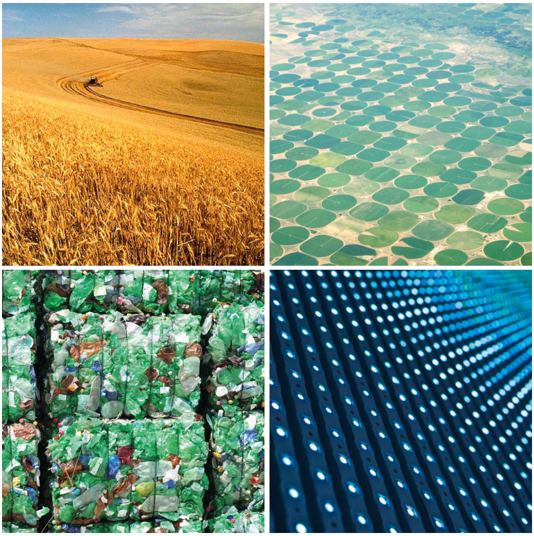


Impax Environmental Markets plc

Half-yearly Financial Report 2013

IMPAX

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.

Financial Information

	At 30 June 2013	At 31 December 2012	% change
Net assets	£354.4m	£341.2m	3.9%
Number of Ordinary Shares in issue[1]	243,124,264	270,770,748	(10.2%)
Net asset value ("NAV") per Ordinary Share	145.8p	126.0p	15.7%
NAV per Ordinary Share (excluding current year net revenue)	144.9p	125.0p	15.9%
Ordinary Share price	128.5p	102.5p	25.4%
Ordinary Share price discount to NAV	11.8%	18.3%	n/a
NAV total return per Ordinary Share			16.4%
Share price total return per Ordinary Share			26.3%
MSCI World Index[2]			16.3%
MSCI World Small Cap Index[2]			18.4%
MSCI ACWI Index[2]			13.8%
FTSE ET50 Index[2]			21.6%
FTSE ET100 Index[2]			22.6%

[1] Excluding shares held in Treasury
[2] Total returns in sterling

Chairman's Review

Richard Bernays
Chairman

In the first six months of 2013 (the "Period"), against a backdrop of economic recovery in several key countries and rising investor confidence, it has been pleasing to see a marked improvement in fundamentals across all the markets targeted by Impax Environmental Markets plc ("IEM" or the "Company"). Of particular note have been President Obama's strong public statements on the urgency of measures to address climate change, improving data on the levels of investment in resource efficiency in China and further evidence that companies in the water sector are experiencing rising demand.

It has been a busy period for the Company. In May we announced a discount control mechanism which has been effective in reducing the discount. We are expanding the investment universe to include sustainable food, agriculture and forestry stocks and will evaluate future performance against a revised set of comparator indices which we believe are the most relevant. We have appointed two new directors following the retirement of Keith Niven and Charles Berry at the Annual General Meeting. With high conviction levels and following successful passage of the continuation vote, we are exploring options for a modest level of gearing.

Performance

The first quarter of the year saw strong equity market gains, reflecting generally improving global economic data. In the second quarter, equities proved more volatile as investors' attention focused on concerns about the pace of withdrawal of quantitative easing in the United States and a possible slowdown in China.

During the Period, the total returns on the Company's net asset value per Ordinary Share ("NAV") and share price were 16.4% and 26.3% respectively. Over the same period, the total return on the MSCI World Index (priced in Pounds Sterling) was 16.3% while the total return on the FTSE ET50 Index (comprising the 50 largest specialist environmental technology companies globally) was 21.6%.

IEM's underperformance against the FTSE ET50 was primarily due to the Company not investing in a small number of technology companies with interesting products but unproven business and valuation models – a prominent example of which is Tesla – which we do not believe to be justified.

New Comparator indices

Following a detailed review, the Board has approved two changes to set what it considers to be more relevant benchmarks. The primary benchmark will switch from the FTSE ET50 to the FTSE ET100, which was recently launched by FTSE, which is more appropriately balanced and better diversified. The MSCI World and MSCI World Small Cap Indices will also be replaced by the MSCI All Country World Index (ACWI) which has a more representative geographical split, including 21 emerging market countries, as this better reflects IEM's investable universe.

Inclusion of Sustainable Food, Agriculture and Forestry sector

FTSE has recently added Sustainable Food, Agriculture and Forestry ("SFAF") as a new sector within its Environmental Markets classification system. This sector comprises stocks that improve yield and productivity

Chairman's Review continued

in agriculture, forestry, aquaculture and food production or distribution while minimising negative environmental impacts, and represents approximately 7% by capitalisation of the FTSE ET100 index. The Board has been advised that this sector is within the scope of the original investment brief of the Company and has agreed that the Manager may invest in this sector with a maximum exposure of 10% of NAV.

Continuation vote

At the Company's Annual General Meeting on 21 May 2013, over 96% of votes cast were in favour of IEM continuing as an investment trust for a further three year period. The Board is pleased to have secured such strong support for the on-going mandate.

Discount

On 31 May 2013, we announced that we remain fully committed to addressing this issue in a proactive and decisive manner and will make appropriate use of the share buyback powers to seek to narrow the discount, initially targeting in the near term (and in normal market conditions) a discount level of 10 % or less. During the Period the Company bought back 27,646,484 of its own Ordinary Shares at an average discount of 15%; these shares are held in treasury. This activity, together with stronger performance, saw the discount tighten from 18% on 31 December 2012 to 11.8% as at 30 June 2013.

The buybacks during the Period enhanced the NAV by approximately 2.5p. Since 30 June 2013, the Company has repurchased a further 6,805,000 Ordinary Shares.

Board appointments

We previously announced the appointment of John Scott and on the 21 May 2013 the Board also named Victoria Hastings as a non-executive director. Mrs Hastings has worked in the Investment Management industry for nearly 25 years and has extensive experience in both non-executive directorships and executive roles.

Alternative Investment Fund Managers Directive (AIFMD)

The AIFMD became effective in the UK on 22 July 2013 and there is a twelve month transitional period for UK Alternative Investment Fund Managers to seek authorisation from the Financial Conduct Authority. One of the main consequences of the regulations is that the Company is likely to have to appoint a depositary. The Board and the Company's advisors will ensure compliance ahead of the July 2014 deadline and further information will be reported to shareholders in due course.

Outlook

The next major catalysts for environmental markets are likely to be generally favourable, with further evidence of a pick-up in industrial capital expenditure and the announcement of new investment programmes by both the public and private sectors.

After a difficult few years for the environmental sector, we are becoming broadly positive on all sectors of the markets in which we invest. With equities likely to be strong relative to bonds, we believe the Company's shares represent good value.

Richard Bernays
7 August 2013

Manager's Report

Bruce Jenkyn-Jones

Jon Forster

Performance Update

Environmental markets delivered a robust performance over the Period, helped by a more favourable macro-economic environment. There were a considerable number of political and regulatory initiatives which will have a favourable long term impact on environmental markets, across sectors and geographies, and we are monitoring the growing number of interesting new investment opportunities. The Company delivered strong performance across most sectors and geographies.

As mentioned in the Chairman's Review, underperformance of environmental indices over the Period reflected very strong performance by a small number of US technology stocks with large index weightings such as Tesla (electric vehicles) and Cree (LEDs). Historically, Environmental Markets have been prone to periodic bubbles, a feature we highlighted at IEM's Ten Year Event. There are few examples of unprofitable technology companies reaching sustainable profitability. Taking into account the extremely high current valuations, we believe there are better opportunities elsewhere.

Key Developments

During the Period there were several major developments which are positive for the Company. Of particular note are the growth in energy efficient lighting markets, the rapid increase in spending in Asia to control pollution, stabilisation of renewable energy markets and the consideration of investment opportunities in sustainable food, agriculture and forestry.

Light emitting diodes

In the last annual report we discussed our optimistic outlook for light emitting diodes ("LEDs") particularly as LEDs gain traction in general lighting markets. This sub-sector continues to flourish with companies reporting growth in global installations in the region of 30% and a realistic expectation of 45% market penetration by 2015. There are attractive investment opportunities across the value chain, including the machinery suppliers, chip manufacturers, suppliers of controls and packagers. We added to our position in Aixtron (LED manufacturing, Germany) but sold out of Cree (LEDs, United States), on the basis of valuation.

Pollution control

Pollution issues such as the severe winter smogs that blighted many large Chinese cities last winter, are proving a strong catalyst for investment in the pollution control sub-sector. Recent media attention has focused on studies highlighting both the health and economic implications of severe air pollution. These studies suggest that the high levels experienced in Chinese Cities may reduce average life expectancy by more than five years and GDP by up to 3%.

Manager's Report continued

There are broad investment opportunities in companies involved in the design, development, manufacture and installation of equipment and services which reduce, prevent or clean up polluted air, water and soil. These include city gas, filtration for the automotive, truck and industrial markets and companies selling to the rail and metro sectors. During the Period, we added Beijing Enterprise Holdings (pollution control solutions, China) to the portfolio but following strong performance we subsequently switched into ENN Energy Holdings in the same sub-sector and geography.

Renewables

Prices of wind turbines and solar modules have been falling in recent years and the associated margin pressure has led to share price weakness. During the Period, prices in renewable energy equipment stabilised after significant consolidation and continued demand growth. While the sector continues to face challenges, these are now reflected in valuations and we are watching the sector closely for long term winners to emerge as the fundamental economics of renewables begin to look more attractive and the sector becomes less dependent on subsidies. We added GCL-Poly (solar energy generation equipment, China) as a new holding and also increased our exposure to Vestas (wind turbine manufacturer, Denmark).

Sustainable Food, Agriculture & Forestry

Together with a clear definition of *sustainable* food and agriculture from the FTSE process (see Chairman's Review) and Impax's strong research resource in this area, IEM is currently reviewing the most compelling SFAF investment opportunities for inclusion in the portfolio. Initially the allocation to SFAF is limited to 10% but is likely to be lower than this for the next few months.

Global Policy and Regulation

There has been an unusually high volume of global policy and regulatory announcements during the Period which look set to have a number of positive impacts on companies in our investment universe.

China announced a major investment upgrade in air pollution control, waste, water treatment and polluted soil rehabilitation. The combined projected investment is significantly higher than the 3.4 trillion Yuan (US$ 550 billion) outlined in the 12th Five Year Plan for environmental protection with this investment to be deployed by the end of 2015.

President Obama's Climate Action Plan, announced in June, relies predominantly on action that does not require Congressional approval and will be implemented by the United States (US) Environmental Protection Agency. The main initiatives are to reduce emissions from existing coal-fired plants, double the renewable energy projects on federal lands to 20GW by 2020 and reduce carbon pollution by at least 3 billion metric tonnes cumulatively by 2030 through stricter efficiency standards.

Finally in the UK we received the long awaited announcement of more positive support for renewables as part of the Electricity Market Reform (EMR) process. This will lead to improved clarity and visibility on the prospects for renewable generation. Alongside the US, Japan, China and India, the UK is currently one of the fastest growing renewables markets.

Performance Contributors and Detractors

Contributors

The Energy Efficiency holdings delivered strong earnings with an improving outlook driving share price gains for companies exposed to construction, consumer and industrial end markets. These included Kingspan (insulation, Ireland), Power Integrations (power electronics, US) and Vacon (power electronics, Finland). LED markets, which detracted from performance in 2012, are now showing a strong recovery, with improving sales and anticipation of a new capex cycle helping Aixtron (LED machinery, Germany). Pollution control stocks including Beijing Enterprise Holdings (gas distribution, China) and Norma (automotive components, Germany) also performed well, reflecting their exposure to tightening environmental regulation and the cyclical recovery of their end markets. The Company's micro-cap companies: Porvair (filtration, UK) and Regenersis (electronic goods repair and recycling, UK), continued to deliver strong earnings and share price performance. Vestas (wind turbine manufacture, Denmark) outperformed as a result of solid execution of its restructuring programme and a wider consolidation of global wind equipment capacity.

Detractors

Regulatory uncertainty had a negative impact on Abengoa (Spain) which suffered from the expectation of additional cuts to renewables incentives in Spain. The escalating trade dispute in the solar sector between the EU and China led to weakness in GCL (solar silicon, China). The metals recyclers Schnitzer Steel and Metalico (both US) continue to experience tight scrap supply and reduced demand from emerging markets which led to some underperformance; we expect the situation to stabilise and share prices to recover. Our holdings in environmental consultancies RPS (UK) and Tetra Tech (US) were weak due to their exposure to mining and commodities. Zumtobel (lighting, Austria) declined as the company struggled with weak European construction markets and the transition of its business to LEDs.

Unquoted Companies

At 30 June 2013, the value of the Company's investments in unquoted companies was £12.3m, representing 3.5% of the portfolio. Movements in the Period were as follows:

	£m
Valuation as at 1 January 2013	11.5
Net valuation and FX changes	0.8
Valuation at 30 June 2013	**12.3**

We continue to work towards exits for our remaining unquoted holdings.

Portfolio Positioning & Activity

The sub-sector breakdown for IEM is set out on page 10 along with the comparison with the FTSE ET50.

The portfolio is well diversified by both geography and by sub-sector and reflects a balance of defensive and cyclical holdings. At the end of the Period the Company had 71 listed or quoted holdings and five investments in unquoted companies two of which are valued at nil. We continue to maintain our positive outlook for the energy efficiency and water infrastructure sub-sectors and also favour pollution control where we are adding to our current allocation. We have turned more positive on the long term prospects for renewables where we also expect to increase our exposure.

Outlook for 2013

In the near term we expect some continuing volatility in global equity markets but anticipate a transition to a slower but more stable period of growth.

For the first time in several years we are positive across all the Environmental Markets in which we invest. The outlook for earnings growth in environmental markets continues to gather momentum, many of our investee companies are announcing strong results and we believe this growth will be maintained. With a high quality and well balanced portfolio, we believe the Company is well positioned to perform in the second half of the year and beyond.

We post monthly updates on sector news and on IEM's performance on the company's website at www.impaxenvironmentalmarkets.com.

Impax Asset Management Limited
7 August 2013

Ten Largest Holdings

1. Pentair

Location: United States 2.9% of net assets

Pentair is a manufacturer of pumps, filters, valves and flow control products, principally for municipal and industrial water and wastewater markets. In 2012 the company merged with the Flow Control business of Tyco International and in doing so roughly doubled its size. This transformational transaction will drive long-term earnings as it significantly expands Pentair's reach to international and high-growth regions.
www.

2. Kingspan

Location: Ireland 2.9% of net assets

Kingspan is an Ireland-based manufacturer of insulated panels and boards, and environmental housing solutions such as solar hot water and rainwater harvesting. In 2012 Kingspan acquired ThyssenKrupp Construction Group to improve its insulated panels market presence in mainland Europe, and Rigidal Industries to increase its platform in the Gulf region. It remains a high quality business that is poised to benefit from increasing regulatory focus on energy efficiency buildings.
www.kingspan.com

3. Pall Corp

Location: United States 2.8% of net assets

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

4. Clean Harbors

Location: United States 2.7% of net assets

Clean Harbors is North America's leading provider of environmental and hazardous waste management services. The company continues to profit from the gradual closure of industrial customers' in-house disposal facilities, which are becoming uneconomical due to their inability to comply with increasingly stringent environmental regulations. The company has a strong track record of integrating acquisitions, expanding market footprint and increasing barriers to entry.
www.cleanharbors.com

5. Xylem Inc

Location: United States 2.5% of net assets

Xylem manufactures a range of water infrastructure and treatment products, including pumps and pumping systems, water testing equipment and irrigation products. The company is well-positioned as a pure-play global water company with market leading technology, selling into the water and wastewater, agricultural, industrial, residential and commercial end markets. It has attractive earnings potential driven by above market growth rates and margin improvement opportunities.
www.

6. Ensyn

Location: Canada 2.5% of net assets

Ensyn is a second generation biofuels company which extracts bio-oils and value

added chemicals from biomass using proven technology based around pyrolysis. The company has strong strategic partnerships with UOP Honeywell and Chevron in the energy sector and Fibria in the forestry space, and it continues to make good progress on executing commercial projects.
www.ensyn.com

7. Regal Beloit

Location: United States 2.4% of net assets

Regal Beloit is a leading global manufacturer of electric motors, ranging from HVAC (heating, ventilation and air conditioning) motors, electric generators and mechanical motion controls. The company benefits from the increasing emphasis being placed on energy efficiency as a means to reduce greenhouse gas emissions. Its end markets were mixed in 2012 but it stands to benefit from improving economies in North America and Asia.
www.regal-beloit.com

8. CLARCOR Inc

Location: United States 2.3% of net assets

CLARCOR is a global manufacturer of filtration products for the transportation, industrial and environmental markets. CLARCOR has strong growth potential from the introduction of new products and the further penetration of emerging markets with existing products, notably Brazil and China. The high level of repeat business for CLARCOR leads to good visibility of earnings growth.
www.clarcor.com

9. Vacon

Location: Finland 2.3% of net assets

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

10. Watts Water

Location: United States 2.3% of net assets

Watts Water is a global manufacturer of products and systems for the control, conservation and quality of water. Its principal product lines are flow control, heating, ventilation and air conditioning (HVAC), water reuse, and water quality. Watts continues to grow through acquisitions having acquired 36 businesses since 1999, targeting entry into new markets, strong brand names, and new or improved technologies. The company's products provide an integrated solution to water management in residential and commercial buildings.
www.wattswater.com

Top Ten Holdings in Companies

As at 30 June 2013

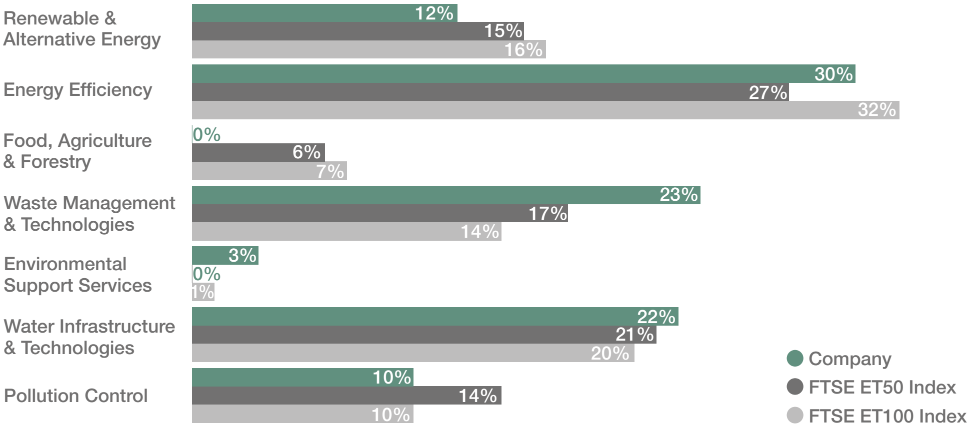
	Valuation £'000	Percentage of net assets
Pentair	10,293	2.9%
Kingspan	10,243	2.9%
Pall Corp	9,875	2.8%
Clean Harbors	9,584	2.7%
Xylem	8,983	2.5%
Ensyn	8,827	2.5%
Regal Beloit	8,635	2.4%
CLARCOR	8,177	2.3%
Vacon	8,045	2.3%
Watts Water	8,013	2.3%
Top ten holdings	90,675	25.6%
Other holdings	262,441	74.1%
Total holdings	353,116	99.7%
Cash	1,311	0.3%
Other net assets	(76)	0.0%
Net assets	354,351	100.0%

The full portfolio is published quarterly in arrears on the Company's website www.impaxenvironmentalmarkets.com

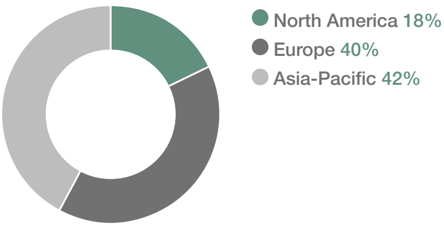
Structure of Portfolio

As at 30 June 2013

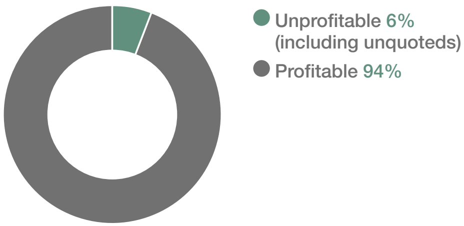
Breakdown by Environmental Markets Classification System



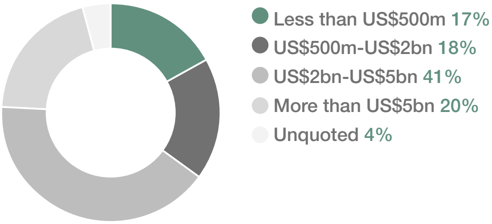
Breakdown by Region



Breakdown by Company Profitability



Breakdown by Market Capitalisation



Interim Management Report

The Chairman's review on pages 1 and 2 and the Manager's report on pages 3 to 6 provide details on the performance of the Company. Those reports also include an indication of the important events that have occurred during the first six months of the financial year ending 31 December 2013 and the impact of those events on the condensed set of financial statements included in this Half-yearly financial report.

Details of the largest ten investments held at the period end are provided on pages 7 and 8 and the structure of the portfolio at the period end is analysed on page 10.

Principal Risks and Uncertainties

The Board considers that the main risks and uncertainties faced by the Company fall into the categories of (i) Market risks (ii) Environmental Markets and (iii) Corporate governance and internal control risks. A detailed explanation of these risks and uncertainties can be found in the Company's most recent Annual Report for the year ended 31 December 2012. The risks and uncertainties facing the Company remain unchanged from those disclosed in the Annual Report.

Related Party Transactions

Details of the investment management arrangements were provided in the Annual Report. There have been no changes to the related party transactions described in the Annual Report that could have a material effect on the financial position or performance of the Company. Amounts payable to the investment manager in the period are detailed in the Income Statement on pages 14 and 15.

Board of Directors
7 August 2013

Directors' Statement of Responsibility for the Half-yearly Report

The Directors confirm to the best of their knowledge that:

- The condensed set of financial statements contained within the Half-yearly financial report has been prepared in accordance with the guidance issued by the Accounting Standards Board on "Half-yearly financial reports".

- The interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the FCA's Disclosure and Transparency Rules.

Richard Bernays
Chairman of the Board of Directors
7 August 2013

THIS PAGE IS LEFT BLANK

Income Statement

	Six months ended 30 June 2013 (unaudited)		
	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments	–	49,049	49,049
Income (see note 4)	3,075	–	3,075
Investment management fees	(426)	(1,276)	(1,702)
Other expenses	(384)	–	(384)
Return on ordinary activities before taxation	2,265	47,773	50,038
Taxation	(233)	–	(233)
Return on ordinary activities after taxation	2,032	47,773	49,805
Return per Ordinary Share (see note 5)	0.78p	18.37p	19.15p

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

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

A Statement of Total Recognised Gains and Losses is not required, as all gains and losses of the Company have been reflected in the above statement.

	Six months ended 30 June 2012 (unaudited)			Year ended 31 December 2012 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
	–	(1,691)	(1,691)	–	22,153	22,153
	2,438	–	2,438	4,500	–	4,500
	(419)	(1,258)	(1,677)	(813)	(2,438)	(3,251)
	(398)	–	(398)	(722)	–	(722)
	1,621	(2,949)	(1,328)	2,965	19,715	22,680
	(152)	–	(152)	(328)	–	(328)
	1,469	(2,949)	(1,480)	2,637	19,715	22,352
	0.51p	(1.02p)	(0.51p)	0.93p	6.98p	7.91p

Balance Sheet

	At 30 June 2013 (unaudited) £'000	At 30 June 2012 (unaudited) £'000	At 31 December 2012 (audited) £'000
Fixed assets			
Investments at fair value through profit and loss (see note 3)	353,116	327,417	334,680
Current assets			
Income receivable	456	161	283
Sales – future settlements	2,249	4,009	236
Taxation recoverable	115	103	170
Other debtors	23	10	18
Cash at bank and in hand	1,311	1,070	6,873
	4,154	5,353	7,580
Creditors: amounts falling due within one year			
Purchases – future settlements	(2,106)	(2,494)	(597)
Accrued liabilities	(813)	(373)	(450)
	(2,919)	(2,867)	(1,047)
Net current assets	1,235	2,486	6,533
Total net assets	354,351	329,903	341,213
Capital and reserves: Equity			
Share capital	32,451	32,451	32,451
Share premium	16,035	16,035	16,035
Share purchase reserve	201,251	248,119	235,598
Capital reserve	101,021	30,584	53,248
Revenue reserve	3,593	2,714	3,881
Shareholders' funds	354,351	329,903	341,213
Net assets per Ordinary Share (see note 6)	145.75p	116.28p	126.02p

Reconciliation of Movement in Shareholders' Funds

Six months ended 30 June 2013 (unaudited)

	Share Capital £'000	Share Premium Capital £'000	Share Purchase Account £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Opening shareholders' funds as at 1 January 2013	32,451	16,035	235,598	53,248	3,881	341,213
Share buy backs (see note 8)	–	–	(34,347)	–	–	(34,347)
Dividend paid (May 2013)	–	–	–	–	(2,320)	(2,320)
Profit for the period	–	–	–	47,773	2,032	49,805
Closing shareholders' funds as at 30 June 2013	32,451	16,035	201,251	101,021	3,593	354,351

Six months ended 30 June 2012 (unaudited)

	Share Capital £'000	Share Premium Capital £'000	Share Purchase Account £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Opening shareholders' funds as at 1 January 2012	32,451	16,035	258,875	33,533	3,857	344,751
Share buy backs (see note 8)	–	–	(10,756)	–	–	(10,756)
Dividend paid (May 2012)	–	–	–	–	(2,612)	(2,612)
(Loss)/profit for the period	–	–	–	(2,949)	1,469	(1,480)
Closing shareholders' funds as at 30 June 2012	32,451	16,035	248,119	30,584	2,714	329,903

Year ended 31 December 2012 (audited)

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

Cash Flow Statement

	Six months ended 30 June 2013 (unaudited) £'000	Six months ended 30 June 2012 (unaudited) £'000	Year ended 31 December 2012 (audited) £'000
Operating activities			
Cash inflow from investment income and bank interest	2,902	2,520	4,461
Cash outflow from management expenses	(1,710)	(2,102)	(3,930)
Cash inflow from disposal of investments	68,146	50,304	110,309
Cash outflow from purchase of investments	(38,012)	(37,238)	(78,731)
Cash outflow from net foreign exchange losses	(43)	(46)	(103)
Cash outflow from taxation	(178)	(162)	(405)
Net cash flow from operating activities	31,105	13,276	31,601
Equity dividends paid	(2,320)	(2,612)	(2,613)
Financing			
Share buy backs	(34,347)	(10,756)	(23,277)
Net cash flow from financing	(34,347)	(10,756)	(23,277)
(Decrease)/Increase in cash	(5,562)	(92)	5,711
Opening balance at start of period	6,873	1,162	1,162
Closing balance at end of period	1,311	1,070	6,873

Notes to the Accounts

1 Accounting policies

The accounts have been prepared in accordance with applicable UK accounting standards, UK Generally Accepted Accounting and the Statement of Recommended Practice "Financial statements of investment trust companies" issued by the Association of Investment Companies in January 2009.

The accounting policies and presentation in these accounts are consistent with those applied in the Annual Report for the year ended 31 December 2012.

2 Investment company status

The Company manages its affairs to enable it to qualify as an investment trust for taxation purposes under section 1158 of the Corporation Taxes Act 2010.

3 Investments

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

4 Income

	Six months ended 30 June 2013 £'000	Six months ended to 30 June 2012 £'000	Year ended 31 December 2012 £'000
Income from investments:			
Dividends from UK investments	622	336	813
Dividends from overseas investments	2,453	2,059	3,645
Loan note interest	–	43	42
Total income	3,075	2,438	4,500

5 Return per Ordinary Share

Return per Ordinary Share is based on the net return on ordinary activities after taxation attributable to the weighted average of 260,114,189 (six months ended 30 June 2012: 289,989,740, year ended 31 December 2012: 282,457,992) Ordinary Shares in issue (excluding treasury shares) during the period.

Notes to the Accounts continued

6 Net assets per Ordinary Share

Net assets per Ordinary Share for the six months ended 30 June 2013 is based on the net assets of the Company attributable to the 243,124,264 (six months ended 30 June 2012: 283,708,070, year ended 31 December 2012: 270,770,748) Ordinary Shares in issue (excluding treasury shares) at the end of the period.

7 Dividend

The final dividend for the year ended 31 December 2012 of 0.9p per Ordinary Share was paid on 28 May 2013 (year ended 31 December 2011 dividend of 0.9p per share was paid on 24 May 2012). In accordance with UK accounting standards the dividend for the year ended 31 December 2012 has been recognised in the Half-yearly financial report for the six months ended 30 June 2013.

8 Purchase of own Shares

During the six months ended 30 June 2013 27,646,484 Ordinary Shares were bought back to be held in treasury at an aggregate cost of £34,347,000. In aggregate 81,385,109 Ordinary Shares were held in treasury at 30 June 2013. Since 30 June 2013, a further 6,805,000 Ordinary Shares have been bought back to be held in treasury.

9 Related party transactions

Fees payable to the Manager are shown in the Income Statement. At 30 June 2013 the fee accrual outstanding to the Manager was £277,806.

10 Status of this report

These financial statements are not the Company's statutory accounts for the purposes of section 434 of the Companies Act 2006. They are unaudited. The Half-yearly financial report will be sent to shareholders and copies will be made available to the public at the registered office of the Company. The report will be available in electronic format on the Manager's website (www.impaxam.com).

The Half-yearly financial report was approved by the Board on 7 August 2013.

The Company's statutory accounts for the year ended 31 December 2012 received an unqualified audit report and have been filed with the registrar of companies at Companies House.

Directors, Manager and Advisers

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

Broker
Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Solicitor
Herbert Smith Freehills
Exchange House
Primrose Street
London EC2A 2HS

Custodian
The Northern Trust Company
50 Bank Street
Canary Wharf
London E14 5NT

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

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

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

Registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Banker
Lloyds TSB Bank plc
Moorgate Branch
34 Moorgate
London EC2R 6PL

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

* Registered in England and Wales No. 4348393

Impax Environmental Markets plc