Sheet

	NOTES	AS AT 31 DECEMBER 2018 £'000	AS AT 31 DECEMBER 2017 £'000
Fixed assets			
Investments at fair value through profit or loss	2	474,710	524,305
Current assets			
Dividend receivable		218	88
Sales awaiting settlement		–	256
Taxation recoverable		–	13
Other debtors		176	18
Cash and cash equivalents		6,481	13,054
		6,875	**13,429**
Creditors: amounts falling due within one year			
Purchases awaiting settlement	10	–	(204)
Other creditors	10	(931)	(1,181)
		(931)	**(1,385)**
Net current assets		**5,944**	**12,044**
Total assets less current liabilities		**480,654**	**536,349**
Creditors: amounts falling due after more than one year			
Bank loan and credit facility	11	(30,691)	(29,442)
Net assets		**449,963**	**506,907**
Capital and reserves: equity			
Share capital	12	22,574	22,574
Share premium account		16,035	16,035
Capital redemption reserve		9,877	9,877
Share purchase reserve		96,432	95,772
Capital reserve	13	295,600	354,471
Revenue reserve		9,445	8,178
Shareholders' funds		**449,963**	**506,907**
Net assets per Ordinary Share	14	249.58p	281.55p

Approved by the Board of Directors and authorised for issue on 4 April 2019 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 40 to 50 form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018	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 2018		**22,574**	**16,035**	**9,877**	**95,772**	**354,471**	**8,178**	**506,907**
Dividend paid	9	–	–	–	–	–	(4,501)	(4,501)
Share issues from treasury	12	–	–	–	660	–	–	660
Profit for the year		–	–	–	–	(58,871)	5,768	(53,103)
Closing equity as at 31 December 2018		**22,574**	**16,035**	**9,877**	**96,432**	**295,600**	**9,445**	**449,963**

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**
Dividend paid	9	–	–	–	–	–	(3,530)	(3,530)
Share buy backs	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**

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

The notes on pages 40 to 50 form part of these financial statements.

Statement of Cash Flows

	NOTES	YEAR ENDED 31 DECEMBER 2018 £'000	YEAR ENDED 31 DECEMBER 2017 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation*		(51,079)	71,722
Less: Tax deducted at source on income from investments		(1,173)	(1,136)
Foreign exchange non cash flow losses		84	(1,342)
Adjustment for losses/(gains) on investments	2	54,053	(67,373)
(Increase)/decrease in other debtors		(275)	112
(Decrease)/increase in other creditors		(41)	392
Net cash flow from operating activities		**1,569**	**2,375**
Investing activities			
Add: Sale of investments		111,485	146,716
Less: Purchase of investments		(115,891)	(120,748)
Net cash flow (used in)/from investing		**(4,406)**	**25,968**
Financing activities			
Equity dividends paid	9	(4,501)	(3,530)
(Repayment of)/proceeds from credit facility		(29,297)	350
Proceeds from bank loan		30,462	–
Finance costs paid		(1,060)	(383)
Share issues from treasury	12	660	–
Share buy backs	12	–	(24,825)
Net cash flow used in financing		**(3,736)**	**(28,388)**
Decrease in cash		**(6,573)**	**(45)**
Opening balance at 1 January		13,054	13,099
Balance at 31 December		**6,481**	**13,054**

* Cash inflow from dividends was £8,878,000 (2017: £8,164,000).

The notes on pages 40 to 50 form part of these financial statements.

Notes to the Accounts

1. ACCOUNTING POLICIES

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

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

(a) Basis of accounting

The accounts are prepared in accordance with UK Generally Accepted Accounting Practice ("UK GAAP") including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 and updated in February 2018.

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. Overseas income is grossed up at the appropriate rate of tax but UK dividend income is not grossed up for tax credits.

Special Dividends are assessed on their individual merits and may be credited to the Income Statement as a capital item if considered to be closely linked to reconstructions of the investee company or other capital transactions. All other investment income is credited to the Income Statement as a revenue item.

(e) Capital reserves

Gains and losses realised from the sale of investments, changes in fair value arising upon the revaluation of investments that remain in the portfolio, foreign exchanges gains and losses and expenses which are attributable to capital are all charged to the capital column of the Income Statement and allocated to the capital reserve.

(f) Expenses

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

Management fees

In accordance with the Company's stated policy and the Directors' expectation of the split of future returns, three quarters of investment management fees are charged as a capital item in the Income Statement. There is no performance fee arrangement with the Manager.

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) Cash and cash equivalents
Cash comprises cash and demand deposits. Cash equivalents, which include bank overdrafts, are short term, highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risks of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(k) 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 2.

(l) Dividend payable
Final dividends payable to equity shareholders are recognised in the financial statements when they have been approved by shareholders and become a liability of the Company. Interim dividends payable are recognised in the period in which they are paid. The capital and revenue reserve may be used to fund dividend distributions.

(m) Treasury shares
Treasury shares are recognised at cost as a deduction from equity shareholders' funds. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sale proceeds and the original cost being taken to share purchase reserve. No gain or loss is recognised in the financial statements on transactions in treasury shares.

2 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2018 £'000	2017 £'000
(a) Summary of valuation		
Analysis of closing balance:		
UK quoted securities	41,505	37,320
Overseas quoted securities	425,318	477,074
Overseas unquoted securities	7,887	9,911
Total investments	**474,710**	**524,305**
(b) Movements during the year		
Opening balance of investments, at cost	365,331	337,903
Additions, at cost	115,687	120,538
Disposals, at cost	(79,778)	(93,110)
Cost of investments at 31 December	**401,240**	**365,331**
Revaluation of investments to fair value:		
Opening balance of capital reserve – investments held	158,974	145,463
Unrealised (losses)/gains on investments held	(85,504)	13,511
Balance of capital reserve – investments held at 31 December	73,470	158,974
Fair value of investments at 31 December	**474,710**	**524,305**
(c) (Losses)/gains on investments in year (per Income Statement)		
Gains on disposal of investments	31,478	53,862
Net transaction costs	(27)	–
Unrealised (losses)/gains on investments held	(85,504)	13,511
(Losses)/gains on investments	**(54,053)**	**67,373**

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2 INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS CONTINUED

During the year, the Company incurred transaction costs on purchases totalling in aggregate £111,000 (2017: £122,000) and on disposals totalling in aggregate £73,000 (2017: £103,000). Following MiFID II, the Manager has rebated £74,000 in respect of transaction research costs for the year ended 31 December 2018, and £83,000 in relation to prior periods. Transaction costs are recorded in the capital column of the Income Statement.

Classification of financial instruments

FRS 102 requires classification of financial instruments with in the fair value hierarchy be determined by reference to the source of inputs used to derive the fair value and the lowest level input that is significant to the fair value measurement as a whole. The classifications and their descriptions are 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
Level 2 investments are holdings in companies with no quoted prices. 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:

	31 DECEMBER 2018				31 DECEMBER 2017			
	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	466,823	–	–	466,823	514,394	–	–	514,394
– Unquoted	–	–	7,887	7,887	–	–	9,911	9,911
	466,823	**–**	**7,887**	**474,710**	**514,394**	**–**	**9,911**	**524,305**

Level 2 investments are holdings in companies with no quoted prices.

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

	2018 £'000	2017 £'000
Opening balance	9,911	10,858
Additions during the year	–	–
Disposals during the year	–	–
Valuation adjustments	(2,629)	–
Foreign exchange movement	605	(947)
Closing balance	**7,887**	**9,911**

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 in US dollars based on a full scenario model prepared by the Manager and translated into sterling using the applicable foreign exchange rate at the Company's year end. The main assumptions are (i) discount rates, (ii) exit values, (iii) exit times, (iv) probabilities of the scenarios. There was a further adjustment to the valuation of level 3 unquoted holdings post year-end, details of the adjustment can be found in note 18 on page 50.

At the year end the Company held 4 unquoted companies of which 3 were valued at nil, details of which can be found on page 12.

3 INCOME

	2018 £'000	2017 £'000
Income from investments		
Dividends from UK listed investments	793	660
Dividends from overseas listed investments	8,213	7,605
Total income	**9,006**	**8,265**

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4 FEES AND EXPENSES

	2018			2017		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Investment management fees	1,098	3,293	4,391	1,083	3,248	4,331
Secretary and administrator fees	193	–	193	188	–	188
Depository and custody fees	177	–	177	158	–	158
Directors' fees	134	–	134	132	–	132
Directors' other costs	5	–	5	11	–	11
Broker retainer	53	–	53	7	–	7
Auditor's fees	28	–	28	29	–	29
Association of Investment Companies	21	–	21	20	–	20
Registrar's fees	51	–	51	49	–	49
Marketing fees	30	–	30	58	–	58
FCA and listing fees	34	–	34	39	–	39
Other expenses	28	–	28	67	–	67
	754	–	754	758	–	758
Total expenses	**1,852**	**3,293**	**5,145**	**1,841**	**3,248**	**5,089**

5 DIRECTORS' FEES

Fees payable to the Directors effective 1 April 2018 were: £35,250 to the Chairman, £28,625 to the Chairman of the Audit Committee and £23,500 to the other Directors. Fees prior to that date were £34,500, £28,000 and £23,000 respectively. Employer's National Insurance upon the fees is included as appropriate in Directors' other employment costs under note 4. Full details of Directors' emoluments can be found in the Directors' Remuneration Implementation Report.

6 FINANCE COSTS

	2018			2017		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest charges	211	635	846	144	435	579
Direct finance costs	2	3	5	–	–	–
Total	**213**	**638**	**851**	**144**	**435**	**579**

Facility arrangement costs amounting to £65,000 are amortised over the life of the facility.

7 TAXATION

(a) Analysis of charge in the year:

	2018			2017		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Overseas taxation	1,173	–	1,173	1,136	–	1,136
Taxation	**1,173**	**–**	**1,173**	**1,136**	**–**	**1,136**

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

The effective UK corporation tax rate applicable to the Company for the year is 19.00% (2017: 19.25%). 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 2018 was 19% (2017: 19%).

7 TAXATION CONTINUED

The differences are explained below:

	2018 £'000	2017 £'000
Total (loss)/profit before tax per accounts	(51,930)	71,143
Effective corporation tax at 19.00% (2017: 19.25%)	(9,867)	13,695
Effects of:		
Non-taxable UK dividend income	(151)	(127)
Non-taxable overseas dividend income	(1,561)	(1,464)
Movement in unutilised management expenses	978	979
Movement on non-trade relationship deficits	162	112
(Gains)/losses on investments not taxable	10,439	(13,195)
Overseas taxation	1,173	1,136
Total tax charge for the year	**1,173**	**1,136**

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 £49,483,000 (2017: £43,587,000). 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 17.00% (2017: 17.00%) amounts to £8,400,000 (2017: £7,410,000).

8 RETURN PER SHARE

Return per share is based on the net loss on ordinary activities after taxation of £53,103,000 comprising a revenue gain of £5,768,000 and a capital loss of £58,871,000 (2017: net gain of £70,007,000 comprising a revenue gain of £5,144,000 and a capital gain of £64,863,000) attributable to the weighted average of 180,054,314 (2017: 182,046,517) Ordinary Shares of 10p in issue (excluding Treasury shares) during the year.

There is no dilution to return per share as the Company has only Ordinary Shares in issue.

9 DIVIDENDS

	2018 £'000	2017 £'000
Dividends reflected in the financial statements:		
Final dividend paid for the year ended 31 December 2017 of 2.50p (2016: 1.95p)	4,501	3,530
Dividends not reflected in the financial statements:		
Recommended dividend for the year ended 31 December 2018 of 3.00p (2017: 2.50p) per Ordinary Share	5,455	4,501

If approved at the AGM, the dividend will be paid on 28 May 2019 to shareholders on the register as at the close of business on 26 April 2019.

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Finance costs payable	93	302
Accrued management fees	709	371
Other accrued expenses	129	508
Purchases awaiting settlement	–	204
Total	**931**	**1,385**

11 BANK LOAN AND CREDIT FACILITY

	2018 £'000	2017 £'000
Bank loan		
Credit facility – between one and two years	–	29,442
Bank loans – between two and five years	30,691	–

During the year, the Company terminated the multi-currency revolving credit facility with The Royal Bank of Scotland plc and refinanced by entering into five-year fixed-rate multi-currency USD 20 million and GBP 15 million loans with Scotiabank Europe plc ("Scotiabank"). At the year end, the Company had loans of US$20,000,000 (2017: US$19,000,000) and £15,000,000 (2017: £15,042,000) from the facility. The loans expire on 6 September 2023.

Interest is payable on the loans at the rate of 2.910% per annum in respect of the GBP loan and at the rate of 4.504% per annum in respect of the USD loan.

The Company also has a GBP 20 million multi-currency revolving credit facility with Scotiabank, of which £2.5 million is committed and nil was drawn down at the Company's year end. The facility expires on 6 September 2023.

As at 31 December 2018, the Company's loans outstanding aggregated to £30,691,000, with a breakdown of the loan as follows.

CURRENCY OF LOAN	LOAN CURRENCY AMOUNT	£'000
GBP loan	15,000,000	15,000
USD loan	20,000,000	15,691
		30,691

12 SHARE CAPITAL

	AS AT 31 DECEMBER 2018		AS AT 31 DECEMBER 2017	
	NUMBER	AUTHORISED, ISSUED AND FULLY PAID £'000	NUMBER	AUTHORISED, ISSUED AND FULLY PAID £'000
Ordinary Shares of 10p:				
Opening balance	225,737,355	22,574	236,820,604	23,682
Shares bought back in year	–	–	(11,083,249)	(1,108)
Closing balance	**225,737,355**	**22,574**	**225,737,355**	**22,574**

At the year end 45,448,109 (2017: 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 2018 was 180,289,246 Ordinary Shares (2017: 180,039,246).

Ordinary Share buybacks and Sales of shares from treasury

During the year, the Company sold 250,000 Ordinary Shares from treasury (2017: the Company bought back for cancellation 11,083,249) for an aggregate proceeds of £660,000 (2017: cost of £24,825,000).

Since the year end a further 1,550,000 Ordinary Shares have been sold from treasury.

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

	2018 £'000	2017 £'000
Opening balance	195,498	144,146
Gains on disposal of investments	31,478	53,862
Net transaction costs	(27)	–
Net foreign exchange (loss)/gain	(887)	1,173
Investment management fees charged to capital	(3,293)	(3,248)
Finance costs charged to capital	(638)	(435)
Balance at 31 December	**222,131**	**195,498**

Investments held

	2018 £'000	2017 £'000
Opening balance	158,973	145,462
Movement on valuation of investments held	(85,504)	13,511
Balance at 31 December	**73,469**	**158,973**
Capital reserve balance at 31 December	**295,600**	**354,471**

14 NET ASSET VALUE PER ORDINARY SHARE

Net asset value per Ordinary Share is based on net assets of £449,963,000 (2017: £506,907,000) divided by 180,289,246 (2017: 180,039,246) 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.

The below table is a reconciliation between the NAV per Ordinary Share as at 31 December 2018 announced on the London Stock Exchange, on 2 January 2019 and the NAV per Ordinary Share as at 31 December 2018 disclosed in these financial statements.

NAV per Ordinary Share as at the financial year end as published on 2 January 2019	251.00p
Revaluation adjustments – Ensyn revaluation	(1.46)p
Other adjustments	0.04p
NAV per share as disclosed in these financial statements	**249.58p**

15 RELATED PARTY TRANSACTIONS

Details of the management contract can be found in the Directors' Report on pages 19 and 20. Fees payable to the Manager are detailed in note 4 on page 43; the relevant amount outstanding as an accrual at the year end was £709,000 (2017: £371,000). Since 1 January 2018, the Manager has agreed to rebate commission which relates to research fees to the Company with such amount disclosed in note 2. The directors' fees are disclosed in note 5 and the Directors' shareholdings are disclosed in the Directors' Remuneration Implementation Report on page 27.

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

16 FINANCIAL RISK MANAGEMENT

As an investment trust, the Company invests in equities and un-quoted equities for the long-term so as to enable investors to benefit from growth in the markets for cleaner or more efficient delivery of basic services of energy, water and waste, as stated in the Company's investment objective which can be found on page 13. In pursuing its investment objective, the Company is exposed to a variety of risks that could result in either a reduction in the Company's net assets or a reduction of the profits available for dividends. These risks, include market risk (comprising currency risk, interest rate risk, and other price risk), credit risk and liquidity risk and the Directors' approach to the management of them are set out below. These metrics are monitored by the AIFM.

The objectives, policies and processes for managing the risks, and the methods used to measure the risks, are set out below.

16 FINANCIAL RISK MANAGEMENT CONTINUED

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 2018 are detailed in the table at the end of this note.

Currency sensitivity

The below table shows the strengthening/(weakening) of sterling against the local currencies over the financial year for the Company's financial assets and liabilities held at 31 December 2018.

	2018 % CHANGE[1]	2017 % CHANGE[1]
Australian Dollar	(4.5%)	1.2%
Canadian Dollar	(2.5%)	2.0%
Danish Krone	0.8%	(3.8%)
Euro	1.0%	(3.9%)
Hong Kong Dollar	5.5%	10.4%
Indian Rupee	(2.8%)	3.0%
Japanese Yen	8.2%	5.7%
Korean Won	1.7%	(3.1%)
Norwegian Krone	0.4%	4.0%
Swedish Krona	(2.3%)	(1.4%)
Swiss Franc	4.9%	4.8%
Taiwanese Dollar	2.8%	0.7%
Thai Baht	6.5%	(0.4%)
US Dollar	5.8%	9.6%

1. Percentage change of Sterling against local currency from 1 January 2018 to 31 December 2018.

Based on the financial assets and liabilities at 31 December 2018 and all other things being equal, if sterling had strengthened or weakened against the local currencies by 10%, the absolute impact on the profit after taxation for the year ended 31 December 2018 and the Company's net assets at 31 December 2018 would have been as follows:

	2018 POTENTIAL EFFECT £'000	2017 POTENTIAL EFFECT £'000
Australian Dollar	1,497	1,542
Canadian Dollar	314	565
Danish Krone	425	368
Euro	9,359	9,677
Hong Kong Dollar	3,229	3,919
Indian Rupee	818	1,018
Japanese Yen	1,431	1,814
Korean Won	1,046	1,015
Norwegian Krone	1,454	1,269
Swedish Krona	1,005	855
Swiss Franc	592	1,027
Taiwanese Dollar	1,275	1,223
Thai Baht	739	705
US Dollar	20,834	23,701
Total	**44,018**	**48,698**

(ii) Interest rate risk

With the exception of cash, no significant interest rate risks arise in respect of any current asset. The Company, generally, does not hold significant cash balances, with short-term borrowings being used when required. Cash held as a current

16 FINANCIAL RISK MANAGEMENT CONTINUED

asset is sterling and is held at the variable interest rates of the custodian. Movement in interest rates will not materially affect the Company's income and as such no sensitivity analysis is required.

The Company had two bank loans in place during the year. The loan interest on the current loans is based on a fixed rate as such no sensitivity analysis is required.

(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 7.0% over the ten year period to 31 December 2018. The historic 3-year (annualised) volatility of the Company to 31 December 2018 is 12.1%.

At the year end the Company held investments with an aggregate market value of £474,710,000 (2017: £524,305,000). 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 £47,471,000 (2017: £52,430,500) in the profit after taxation for the year ended 31 December 2018 and the Company's net assets at 31 December 2018.

Overall sensitivity

This model uses the Parametric VaR methodology to estimate the maximum expected loss from the portfolio held at 31 December 2018 over 1 day, 5 day, 10 day and 21 day at a particular confidence level (1 in 20 and 1 in 100 possible outcomes). The results of the analysis are shown below.

	2018 EXPECTED AS PERCENTAGE AT LIMIT		2017 EXPECTED AS PERCENTAGE AT LIMIT	
	1 IN 20 (95%)	1 IN 100 (99%)	1 IN 20 (95%)	1 IN 100 (99%)
1 day return	1.19	1.68	1.0	1.4
5 day return	2.65	3.75	2.2	3.1
10 day return	3.75	5.30	3.1	4.4
21 day return	3.56	7.87	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 2018.

The above results suggest, for example, that there is a 5% or less chance of the NAV falling by 2.65% or more over a 5 day period. Similarly, there is a 1% or less chance of the NAV falling by 1.68% 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 2018 included £6,365,000 (2017: £12,859,000) held in its bank accounts at the Depositary. The Company also held £116,000 (2017: 195,000) 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.

Substantially all of the assets of the Company at the year end were held by the Depositary or sub-custodians of the Depositary. Bankruptcy or insolvency of the Depositary or its sub-custodians may cause the Company's rights with respect to securities held by the Depositary to be delayed or limited. The Depositary segregates the Company's assets from its own assets and only uses sub-custodians on its approved list of sub-custodians. At the year end, the Depository held £466,823,000 in respect of quoted investments.

The credit rating of Depositary was reviewed at the time of appointment and is reviewed on a regular basis by the Manager and/or the Board.

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.

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 30 Day Average Liquidities of each investment and assuming 15% of the daily traded volume.

16 FINANCIAL RISK MANAGEMENT CONTINUED

As shown in the quantitative analysis below, on 31 December 2018, 4.2% 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 2018 and the results for different time bands are reported as follows:

Percentage of portfolio by value that could be liquidated in one week	72.0
Percentage of portfolio by value that could be liquidated in one month	91.5
Percentage of portfolio by value that could be liquidated in three months	95.8
Percentage of portfolio by value that could be liquidated in one year	97.8

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 £7,887,000 (2017: £9,911,000); these investments have been valued at fair value at the year end.

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

	2018 £'000	2017 £'000
Less than one year	1,908	30,827
Between one and five years*	34,104	–
	36,012	**30,827**

* Bank loans.

Financial assets and liabilities

All liabilities carrying amount approximates fair value.

The Company's financial assets and liabilities at 31 December 2018 comprised:

	2018			2017		
	INTEREST BEARING £'000	NON-INTEREST BEARING £'000	TOTAL £'000	INTEREST BEARING £'000	NON-INTEREST BEARING £'000	TOTAL £'000
Investments						
Australian Dollar	–	14,968	14,968	–	15,416	15,416
Canadian Dollar	–	3,139	3,139	–	5,653	5,653
Danish Krone	–	4,254	4,254	–	3,675	3,675
Euro	–	93,593	93,593	–	96,772	96,772
Hong Kong Dollar	–	32,291	32,291	–	39,193	39,193
Indian Rupee	–	8,179	8,179	–	10,180	10,180
Japanese Yen	–	14,310	14,310	–	18,141	18,141
Korean Won	–	10,462	10,462	–	10,150	10,150
Norwegian Krone	–	14,539	14,539	–	12,689	12,689
Sterling	–	34,537	34,537	–	37,320	37,320
Swedish Krona	–	10,050	10,050	–	8,554	8,554
Swiss Franc	–	5,918	5,918	–	10,268	10,268
Taiwanese Dollar	–	12,749	12,749	–	12,232	12,232
Thai Baht	–	7,386	7,386	–	7,054	7,054
US Dollar	–	208,335	208,335	–	237,008	237,008
	–	**474,710**	**474,710**	**–**	**524,305**	**524,305**
Cash at bank						
Floating rate – £ sterling	6,481	–	6,481	13,054	–	13,054
Short term debtors	–	394	394	–	375	375
Short term creditors	–	(931)	(931)	–	(1,385)	(1,385)
Long term creditors	(30,691)	–	(30,691)	(29,442)	–	(29,442)
	(24,210)	**474,173**	**449,963**	**(16,388)**	**523,295**	**506,907**

16 FINANCIAL RISK MANAGEMENT CONTINUED

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 2018 there were 225,737,355 Ordinary Shares in issue (of these shares 45,448,109 were held in Treasury at the year end). (2017: 225,737,355 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 did not buy back shares during the year (2017: The Company bought back 11,083,249 Ordinary Shares).

Use of distributable reserves is disclosed in note 17.

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

The Company does not have any externally imposed capital requirements.

17 DISTRIBUTABLE RESERVES

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

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

18 POST BALANCE SHEET EVENTS

There have been two post balance events since 31 December 2018 reducing the valuation of the Company's holding in Ensyn. Part of that reduction has been reflected in the NAV as at 31 December 2018 in this Annual Report as an adjusting event (see note 2 page 42).The reason for this adjustment is also explained in more detail in the Manager's report. In addition, a further reduction of £1.9 million was made to the NAV on 18 January 2019 to reflect the valuation impact of Ensyn's circumstances at that date. These events are outlined in the table below.

	£'000
Ensyn valuation at 1 January 2018	9,911
Foreign exchange movement to 31 December 2018	605
Ensyn valuation at 31 December 2018 prior to adjusting event	**10,516**
First write down on 9 January 2019 (adjusting event)	(2,629)
Ensyn valuation at 31 December 2018 after adjusting event	**7,887**
Second write down on 18 January 2019 (non-adjusting event)	(1,873)
Foreign exchange movement from 1 Jan 2019 to 31 Mar 2019	(119)
Ensyn valuation at 31 March 2019	**5,895**

10 Year Financial Record

AS AT 31 DECEMBER	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net assets (£ millions)	394	453	345	341	386	374	372	465	507	450
NAV per Ordinary Share[1,2]	127.2p	142.7p	117.0p	126.0p	167.9p	169.8p	178.6p	243.4p	281.6p	249.6p
Share price	119.1p	129.8p	95.8p	102.9p	150.0p	152.8p	160.0p	218.0p	256.5p	253.0p
Premium/(discount)[2,3]	(6.4%)	(9.0%)	(18.1%)	(18.3%)	(10.7%)	(10.2%)	(10.4%)	(10.4%)	(8.9%)	1.4%

YEAR ENDING 31 DECEMBER	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
NAV return[2,4]	28.4%	12.6%	-17.2%	8.5%	34.1%	1.7%	6.0%	37.3%	16.4%	-10.8%
MSCI ACWI Index[5]	19.9%	16.2%	-6.7%	11.0%	20.5%	10.6%	3.3%	28.7%	13.2%	-3.8%
FTSE ET100[5,6]	-15.2%	-2.2%	-27.4%	1.2%	44.9%	4.1%	5.0%	21.9%	20.2%	-9.9%
Revenue return per Ordinary Share	0.8p	0.8p	1.0p	0.9p	1.3p	1.5p	1.5p	2.0p	2.8p	3.2p
Dividends paid	0.85p	0.75p	0.75p	0.9p	0.9p	1.2p	1.4p	1.45p	1.95p	2.50p
Ongoing charges[2,7]	1.12%	1.11%	1.11%	1.16%	1.13%	1.12%	1.11%	1.13%	1.05%	1.04%

Notes

1. NAV per Ordinary Share is measured on a diluted basis in years 2009 to 2010 when warrants were in issue. Warrants were issued in the year ended 31 December 2005 with a subscription price of 96p per Ordinary Share. The final subscription date was 15 June 2010.
2. These are considered to be APMs.
3. Share price premium/(discount) to NAV.
4. Total return (discrete annual returns) – source: Morningstar up to 2016, Bloomberg 2017 thereafter (except year 2018).
5. Net total return for MSCI indices and total return for FTSE indices (discrete annual returns).
6. ET50 data up until 31 December 2013 and then ET100 thereafter.
7. Total expense ratio up to and including 2011.

Total returns to 31 December 2018

	NAV[1]	SHARE PRICE[1]	MSCI ACWI INDEX	FTSE ET100 INDEX[2]
1 year	-10.8%	-0.4%	-3.8%	-9.9%
2 years	3.8%	18.2%	9.0%	8.3%
3 years	42.6%	62.4%	40.2%	32.0%
4 years	51.1%	71.8%	44.8%	38.6%
5 years	53.7%	76.1%	60.2%	44.3%
6 years	106.1%	159.6%	93.1%	104.7%
7 years	123.8%	180.6%	114.4%	107.1%
8 years	84.0%	108.6%	100.1%	50.4%
9 years	107.6%	126.5%	132.5%	47.1%
10 years	168.3%	222.1%	178.7%	69.4%

Notes

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

Alternative performance measures

Discount

The amount, expressed as a percentage, by which the share price is less that the Net Asset Value per Ordinary Share. There is no calculation of discount shown as the Company's Ordinary Shares were trading at a premium at the year end.

Gearing

A way to magnify income and capital returns, but which can also magnify losses. A bank loan is a common method of gearing.

		PAGE	AS AT 31 DECEMBER 2018
Total assets less cash/cash equivalents (£'000)	a	n/a	475,104
Net assets (£'000)	b	37	449,963
Gearing (net)	**(a÷b)-1**		**5.6%**

Leverage

Under the Alternative Investment Fund Managers Directive ("AIFMD"), leverage is any method by which the exposure of an Alternative Investment Fund ("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.

Ongoing charges

A measure, expressed as a percentage of average net assets, of the regular, recurring annual costs of running an investment company.

FOR THE YEAR ENDED 31 DECEMBER 2018		PAGE	
Average NAV (£'000)	a	2	496,369
Annualised expenses (£'000)	b	n/a	5,145
Ongoing charges	**(b÷a)-1**		**1.04%**

Premium

The amount, expressed as a percentage, by which the share price is more than the Net Asset Value per share.

		PAGE	AS AT 31 DECEMBER 2018
NAV per Ordinary Share (p)	a	2	249.58
Share price (p)	b	2	253.00
Premium	**(b-a)÷a**		**1.4%**

Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends paid out by the Company into its Ordinary Shares on the ex-dividend date.

FOR THE YEAR ENDED 31 DECEMBER 2018		PAGE	SHARE PRICE	NAV
Opening at 1 January 2018 (p)	a	n/a	256.50	281.55
Closing at 31 December 2018 (p)	b	2	253.00	249.58
Price movement (b÷a)-1	c	n/a	-1.4%	-11.4%
Dividend reinvestment	d	n/a	1.0%	0.6%
Total return	**(c+d)**		**-0.4%**	**-10.8%**

Directors, Manager and Advisers

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

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

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

Registrar
Link Asset Services (formerly Capita Asset Services)
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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

Investment Manager
Impax Asset Management (AIFM) Limited
7th Floor
30 Panton Street
London
SW1Y 4AJ

Registered office*
3rd Floor, Mermaid House
2 Puddle Dock
London
EC4V 3DB

Secretary and administrator
PraxisIFM Fund Services (UK) Limited
3rd Floor, Mermaid House
2 Puddle Dock
London
EC4V 3DB

Auditors
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

* Registered in England no. 4348393.

www.impaxenvironmentalmarkets.co.uk

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Impax Environmental Markets plc will be held at 7th Floor, 30 Panton Street, London SW1Y 4JR on 21 May 2019 at 2:00 pm. for the following purposes:

To consider and if thought fit pass the following resolutions of which resolutions 1 to 12 will be proposed as Ordinary resolutions and resolutions 13 to 15 will be proposed as Special resolutions.

1. To receive the Company's annual accounts for the year ended 31 December 2018, with the reports of the directors and auditors thereon.
2. To approve the Directors' Remuneration Report included in the Annual Report for the year ended 31 December 2018.
3. To re-elect Vicky Hastings as a director of the Company.
4. To re-elect Aine Kelly as a director of the Company.
5. To re-elect Julia Le Blan as a director of the Company.
6. To re-elect William Rickett as a director of the Company.
7. To re-elect John Scott as a director of the Company.
8. To appoint BDO LLP as auditors to the Company.
9. To authorise the directors to fix the remuneration of the auditors until the conclusion of the next Annual General Meeting of the Company.
10. To approve a final dividend of 3.0p per Ordinary Share of the Company in respect of the year ended 31 December 2018.
11. That the Company should continue as an investment trust for a further three year period.
12. 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 £1,816,574 PROVIDED THAT the directors may not allot relevant securities of an aggregate nominal amount more than 9.99% of the nominal value of the issued share capital (excluding Treasury Shares) at the date of the Annual General Meeting and that this authority shall expire (unless previously varied, revoked or renewed by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2020 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.
13. That, subject to the passing of resolution 12, 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 12 up to an aggregate nominal amount of £1,816,574 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).
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 27,257,702 (representing 14.99% 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% 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 Annual General Meeting of the Company in 2020 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 a general meeting of the Company other than an Annual General Meeting may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the Company's next Annual General Meeting after the date of the passing of this resolution.

By order of the Board

Anthony Lee
Company Secretary

For and on behalf of

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

4 April 2019

Notes to the 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 17 May 2019 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 follow the instructions at note 6 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 of a proxy instruction 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.

4. You can appoint the Chairman of the Meeting, or any other person, as your proxy using the voting methods in notes 6 and 7.

5. You can instruct your proxy how to vote on each resolution by marking the resolutions For and Against using the voting methods stated in notes 6 and 7. If you wish to abstain from voting on any resolution please mark these resolutions 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 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.

APPOINTMENT OF PROXY

6. You can vote either:

- by logging on to **www.signalshares.com** and following the instructions;
- You may request a hard copy form of proxy directly from the registrars, Link Asset Services (previously called Capita), on Tel: 0371 664 0300. Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.
- in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

In order for a proxy appointment to be valid a form of proxy must be completed. In each case the form of proxy must be received by Link Asset Services at 34 Beckenham Road, Beckenham, Kent, BR3 4ZF by 2.00 pm on 17 May 2019.

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 this 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.

Notes to the Notice of AGM continued

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 17 May 2019 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 43,898,109 are held in Treasury. Therefore the total number of Ordinary Shares with voting rights is 181,839,246. 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.

IMPAX Environmental Markets plc