Impax

Impax Environmental Markets plc

Half-yearly Financial Report

For the six months ended 30 June 2015

Investment Objective, Financial Information and Performance Summary

Investment Objective

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

Financial Information

	At 30 June 2015
Net assets	£377.2m
Net asset value ("NAV") per Ordinary Share	174.3p
Ordinary Share price	158.5p
Ordinary Share price discount to NAV	9.1%

Performance Summary

	% change[1]
Share price total return per Ordinary Share	+4.8%
NAV total return per Ordinary Share[2]	+3.6%
FTSE ET100 Index[2]	+8.4%
MSCI AC World Index[2]	+1.8%

[1] Total returns in sterling for the six months to 30 June 2015
[2] Source: Morningstar

Chairman's Review

John Scott
Chairman

Against a more positive backdrop for environmental and resource efficiency markets, Impax Environmental Markets plc ("IEM" or "the Company") has had a strong start to 2015.

In previous reports I have highlighted changing investor awareness and concern about climate risk and this trend has continued apace. In June, the publication of Pope Francis's Encyclical on Climate Change featured prominently in the media around the world. In the same month Mercer, a leading global investment consultant, published an important report: "Investing in a time of Climate Change". Its findings reflect our view that climate change will affect investment returns, while the way in which policy makers respond to rising emissions will dictate how specific markets and individual companies are affected.

In response to higher levels of perceived risk, some 800 major investors (including, notably, the Rockefeller family) have now committed to divest approximately $50 billion of fossil fuel assets; of particular interest was the Norwegian Sovereign Wealth Fund's recent announcement to sell all its coal holdings. Meanwhile, the build up to the United Nations Climate Change Conference ("COP21") in Paris in December generates additional news. Countries accounting for more than 70% of global greenhouse gas emissions have now set out their plans for emissions reduction in advance of the meeting, which is due to produce a deal taking effect from 2020. Your Company's Directors believe that growing investor familiarity with these issues should lead to heightened interest in IEM, as investors seek to manage climate risk and benefit from potential solutions to the challenge.

While the climate change debate builds, we have seen further evidence of the impact of more extreme weather patterns. The California drought, now in its fourth year, is causing severe disruption to the local economy. At the same time, interesting investment opportunities are emerging in companies with new technologies, making desalination viable and improving water treatment and re-use in drought afflicted areas.

Performance

During the Period, the total returns on the Company's net asset value per Ordinary Share ("NAV") and share price were 3.6% and 4.8% respectively. Over the same period, the total return on the MSCI All Country World Index ("ACWI", priced in Pounds Sterling) was 1.8%, while the total return on the comparator FTSE ET100 Index was 8.4%. The underperformance versus the environmental benchmark can be partly attributed to companies such as Hanergy and SunEdison that the Manager has decided not to own because their fundamentals, governance or valuations do not fit with IEM's long term investment process.

In the second half of the Period, investor fears of Greece leaving the Euro, and concerns about China's economy, resulted in broad market declines. However IEM outperformed the ACWI during these months and was in line with the FTSE ET100 Index.

Impact measurement

The Company's investment philosophy is to target companies which generate the majority of revenues from resource efficiency and

Chairman's Review continued

environmental markets since we believe these will deliver superior total returns over the long term. Revenue exposure of the portfolio to those markets is approximately 80%, making the Company one of the highest "pure play" environmental investment opportunities amongst its peers. In addition to this metric, the Board has recognised strong interest from investors in quantifying the positive environmental impact of the portfolio and is looking to estimate certain important environmental metrics. These include carbon dioxide saved, renewable energy generated, water treated and total materials recycled.

These impact metrics will be covered in more detail in the Company's Annual Report.

Gearing

The Company's £30 million, two year, multi-currency, revolving credit facility with The Royal Bank of Scotland plc was fully drawn down throughout the Period. As at 30 June 2015 the Company's net gearing was 5%. The loan facility will expire on 8 January 2016 and, in the coming months, the Board will be considering the possible financing options following that date.

Discount and Share Buybacks

During the year, the discount to NAV at which the Company's Ordinary Shares traded ranged from 6% to 14% and ended the period at 9.1%. The Company bought back 3,610,000 Ordinary Shares for cancellation in the Period at an average discount to NAV of 12%. The buybacks enhanced the NAV per Ordinary Share by approximately 0.3p, equivalent to 0.2% of the NAV per Ordinary Share at the Period end.

Shareholder communications

Following changing market practice away from paper-based communications, and in order to reduce our paper consumption, we announced in the Annual Report that we are no longer automatically mailing a hard copy of our financial reports. Hard copies are available on request from the Company's registered office. With the increasing focus on digital reporting we have introduced some additional functions to our website (www.impaxenvironmentalmarkets.co.uk). There is an alert service on the home page where you can sign up to receive information, including press releases, regulatory news, financial calendar details and Reports & Accounts as soon as they are published. You can also follow us on Twitter @IEMplc, where we post updates on the Company, views on our sectors and interesting third party commentary on environmental and related markets.

Outlook

The investment hypothesis for IEM continues to strengthen. The Directors expect positive future returns across global equity markets for the remainder of 2015, albeit with higher volatility. Meanwhile, investor awareness of climate change and other environmental issues is growing, the Company has a proven record of delivery of premium growth versus global equities and a valuation that we believe understates the Company's prospects. Your Board believes that IEM remains a compelling investment opportunity for long term investors.

John Scott
30 July 2015

Manager's Report

Bruce Jenkyn-Jones

Jon Forster

The resurgence of interest in resource efficiency has finally reached or surpassed pre-financial crisis levels and IEM's diverse investment universe continues to grow. Furthermore, during the Period solid earnings reports and outlook statements continued to point to superior growth delivery from companies across IEM's environmental and resource efficiency markets.

IEM's portfolio has a small cap bias and is geographically diversified. These characteristics both proved positive during the Period as small cap stocks returned to favour with investors and the Company was cushioned against major currency fluctuations.

Key Developments and Drivers of Environmental Markets

During the Period there were numerous significant catalysts and new policy announcements providing further support for the Company's long term growth drivers.

Solar update

Solar stocks were weak in the second half of last year. We believe this was a reflection of negative sentiment surrounding the dramatic fall in oil prices. This weakness was followed by significant positive developments during the Period that strengthen the sector outlook. Government announcements around the world continue to open up and enlarge new and diverse end markets, with India announcing ambitious cumulative installation targets of 100 GW by 2022 (versus 3 GW today) and China raising its 2015 target from 15 to 17.8 GW.

Technology costs also continue to fall, reducing reliance on subsidies and creating an environment for leaders to emerge with the technology, scale and cost base to thrive. These favourable supply/demand dynamics drove strong performance in our solar holdings including Chinese companies Trina Solar and Xinyi Solar. We remain focussed on companies with strong business models, robust financials and solid governance. For this reason we have never held Hanergy Thin Film Solar (Hong Kong), which was suspended amidst a storm of media attention in June.

Strong environmental policy news flow from China

The political will to combat the country's severe environmental problems continues to grow. Earlier this year, China published its Water Pollution Action Plan and announced a RMB 4 – 5 trillion (£1 trillion) spend on improving the country's scarce and polluted water supply. China was in the headlines again in June with its carbon pledge ahead of the Paris talks and next year will publish its 13th Five Year Plan, setting out the Government's targets and draft spending commitments up to the end of 2021. We expect further major investment in all aspects of pollution control and environmental amelioration, providing a positive catalyst for many companies in our investment universe.

Manager's Report continued

Mergers & Acquisitions

The acceleration in M&A that we saw in the second half of 2014 has been maintained this year. In particular, Danaher Corporation (US) purchased Pall Corporation (US), the world leader in filtration, for $13.8 billion; the largest ever acquisition in environmental markets. Pall Corporation was a top ten holding in the portfolio which had already returned approximately 600% since we initiated a position in 2002. Filtration businesses are very attractive due to the focus on consumables, as well as high margins and returns on capital. These features are reflected in the valuation multiples that companies are prepared to pay to acquire these businesses. For example, Danaher acquired Pall on a multiple of 20.9x EV/EBITDA[1]. This compares favourably with the current IEM valuation multiple of 10.6x EV/EBITDA and also those of other filtration market companies still held in the portfolio, including Donaldson (US), Clarcor (US) and Porvair (UK).

Absolute Performance Contributors and Detractors

Contributors

During the Period, there was particularly strong growth in renewable energy markets, driving earnings and margin recovery for leading suppliers including the Danish wind turbine manufacturer Vestas and Chinese solar companies Trina and Xinyi Solar.

The markets and investment case for holding energy efficiency stocks endures and the sub-sector delivered superior returns. Our buildings and industrial energy efficiency holdings continued to benefit from the cyclical recovery of industrial and construction activity i.e. more houses built, compounded by the "multiplier" effect of new energy efficiency regulations which require significantly more insulation materials per building.

Mergers and acquisitions during the Period again contributed to performance and we expect to see further M&A activity across environmental markets.

Detractors

Water Utilities, which are often considered bond proxies, were weaker, driven by investors selling out of equities in expectation of interest rate rises. This rotation is presenting opportunities as these companies' business models should not be adversely affected by rising interest rates.

Efficient lighting markets also disappointed. The delayed capex cycle affected Aixtron (Germany), and concerns about the commoditisation of light emitting diode ("LED") chips led to poorer performance for Epistar (Taiwan). Dialight (UK) experienced a reduced level of retrofit orders from oil and gas customers. We believe in the underlying strengths of these businesses and have selectively taken advantage of current weaker prices to add to our holdings.

Unquoted Companies

At 30 June 2015, the value of the Company's investments in unquoted companies was £9.7 million, representing 2.6% of net assets. We continue to monitor progress in the Company's remaining investments in this area and ensure our valuations are appropriate. This approach led to a downward revaluation of one holding during the Period. We maintain our objective of working towards exits for IEM's unlisted investments.

---

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

Movements in the Period were as follows:

	£m
Valuation at 1 January 2015	10,913
Net valuation and FX changes	(1,234)
Valuation at 30 June 2015	**9,679**

Portfolio Positioning & Activity

The portfolio comprised 66 listed holdings at the end of the Period (compared to 67 at the end of 2014).

During the Period, we sold out of some Chinese small cap holdings following strong performance and/or a decision to focus the portfolio further. Additions included holdings in the sustainable food and agriculture sectors to access this growth opportunity and increase portfolio diversification such as Leroy Seafood, a leading salmon farmer based in Norway with strong margins and returns. In addition, the Company has strong sustainabiity processes.

Positioning by sub-sector and region is set out in the charts on page 9. During the Period, we changed the basis of our regional disclosure from “country of risk” (location of principal operations) to “country of listing”, to allow a like-for-like comparison with ACWI. Despite an apparent increase in US exposure, IEM remains overweight Europe and underweight the US versus ACWI. More importantly, analysis of end market exposure shows that the portfolio is currently well-diversified across Europe, the US and rest of the world, which we consider appropriate.

IEM is overweight Waste Management & Technologies and Water Infrastructure & Technologies sub-sectors, both of which have strong defensive growth characteristics, compared to the FTSE ET100. The portfolio is underweight Renewable & Alternative Energy and Energy Efficiency sub-sectors, which are more cyclical and have higher beta.

Outlook for 2015

At the start of the second half, global equity markets continue to struggle with significant uncertainties such as the outlook for the EU (with or without Greece), turbulent equity markets in China and the likely start of interest rate tightening in the US. These concerns led to significant declines in markets in late June which have not been regained since the end of the Period. Nonetheless, we remain positive on the prospects for IEM. The Company’s portfolio comprises a well-balanced selection of high quality, pure-play companies across environmental markets. The drivers behind these markets continue to build and we expect several strong catalysts to boost these sectors further over the coming months.

Impax Asset Management (AIFM) Limited
30 July 2015

Ten Largest Holdings

As at 30 June 2015

1. LKQ Corp

(United States) 3.3% of net assets

LKQ is the largest provider of recycled and aftermarket vehicle parts in the United States. The company's growth is driven by the increased use of recycled parts that has resulted from insurance companies' desire to reduce costs of collision repair. LKQ occupies a dominant market position in the US with high barriers to entry and pricing power. It has a compelling offer to customers: to sell at a large discount to original equipment manufacturers' prices. The company has potential for strong growth in the European market where it seeks to become the leading distributor of mechanical and collision parts.
http://www.lkqcorp.com/

2. Pall Corp

(United States) 3.1%

Pall is a filtration and fluid management specialist, providing solutions for complex contamination, separations, purification and detection. It is currently the subject of a takeover offer from Danaher Corporation which values it at 21x trailing earnings before interest, tax, depreciation and amortization ("EBITDA"). The transaction is expected to close in 2015.
http://www.pall.com/

3. Kingspan

(Ireland) 3.0%

Kingspan is a manufacturer of insulated panels and boards and environmental housing solutions including solar hot water and rainwater harvesting. It is benefiting from both a cyclical recovery in its end markets such as the UK, and structural growth aided by a strong pipeline of innovative products. For example, the penetration rate of insulated panels is about 60% in the UK but only about 10% in the US. Kingspan is a high quality business that should be advantaged over the longer term from increasing regulatory focus on energy efficient buildings.
http://www.kingspan.com/

4. Xylem

(United States) 2.9%

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 waste water, agricultural, industrial, residential and commercial end markets. The company is well positioned for growth above the underlying market rate. The appointment of a new CEO also offers the potential for restructuring management, removing costs and optimising processes.
http://www.xyleminc.com/

5. Stericycle

(United States) 2.8%

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

6. Clean Harbors

(United States) 2.7%

Clean Harbors is North America's leading provider of environmental and hazardous waste management services. Its key asset is its hazardous waste business, which has high barriers to entry due to permitting restrictions. The Company also benefits from tightening environmental regulations, which are driving industrial customers to close captive treatment plants in favour of outsourcing to Clean Harbors.
http://www.cleanharbors.com/

7. Horiba

(Japan) 2.5%

Horiba is a manufacturer of measuring instruments and systems for the automotive, environmental, medical and semiconductor industries. Its key automotive testing systems business is expected to generate record sales on a recovery in orders and it has also announced a goal to increase its already strong 25% market share to 30% by 2020. Increasingly complicated drivetrains will also underpin long term growth in the automotive testing market. The company has about 80% share of the global market for auto emission measurement equipment.
http://www.horiba.com/

8. Donaldson Company

(United States) 2.5%

Donaldson is a leading manufacturer of air and liquid filtration systems and emission control products for the engine and industrial markets. It is the leading provider of original equipment manufacturer ("OEM") air filters and exhaust products for heavy-duty trucks and off-road equipment and is looking to leverage its relationships with the OEMs to increase its share of the aftermarket. Management has an excellent track record of delivering results, for example by improving operating margins over recent years from 10% to nearer 15%.
http://www.donaldson.com/

9. BorgWarner

(United States) 2.5%

BorgWarner is widely regarded as the best-positioned automotive supplier to benefit from the growing global regulatory focus on transport energy efficiency with its primary focus on powertrain and drivetrain applications. Its products such as turbochargers and timing chain systems should experience strong growth, driven by the continuing global trend to increase fuel economy and reduce emissions. Unlike many automotive suppliers, it has a geographically diversified revenue mix and an order book full of new and more profitable products.
http://www.borgwarner.com/

10. TOMRA Systems

(Norway) 2.4%

TOMRA develops and manufactures sensor-based machines for collecting and sorting in a variety of applications. It was founded in 1972 as a producer of vending machines ("RVMs") and this remains its largest end market. TOMRA has used its expertise in RVMs, where it enjoys a dominant market position, to move into other markets including food sorting and material recovery. The company's focus on costs is proving successful with about 40% taken out of cost-of-goods-sold in the past few years.
http://www.nibe.com

Top Ten Holdings in Companies

As at 30 June 2015

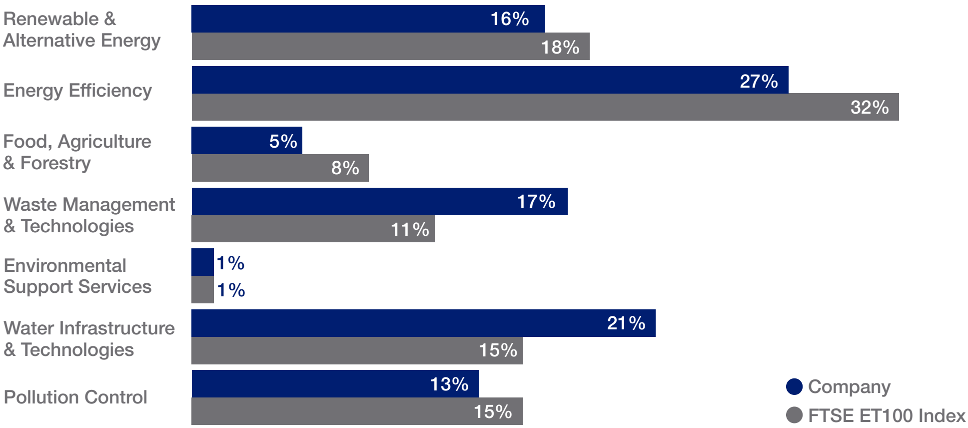
Company	Valuation £'000	% of Net Assets
LKQ	12,631	3.3%
Pall Corp	11,507	3.1%
Kingspan	11,302	3.0%
Xylem	10,828	2.9%
Stericycle	10,543	2.8%
Clean Harbors	10,320	2.7%
Horiba	9,614	2.5%
Donaldson Company	9,422	2.5%
BorgWarner	9,300	2.5%
TOMRA Systems	8,908	2.4%
Top ten holdings	**104,375**	**27.7%**
Other holdings	289,747	76.8%
Total holdings in companies	**394,122**	**104.5%**
Cash	11,592	3.1%
Bank loan	(29,416)	(7.8%)
Other net assets	941	0.2%
Total net assets	**377,239**	**100.0%**

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

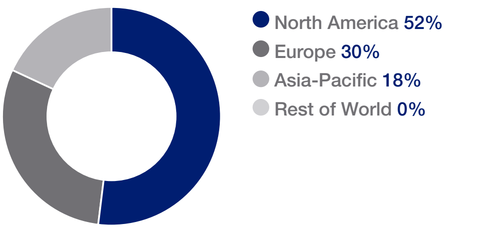
Structure of Portfolio

As at 30 June 2015

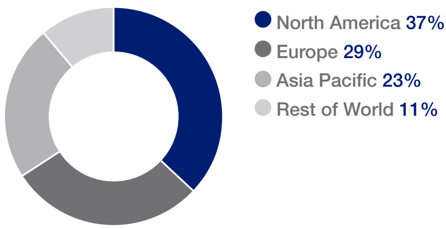
Breakdown by Environmental Markets Classification System



Breakdown by Region (by company listing)

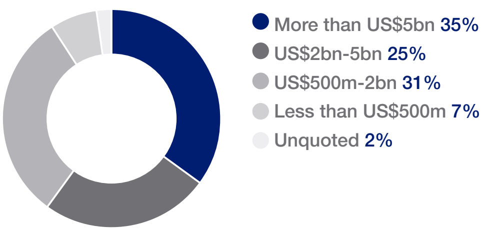


Breakdown by Region (by end market exposure[1])



[1] Portfolio-weighted regional exposure of revenues. (Allocated to Rest of World if breakdown not provided by companies).

Breakdown by Market Capitalisation



Breakdown by Company Profitability

Interim Management Report

The Chairman's review on pages 1 and 2 and the Manager's report on pages 3 to 5 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 2015 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 6 and 7 and the structure of the portfolio at the period end is analysed on page 9.

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 2014. 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 Unaudited Income Statement on pages 12 and 13.

Board of Directors
30 July 2015

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 FRS 104 Interim Financial Reporting.
- 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.

John Scott
Chairman of the Board of Directors
30 July 2015

Unaudited Income Statement

	Six months ended 30 June 2015		
	Revenue £'000	Capital £'000	Total £'000
Gains on investments	–	11,176	11,176
Investment income (see note 4)	3,844	–	3,844
Investment management fees	(448)	(1,347)	(1,795)
Other expenses	(340)	–	(340)
Return on ordinary activities before finance costs and taxation	**3,056**	**9,829**	**12,885**
Finance costs (see note 5)	(72)	(216)	(288)
Return on ordinary activities before taxation	**2,984**	**9,613**	**12,597**
Taxation	(324)	–	(324)
Return on ordinary activities after taxation	**2,660**	**9,613**	**12,273**
Return per Ordinary Share (see note 6)	1.22p	4.41p	5.63p

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.

The above "Unaudited Income Statement" is the Company's "Unaudited Statement of Comprehensive Income".

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

	Six months ended 30 June 2014			Year ended 31 December 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
	–	8,350	8,350	–	4,736	4,736
	3,336	–	3,336	5,422	–	5,422
	(446)	(1,337)	(1,783)	(882)	(2,642)	(3,524)
	(393)	–	(393)	(667)	–	(667)
	2,497	7,013	9,510	3,873	2,094	5,967
	(43)	(128)	(171)	(117)	(352)	(469)
	2,454	6,885	9,339	3,756	1,742	5,498
	(187)	–	(187)	(372)	–	(372)
	2,267	6,885	9,152	3,384	1,742	5,126
	1.00p	3.05p	4.05p	1.52p	0.78p	2.30p

Unaudited Balance Sheet

	At 30 June 2015 £'000	At 30 June 2014 £'000	At 31 December 2014 £'000
Fixed assets			
Investments at fair value through profit and loss (see note 3)	394,122	403,780	398,099
Current assets			
Income receivable	983	530	86
Sales – future settlements	482	953	–
Taxation recoverable	249	224	236
Other debtors	14	10	10
Cash at bank and in hand	11,592	7,612	7,180
	13,320	9,329	7,512
Creditors: amounts falling due within one year			
Bank loan (see note 7)	(29,416)	–	–
Purchases – future settlements	(199)	(719)	–
Accrued liabilities	(588)	(675)	(922)
	(30,203)	(1,394)	(922)
Net current (liabilities)/assets	(16,883)	7,935	6,590
Total assets less current liabilities	**377,239**	**411,715**	**404,689**
Creditors: amounts falling due after more than one year			
Bank loan (see note 7)	–	(29,619)	(30,989)
Total net assets	**377,239**	**382,096**	**373,700**
Capital and reserves: equity			
Share capital	26,216	26,868	26,577
Share premium	16,035	16,035	16,035
Capital redemption reserve	6,235	5,583	5,874
Share purchase reserve	162,619	172,680	168,310
Capital reserve	161,088	156,618	151,475
Revenue reserve	5,046	4,312	5,429
Total equity	**377,239**	**382,096**	**373,700**
Net assets per Ordinary Share (see note 8)	174.28p	171.35p	169.81p

Unaudited Statement of Changes in Equity

Six months ended 30 June 2015

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Share Purchase Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Opening equity as at 1 January 2015	**26,577**	**16,035**	**5,874**	**168,310**	**151,475**	**5,429**	**373,700**
Share buy backs (see note 10)	–	–	–	(5,691)	–	–	(5,691)
Cancellation of treasury shares	(361)	–	361	–	–	–	–
Dividend paid (May 2015)	–	–	–	–	–	(3,043)	(3,043)
Profit for the period	–	–	–	–	9,613	2,660	12,273
Closing equity as at 30 June 2015	**26,216**	**16,035**	**6,235**	**162,619**	**161,088**	**5,046**	**377,239**

Six months ended 30 June 2014

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Share Purchase Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Opening equity as at 1 January 2014	32,451	16,035	–	183,051	149,733	4,728	385,998
Share buy backs (see note 10)	(583)	–	583	(10,371)	–	–	(10,371)
Cancellation of treasury shares	(5,000)	–	5,000	–	–	–	–
Dividend paid (May 2014)	–	–	–	–	–	(2,683)	(2,683)
Profit for the period	–	–	–	–	6,885	2,267	9,152
Closing equity as at 30 June 2014	**26,868**	**16,035**	**5,583**	**172,680**	**156,618**	**4,312**	**382,096**

Year ended 31 December 2014

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

Unaudited Statement of Cash Flows

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation	12,885	9,510	5,967
Less: Tax deducted at source on income from investments	(324)	(187)	(372)
Add: Realisation of investments at book cost	67,889	42,875	94,211
Less: Purchase of investments	(66,025)	(75,327)	(140,473)
Adjustment for losses on investments held	2,113	12,387	31,879
Foreign exchange non cash flow (gains)/losses	(58)	(271)	1,102
(Increase)/decrease in debtors	(1,417)	151	1,533
Increase/(decrease) in creditors	137	(572)	(886)
Net cash flow from operating activities	**15,200**	**(11,434)**	**(7,039)**
Financing activities			
Bank loan	(1,494)	29,910	29,910
Finance costs paid	(560)	(40)	(42)
Share buy backs	(5,691)	(11,087)	(15,912)
Equity dividends paid	(3,043)	(2,683)	(2,683)
Net cash flow (used in)/from financing	**(10,788)**	**16,100**	**11,273**
Increase in cash and cash equivalents	**4,412**	**4,666**	**4,234**
Cash and cash equivalents at start of period	7,180	2,946	2,946
Cash and cash equivalents at end of period	**11,592**	**7,612**	**7,180**

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with FRS 104 Interim Financial Reporting and the Statement of Recommended Practice "Financial statements of investment trust companies" issued by the Association of Investment Companies in November 2014.

This Half-yearly Financial Report is unaudited and does not include all of the information required for full annual financial statements. The Half-yearly Financial Report should be read in conjunction with the Annual Report and Accounts of the Company for the year ended 31 December 2014. The Annual Report and Accounts for the year ended 31 December 2014 were prepared in accordance with applicable UK accounting standards and received an unqualified audit report. The financial information for the year ended 31 December 2014 in this Half-yearly Financial Report has been extracted from the audited Annual Report and Accounts for the year ended 31 December 2014. The accounting policies and presentation in this Half-yearly Financial Report are consistent with those intended to be applied in the Annual Report for the year ending 31 December 2015.

2. Going concern note

The directors have adopted the going concern basis in preparing the accounts. The following is a summary of the directors' assessment of the going concern status of the Company.

Operational resources

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of this document. In reaching this conclusion, the directors have considered the liquidity of the Company's portfolio of investments as well as its cash position, income and expense flows. At the date of approval of this document the Company has substantial operating expenses cover.

Continuation vote

As required under its Articles, the Company will put forward a resolution for its continuation at the Annual General Meeting in 2016.

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

3. Investments

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

Notes to the Accounts continued

4. Investment income

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Income from investments:			
Dividends from UK investments	714	283	721
Dividends from overseas investments	3,130	3,053	4,701
	3,844	3,336	5,422

5. Finance costs

	Six months ended 30 June 2015			Six months ended 30 June 2014			Year ended 31 December 2014		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable	70	210	280	41	121	162	114	342	456
Direct costs	2	6	8	2	7	9	3	10	13
	72	216	288	43	128	171	117	352	469

6. 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 218,059,546 (six months ended 30 June 2014: 225,703,950, year ended 31 December 2014: 223,268,664) Ordinary Shares in issue (excluding treasury shares) during the period.

7. Bank loan

On 8 January 2014, the Company entered into a two year multi-currency revolving credit facility with The Royal Bank of Scotland plc. Under the terms of the facility the Company may draw down loans of, in aggregate, up to £30 million. As at 30 June 2015, the facility was fully drawn down and the Company's loans outstanding totalled, in aggregate, £29,416,000. The table below shows the breakdown of the loans at 30 June 2015.

Currency of loans	Local currency amount	£'000
GBP loans	£15,425,000	15,425
USD loans	$22,000,000	13,991
		29,416

Interest is payable on amounts drawn down under the facility calculated at the rate of LIBOR plus a margin of 1% per annum. A commitment fee calculated at the rate of 0.25% per annum is payable on amounts not drawn down.

Following the classification of the bank loan as "Creditors: amounts falling due more than one year" in the Company's accounts for the year ended 31 December 2014, the bank loan for the comparative period as at 30 June 2014 has been classified as "Creditors: amounts falling due more than one year" rather than "Creditors: amounts falling due within one year" as per the Half-yearly Financial Report for the six months ended 30 June 2014. The bank loan facility's termination date is 8 January 2016, therefore the bank loan as at 30 June 2015 is classified as "Creditors: amounts falling due within one year".

8. Net assets per Ordinary Share

Net assets per Ordinary Share for the six months ended 30 June 2015 are based on the net assets of the Company attributable to the 216,457,264 (six months ended 30 June 2014: 222,985,264, year ended 31 December 2014: 220,067,264) Ordinary Shares in issue (excluding treasury shares) at the end of the period.

9. Dividend

The final dividend for the year ended 31 December 2014 of 1.4p per Ordinary Share was paid on 27 May 2015 (year ended 31 December 2013 dividend of 1.2p per share was paid on 28 May 2014). In accordance with UK accounting standards the dividend for the year ended 31 December 2014 has been recognised in the Half-yearly financial report for the six months ended 30 June 2015.

The directors do not recommend the payment of an interim dividend for the year ending 31 December 2015.

10. Purchase of own Shares

During the six months ended 30 June 2015 3,610,000 Ordinary Shares were bought back and cancelled at an aggregate cost of £5,691,000 (six months ended 30 June 2014: 6,845,000 Ordinary Shares were bought back at an aggregate cost of £10,371,000).

11. Related party transactions

Fees payable to the Manager are shown in the Income Statement. At 30 June 2015 the fee accrual outstanding to the Manager was £309,302 (30 June 2014: £296,682).

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

Fees payable to the directors for the six months ended 30 June 2015 were £49,000 (six months ended 30 June 2014: £59,000). Fees were payable at an annual rate of £30,000 to the Chairman, £24,000 to the Chairman of the Audit Committee and £20,000 to the other directors until 31 March 2015. From 1 April 2015 fees have been payable at an annual rate of £33,000 to the Chairman, £26,500 to the Chairman of the Audit Committee and £22,000 to the other directors.

Notes to the Accounts continued

11. Related party transactions continued

The directors had the following shareholdings in the Company, all of which were beneficially owned.

	Ordinary Shares At 30 June 2015	Ordinary Shares At 30 June 2014	Ordinary Shares At 31 December 2014
V Hastings	12,500	12,500	12,500
J Le Blan	10,000	5,000	5,000
W Rickett	5,000	5,000	5,000
J Scott	22,000	10,000	10,000

12. Classification of financial instruments

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

Level a

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

Level b

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

Level c

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

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

	30 June 2015				30 June 2014			
	Level a £'000	Level b £'000	Level c £'000	Total £'000	Level a £'000	Level b £'000	Level c £'000	Total £'000
Investments at fair value through profit and loss								
– Quoted	377,881	–	6,562	384,443	386,908	–	6,115	393,023
– Unquoted	–	–	9,679	9,679	–	–	10,757	10,757
	377,881	–	16,241	394,122	386,908	–	16,872	403,780

Level c quoted investments detailed above are holdings in quoted companies held through broker participatory notes. As at 30 June 2015 and 30 June 2014 the Company held one investment, Thermax (India), through a participatory note.

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

	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 December 2014 £'000
Opening balance	10,913	10,957	10,957
Additions during the year	–	–	–
Disposals during the year	–	–	–
Valuation adjustments	(1,234)	(200)	(44)
Closing balance	9,679	10,757	10,913

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

13. Impact of new accounting standards

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

This Half-yearly Report has been prepared for the first time under *FRS 104 Interim Financial Reporting* which is applicable to accounting periods beginning on, or after, 1 January 2015. This has not had any significant impact on the Half-yearly Report other than minor changes to the presentation and terminology used in the accounts. There have been no material changes to the Company's accounting policies.

Notes to the Accounts continued

13. Impact of new accounting standards continued

The profit or loss of the Company and the Company's equity for the six months ended 30 June 2014 and the year ended 31 December 2014 have not been affected by the introduction of the above standards.

14. Distributable reserves

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

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

15. 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 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) and the Company's website (www.impaxenvironmentalmarkets.co.uk).

The Half-yearly financial report was approved by the Board on 30 July 2015.

The Company's statutory accounts for the year ended 31 December 2014 received an unqualified audit report and have been filed with the registrar of companies at Companies House.

Directors, Manager and Advisers

Directors
John Scott, DL (Chairman)
Victoria Hastings
Julia Le Blan
William Rickett, CB

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

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

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

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

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

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

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

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

* Registered in England and Wales No. 4348393