Impax Environmental Markets plc

Half-yearly Financial Report 2016

Contents

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 2016
Net assets	£413.8m
Net asset value ("NAV") per Ordinary Share	211.1p
Ordinary Share price	184.0p
Ordinary Share price discount to NAV	12.8%

Performance Summary

	% change[1]
Share price total return per Ordinary Share	+16.0%
NAV total return per Ordinary Share[2]	+19.4%
FTSE ET100 Index[2]	+8.9%
MSCI AC World Index[2]	+11.6%

[1]Total returns in sterling for the six months to 30 June 2016.
[2]Source: Morningstar

Chairman's Review

John Scott
Chairman

The first six months of 2016 ("the Period") have been challenging for investors to navigate. Even before the UK's surprise decision to leave the EU, increasing geopolitical and economic uncertainties around the world were causing significant equity market volatility. Many regions are reporting slowdowns in economic growth, added to which the result of the UK's EU referendum has accentuated concerns about the implications for Europe and global equity markets. Though the significant decline in Sterling following the June 23 vote has served to flatter our share price, volatility looks likely to persist over the medium term.

Happily, environmental investments have proved particularly resilient and it is pleasing to report that Impax Environmental Markets plc ("IEM" or "the Company"), which is somewhat defensively positioned, had a strong start to the year, outperforming both its global and environmental comparator indices by a considerable margin.

Following last December's Paris Climate Agreement, regulatory momentum continues to build and investors are increasingly recognising the compelling investment opportunities in Environmental and Resource Efficiency Markets that are arising as a result of these developments. In March, the announcement of the details of China's 13th Five Year Plan also clearly demonstrates that investment in the environment and pollution control remains central to the Chinese Government's plans for growth.

A number of recent weather events around the world have had major implications for the water industry and clearly illustrate the investment opportunities in the companies that will, over time, help to solve these problems. While the extreme drought conditions in California and parts of Brazil are now easing, the issues over water supplies persist and a massive investment in the region's water infrastructure and treatment is urgently needed. These requirements are recognised by the regulators which are now providing a more supportive environment for the water utilities. Meanwhile, in January 2016 a state of emergency was declared in Flint, Michigan in the US. This was the culmination of a series of problems that resulted in lead contamination of the water supply, causing a serious danger to public health. Furthermore, in Chile acute water pollution has caused widespread toxic algal blooms that are proving detrimental to the country's aquaculture industry.

The Company's philosophy of investing in companies providing solutions to the consequences of climate change, extreme weather events and resource scarcity issues continues to receive further validation and appears progressively more attractive to investors. IEM's prospects continue to strengthen and the Company remains well positioned to deliver attractive returns.

Investment Performance

During the Period, the net asset value per share ("NAV") of IEM achieved a total return of 19.4% and ended the Period at 211.12p. During the first six months of 2016, IEM achieved a share price total return of 16.0% and ended the Period at 184.0p. Approximately half of the Company's absolute performance was attributable to investment returns and half to the decline of Sterling. However, the relative performance of IEM, versus both the MSCI All Country World Index ("ACWI") and the FTSE ET100, was not driven by Sterling weakness which had a small negative impact.

Over the same period, the total return on the ACWI, (measured in Pounds Sterling) was 11.6%, while the total return on the FTSE ET100 Index was 8.9%. The Manager's Report includes some detail on the main absolute contributors and detractors to performance.

Continuation Vote

At the Company's Annual General Meeting on 17 May 2016, over 99% 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 its investment mandate.

Gearing

The Company's £30 million, three year, multi-currency, revolving credit facility with The Royal Bank of Scotland plc expired on 8 January 2016. The Board reviewed the financing options and decided to renew the facility for a further three years on materially the same terms. The loan was fully drawn down throughout the Period. As at 30 June 2016 the Company's net gearing was 5%.

Discount and Share Buybacks

During the Period, the discount to NAV at which the Company's Ordinary Shares traded ranged from 7% to 15% and ended at 12.8%. The Company bought back 12,114,330 Ordinary Shares in the Period at an average discount to NAV of 13%. The buybacks enhanced the NAV per Ordinary Share by approximately 1.4p, equivalent to 0.7% of the NAV per Ordinary Share at the Period end.

Shareholder Communications

We continue to refine our digital reporting but hard copies of our Annual and Interim Reports are available on request from the registrar. Please do make use of the alerts service on the home page of our website (www.impaxenvironmentalmarkets.co.uk) where you can elect to receive information including press releases, regulatory news, financial calendar details and Reports & Accounts as soon as they are published. You may also like to 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

While equity markets look set to remain volatile for the foreseeable future, it is important to remember that environmental challenges and the opportunities that arise to mitigate these are currently the strongest they have been for many decades. The catalysts for change are compelling and, with some 92% of our assets invested in companies outside the UK, the underlying attractiveness of the markets in which IEM invests is unlikely to be significantly affected by the consequences of Britain's vote to leave the EU.

In a world of low growth, investors will increasingly look for steady superior earnings delivery. The Company's performance has proved resilient and IEM has delivered growth consistently over the longer term and remains well positioned to continue to deliver shareholder value.

John Scott
Chairman

2 August 2016

Manager's Report

Bruce Jenkyn-Jones

Jon Forster

Environmental markets proved resilient during the Period. IEM outperformed both the ACWI and the ET100, and proved robust in the immediate aftermath of the UK's EU referendum. Critically, IEM's performance has been driven by solid earnings delivery and not a re-rating of the portfolio. Superior earnings delivery versus the ACWI is a well-established theme and, with strengthening growth drivers, is one which we fully expect to continue over the long term.

During the Period there were numerous significant catalysts and new policy announcements providing further support for our long term growth drivers. Longer term policy tailwinds continue to strengthen, including the potential ratification of Paris Climate Agreement before the end of this year and China's continuing commitment environmental investment, as outlined in the country's latest Five Year Plan.

The "Brexit" vote has introduced significant uncertainty regarding the political and economic outlook for the UK and Europe. In advance of the outcome we reviewed our UK listed holdings and concluded that we were broadly happy with our exposure, which is in line with the ACWI in terms of Sterling exposure. Over the last 12 months, we have significantly reduced IEM's exposure to cyclical European construction markets. We believe these markets are likely to suffer in the current environment of uncertainty but our current low exposure positions the Company well for any downturn. We do not consider any significant repositioning is required as a "knee-jerk" response to "Brexit". However, we will continue to monitor the implications for all IEM's holdings as clarity emerges. The changes and the subsequent consequences will unfold in the months and years ahead but these developments will not have a significant impact on our investment approach.

Key Developments and Drivers of Environmental Markets

Water utilities in drought stricken areas – rewarded for delivery in crisis conditions
The unprecedented droughts experienced in California and the Sao Paolo region of Brazil have been well covered in the media. The snow packs in the Sierra Nevada Mountains, which provide 30% of California's water supplies, hit their lowest level in 500 years in the summer of 2015. Meanwhile, Sao Paolo's reservoir levels dropped to as low as 10% of capacity in 2014-15. The water utilities serving these areas have responded with innovative tariff structures and are making significant infrastructure investments to increase future supply. With both regions now seeing rainfall and water supplies returning to more normal levels these utilities are being rewarded with positive outcomes of regulatory reviews or rate cases, driving share price performance. Increasingly volatile weather patterns will continue to highlight the inadequacy of existing

infrastructure for water supply and will present opportunities for the utilities and technology companies delivering the solutions to these problems.

Solar market update – near term overcapacity concerns but good long term growth prospects
Solar holdings underperformed over the Period, reflecting a temporary hiatus in demand and concerns about overcapacity. On the demand side, in the United States many projects were accelerated in 2015 in expectation of cancellation of subsidies. The subsidies were unexpectedly extended and as a result we are now seeing projects being delayed as the sense of urgency to complete solar installations has dissipated. Meanwhile, in China subsidy cuts are expected this July leading to sales being heavily skewed to the first half of 2016. On the supply side, we also continue to see Chinese companies establishing additional manufacturing capacity outside China to circumvent ongoing trade disputes with the US and EU. Excess supply and slowing demand provide a challenging outlook for the next 6 months. We believe that the current headwinds are transitory and remain focussed on the long term growth opportunity.

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Policy update – the announcement of China's 13th Five Year Plan
The publication in March of the details of China's 13th Five Year Plan confirmed our view that many companies are set to continue to benefit from China's renewed commitment to address the country's serious air, water and soil pollution issues. China has the target of producing 15% of its electricity from renewables by 2020, rising to 30% by 2030. This will require huge investment in renewables. Companies involved in smart grid construction, hydrogen energy, fuel cell production and energy storage are also set to benefit. The latest Plan also contains detailed construction strategies for the continuing construction and upgrade of waste water treatment facilities, water environment renovation projects for key rivers and lakes, and to improve the monitoring of industrial companies' pollutant emissions. The consumer cost of water supply and treatment is rising so these companies will benefit from higher margins and earnings growth.

Absolute Performance Contributors and Detractors

Contributors
The water sector continued to deliver strong performance. Water utilities were generally robust against the backdrop of record low interest rates and their defensive characteristics, in addition to which we had the stock specific tailwinds in relation to Sabesp and California Water, discussed above. Water infrastructure companies also saw solid gains driven by increased municipal spending on repair and renewal of ageing networks, particularly in the US. Together with the recovery of construction activity, this led to outperformance by Xylem and Watts Water (both US).

The Company's Sustainable Food and Agriculture holdings also delivered sound performance, especially those in aquaculture (Leroy Seafood Group, Norway), organic food distribution (United Natural Foods, US) and in software for "connected farms" (Trimble Navigation, US). We continue to find compelling growth opportunities in this area and also see this as an attractive source of portfolio diversification.

Manager's Report continued

Detractors
Weakness of the solar sector is discussed above. This proved negative for SunPower and Trina Solar (both US). We recognise the short term headwinds but remain focussed on the long term growth opportunity afforded by the falling costs of technology and increasingly diverse regional end markets. Our focus is on companies with a technology edge or dominant market position.

Transport Energy Efficiency holdings with exposure to the automotive markets were weak. This was a reflection of concerns about the stage of the cyclical recovery and the impact of disruptive changes such as electric vehicles, driverless cars and Uber. BorgWarner and Sensata (both US) were weaker as a result. We continue to see good long term growth prospects for our holdings, driven by increasingly stringent emissions control and fuel efficiency regulations for internal combustion engines and increasing market penetration of electric and hybrid vehicles. IEM has significant exposure to both these themes.

Unquoted Companies

At 30 June 2016, the value of the Company's investments in unquoted companies was £10.1 million, representing 2.4% of net assets. During the Period NERR went into administration. However since this was written down to zero at the end of last year, it had no effect on our valuation. Ensyn continues to make good progress.

Movements in the Period were as follows:

	£m
Valuation of holding in Ensyn at 1 January 2016	9.1
Net FX change	1.0
Cash received	–
Valuation at 30 June 2016	10.1

Portfolio Positioning and Activity

At the end of the Period the portfolio comprised 60 listed holdings. In the 2015 Annual Report, we highlighted the reduction of more cyclical holdings in buildings energy efficiency and the addition of some more defensive businesses, with a particular focus on the Sustainable Food and Agriculture sector. This positioning remained unchanged at the end of the Period.

We have invested in a number of other interesting stock specific opportunities. For example, we have added Delta Electronics (Thailand), a leading power supply business with compelling technology and designs for car manufacturers in the rapidly growing EV/hybrid markets, supplying content for both the charging infrastructure and the in car power train.

Positioning by sub-sector and region is set out in charts on page 12. There have been no major changes since the end of 2015. The Company remains modestly overweight Europe and underweight North America versus the ACWI. When compared to the ET100, the portfolio is generally overweight the more defensive sub-sectors, such as water utilities and underweight the more volatile sub-sectors of energy efficiency and renewable energy.

Impact Measurement

We published our first set of positive environmental impact data in the 2015 Annual Report to help investors to understand the extent of the positive outcomes of their investment decisions. We plan to publish updates in each year's Annual Report.

In June, Impax Asset Management was named the winner in the 'thought leadership' category for our impact work at Investment Week's Marketing and Innovation awards.

Outlook for 2016

The result of the UK referendum to leave the European Union has introduced an elevated level of uncertainty on the political and economic direction of the UK, and throughout Europe. This will no doubt have implications for economic growth and the uncertainty will lead to continued market volatility. However, we remain convinced that IEM will continue to deliver premium growth compared to global equites. The valuation remains attractive and is in line with historical levels despite strong performance in the Period. The orientation of the portfolio and the quality of its holdings should position the Company favourably for future performance.

Impax Asset Management (AIFM) Limited
2 August 2016

Ten Largest Holdings

As at 30 June 2016

1. Xylem

(United States) 3.0% of net assets

Xylem provides highly engineered technologies for the global water industry. It benefits from diversified end market exposures coupling relatively defensive utility sales with more cyclical industrial and construction markets. About 40% of its revenue is from aftermarket sales, providing stable revenue throughout uneven investment cycles. It is well-positioned to continue building future earnings both through acquisitions and new products.

http://www.xylem.com

2. Horiba

(Japan) 3.0%

Horiba is a manufacturer of measuring instruments and systems for the automotive, environmental, medical and semiconductor industries. The company is benefiting from tightening regulations in the automotive sector, which remains an area of focus following the Volkswagen emissions scandal. Horiba has a strong balance sheet which provides growth opportunities such as through its 2015 purchase of one of the largest independent automotive proving grounds in the world.

http://www.horiba.com

3. EDP Renovaveis

(Spain) 2.9%

EDP Renovaveis is the fourth largest global wind farm operator, with 9.7 GW of installed capacity. Its most recent business plan increased its installation target to 0.7 GW per year from 2016 to 2020 with North America representing 65% of the planned 3.5 GW in capacity additions. The company funds new projects through the sale of mature developments, a strategy that has generated €1.5bn since 2014.

http://www.edpr.com

4. Clean Harbors

(United States) 2.7%

Clean Harbors is North America's leading provider of environmental and hazardous waste management services. It has a defensive core business based on the collection and disposal of hazardous waste, which has a high barrier to entry due to significant regulatory costs. It is well positioned to grow earnings both through its pricing power and through further acquisitions.

http://www.cleanharbors.com

5. Ormat Technologies

(United States) 2.7%

Ormat Technologies is a leading equipment provider, developer and owner of geothermal energy plants. Founded and developed by the pioneering Bronicki family, the business has been improved in recent years by the involvement of FIMI, a leading Israeli private equity firm, which has improved margins and developed several strategic collaborations. The 10% expansion in gross margin to 37% has helped reduce gearing to under 3x net debt-to-EBITDA.

http://www.ormat.com

6. Watts Water

(United States) 2.6%

Watts Water manufactures valves and products for flow control in domestic, commercial, and institutional water systems. Since his appointment in May 2014, CEO Robert Pagano has refocussed the company on its higher margin core products and restructured its European operations. The success of these initiatives has been somewhat masked by broader weakness in its end markets but it is well positioned to benefit in the years to come.

http://www.wattswater.com

7. American Water Works

(United States) 2.6%

American Water Works is the largest publicly traded US water and wastewater 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. American Water Works is an active consolidator of the highly fragmented and capital constrained US market. It also benefits from being a relative ‘safe haven’ equity in times of uncertainty.

http://www.amwater.com

8. Spirax-Sarco Engineering

(United Kingdom) 2.6%

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

http://www.spiraxsarco.com

Ten Largest Holdings continued

As at 30 June 2016

9. LKQ Corporation

(United States) 2.6%

LKQ is the largest provider of recycled and aftermarket vehicle parts in the United States. Growth is driven by the increased use of recycled parts that has resulted from insurance companies' desire to reduce costs of collision repair. LKQ occupies a dominant market position in the US with high barriers to entry and strong pricing power. It is expanding successfully in international markets including Europe where it has made acquisitions and forged partnerships with key insurers.

http://www.lkqcorp.com

10. United Natural Foods

(United States) 2.5%

United Natural Foods is the largest distributor of natural and organic products in the US and Canada, servicing over 40,000 customer locations from approximately 30 distribution centres. It is differentiated from its smaller competitors by its large scale, brand recognition and diverse customer base. Its long term record of strong sales growth has been driven by market share gains from the conventional food channel and we expect this shift to higher consumption of natural and organic products to continue.

http://www.unfi.com

Top Ten Holdings in Companies

As at 30 June 2016

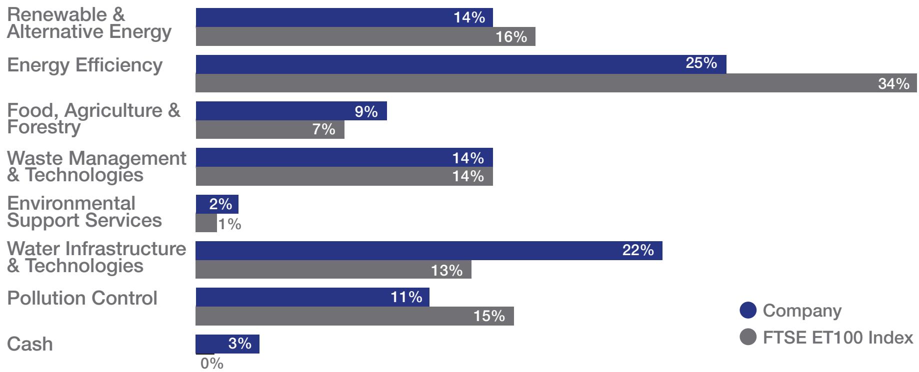
Company	Valuation £'000	% of Net Assets
Xylem	12,444	3.0%
Horiba	12,378	3.0%
EDP Renovaveis	11,843	2.9%
Clean Harbors	11,365	2.7%
Ormat Technologies	11,131	2.7%
Watts Water Technologies	10,919	2.6%
American Water Works	10,893	2.6%
Spirax-Sarco Engineering	10,702	2.6%
LKQ Corporation	10,657	2.6%
United Natural Foods	10,366	2.5%
Top ten holdings	112,698	27.2%
Other holdings	321,206	77.6%
Total holdings in companies	433,904	104.8%
Bank loans	(31,564)	(7.6%)
Cash and other net assets	11,419	2.8%
Total net assets	413,759	100.0%

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

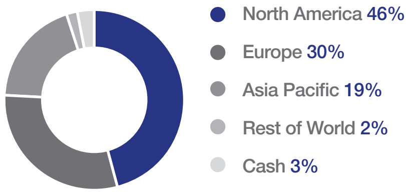
Structure of Portfolio

As at 30 June 2016

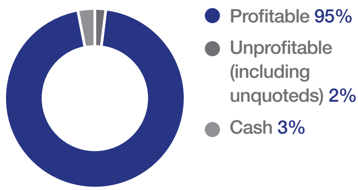
Breakdown by Environmental Markets Classification System



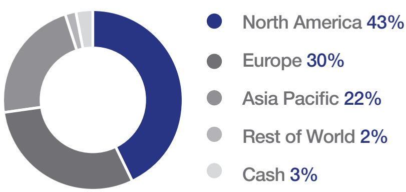
Breakdown by Region



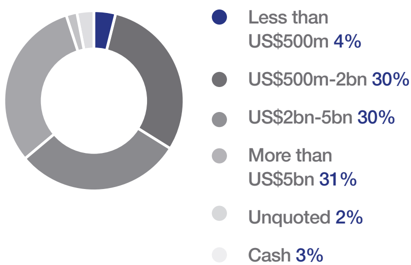
Breakdown by Company Profitability



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



Breakdown by Market Capitalisation



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

Interim Management Report

The Chairman's review on pages 2 and 3 and the Manager's report on pages 4 to 7 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 2016 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 8 to 10 and the structure of the portfolio at the period end is analysed on page 12.

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 2015. 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 14 and 15.

Board of Directors
2 August 2016

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
2 August 2016

Unaudited Income Statement

	Six months ended 30 June 2016		
	Revenue £'000	Capital £'000	Total £'000
Gains on investments	–	63,284	63,284
Income (see note 4)	3,920	–	3,920
Investment management fees	(440)	(1,320)	(1,760)
Other expenses	(352)	–	(352)
Return on ordinary activities before finance costs and taxation	3,128	61,964	65,092
Finance costs (see note 5)	(74)	(220)	(294)
Return on ordinary activities before taxation	3,054	61,744	64,798
Taxation	(391)	–	(391)
Return on ordinary activities after taxation	2,663	61,744	64,407
Return per Ordinary Share (see note 6)	1.32p	30.72p	32.04p

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.

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

Six months ended 30 June 2015			Year ended 31 December 2015		
Revenue	Capital	Total	Revenue	Capital	Total
£'000	£'000	£'000	£'000	£'000	£'000
–	11,176	11,176	–	19,167	19,167
3,844	–	3,844	5,258	–	5,258
(448)	(1,347)	(1,795)	(872)	(2,619)	(3,491)
(340)	–	(340)	(650)	–	(650)
3,056	9,829	12,885	3,736	16,548	20,284
(72)	(216)	(288)	(139)	(417)	(556)
2,984	9,613	12,597	3,597	16,131	19,728
(324)	–	(324)	(465)	–	(465)
2,660	9,613	12,273	3,132	16,131	19,263
1.22p	4.41p	5.63p	1.45p	7.46p	8.91p

Unaudited Balance Sheet

	At 30 June 2016 £'000	At 30 June 2015 £'000	At 31 December 2015 £'000
Fixed assets			
Investments at fair value through profit and loss (see note 3)	433,904	394,122	399,045
Current assets			
Income receivable	415	983	124
Sales – future settlements	282	482	99
Taxation recoverable	213	249	214
Other debtors	8	14	85
Cash at bank and in hand	11,079	11,592	3,294
	11,997	13,320	3,816
Creditors: amounts falling due within one year			
Bank loans (see note 7)	–	(29,416)	–
Purchases – future settlements	–	(199)	–
Accrued liabilities	(578)	(588)	(906)
	(578)	(30,203)	(906)
Net current assets/(liabilities)	11,419	(16,883)	2,910
Total assets less current liabilities	445,323	377,239	401,955
Creditors: amounts falling due after more than one year			
Bank loans (see note 7)	(31,564)	–	(30,357)
Total net assets	413,759	377,239	371,598
Capital and reserves: equity			
Share capital	24,168	26,216	25,380
Share premium	16,035	16,035	16,035
Capital redemption reserve	8,283	6,235	7,071
Share purchase reserve	130,616	162,619	149,988
Capital reserve	229,350	161,088	167,606
Revenue reserve	5,307	5,046	5,518
Total equity	413,759	377,239	371,598
Net assets per Ordinary Share (see note 8)	211.12p	174.28p	178.57p

Unaudited Statement of Changes in Equity

Six months ended 30 June 2016

	Share Capital £'000	Share Premium Account £'000	Capital Redemption Reserve £'000	Share Purchase Reserve £'000	Capital Reserve £'000	Revenue Reserve £'000	Total £'000
Opening equity as at 1 January 2016	**25,380**	**16,035**	**7,071**	**149,988**	**167,606**	**5,518**	**371,598**
Share buy backs (see note 10)	(1,212)	–	1,212	(19,372)	–	–	(19,372)
Dividend paid (May 2016)	–	–	–	–	–	(2,874)	(2,874)
Profit for the period	–	–	–	–	61,744	2,663	64,407
Closing equity as at 30 June 2016	**24,168**	**16,035**	**8,283**	**130,616**	**229,350**	**5,307**	**413,759**

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**

Year ended 31 December 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	(1,197)	–	1,197	(18,322)	–	–	(18,322)
Dividend paid (May 2015)	–	–	–	–	–	(3,043)	(3,043)
Profit for the year	–	–	–	–	16,131	3,132	19,263
Closing equity as at 31 December 2015	**25,380**	**16,035**	**7,071**	**149,988**	**167,606**	**5,518**	**371,598**

Unaudited Statement of Cash Flows

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation	65,092	12,885	20,284
Less: Tax deducted at source on income from investments	(391)	(324)	(465)
Add: Realisation of investments at book cost	39,141	67,889	130,394
Less: Purchase of investments	(22,608)	(66,025)	(138,980)
Adjustment for (gains)/losses on investments held	(51,392)	2,113	7,640
Foreign exchange non cash flow (gains)/losses	1,625	(58)	876
Increase in debtors	(381)	(1,417)	(197)
Increase/(decrease) in creditors	(163)	137	(4)
Net cash flow from operating activities	30,923	15,200	19,548
Financing activities			
Bank loans	(442)	(1,494)	(1,494)
Finance costs paid	(450)	(560)	(575)
Share buy backs	(19,372)	(5,691)	(18,322)
Equity dividends paid	(2,874)	(3,043)	(3,043)
Net cash flow (used in)/from financing	(23,138)	(10,788)	(23,434)
Increase/(decrease) in cash and cash equivalents	7,785	4,412	(3,886)
Cash and cash equivalents at start of period	3,294	7,180	7,180
Cash and cash equivalents at end of period	11,079	11,592	3,294

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 2015. The Annual Report and Accounts for the year ended 31 December 2015 were prepared in accordance with FRS 102 The Financial Reporting Standard ("FRS 102") and received an unqualified audit report. The financial information for the year ended 31 December 2015 in this Half-yearly Financial Report has been extracted from the audited Annual Report and Accounts for the year ended 31 December 2015. The accounting policies in this Half-yearly Financial Report are consistent with those intended to be applied in the Annual Report for the year ending 31 December 2016.

2 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. At the date of approval of this document the Company has substantial operating expenses cover.

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 Income

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
Income from investments:			
Dividends from UK investments	288	714	800
Dividends from overseas investments	3,632	3,130	4,458
	3,920	3,844	5,258

5 Finance Costs

	Six months ended 30 June 2016			Six months ended 30 June 2015			Year ended 31 December 2015		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable	71	214	285	70	210	280	135	406	541
Direct costs	3	6	9	2	6	8	4	11	15
	74	220	294	72	216	288	139	417	556

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 200,999,453 (six months ended 30 June 2015: 218,059,546, year ended 31 December 2015: 216,297,621) Ordinary Shares in issue (excluding treasury shares) during the period.

7 Bank Loans

The Company entered has a multi-currency revolving credit facility with The Royal Bank of Scotland plc. Under the terms of the facility the Company may draw down loans of, in aggregate, up to £30 million. The facility expires on 8 January 2019.

As at 30 June 2016, the facility was fully drawn down and the Company's loans outstanding totalled, in aggregate, £31,564,000. The table below shows the breakdown of the loans at 30 June 2016.

Currency of loans	Local currency amount	£'000
GBP loans	£14,983,000	14,983
USD loans	$22,000,000	16,581
		31,564

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.

8 Net Assets per Ordinary Share

Net assets per Ordinary Share for the six months ended 30 June 2016 are based on the net assets of the Company attributable to the 195,986,690 (six months ended 30 June 2015: 216,457,264, year ended 31 December 2015: 208,101,020) Ordinary Shares in issue (excluding treasury shares) at the end of the period.

9 Dividend

The final dividend for the year ended 31 December 2015 of 1.45p per Ordinary Share was paid on 24 May 2016 (year ended 31 December 2014 dividend of 1.4p per share was paid on 27 May 2015). In accordance with UK accounting standards the dividend for the year ended 31 December 2015 has been recognised in the Half-yearly financial report for the six months ended 30 June 2016.

The directors do not recommend the payment of an interim dividend for the year ending 31 December 2016.

10 Purchase of Own Shares

During the six months ended 30 June 2016 12,114,330 Ordinary Shares were bought back and cancelled at an aggregate cost of £19,372,000 (six months ended 30 June 2015: 3,610,000 Ordinary Shares were bought back at an aggregate cost of £5,691,000).

11 Related Party Transactions

Fees payable to the Manager are shown in the Income Statement. At 30 June 2016 the fee outstanding to the Manager was £317,973 (30 June 2015: £309,302).

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 2016 were £52,000 (six months ended 30 June 2015: £49,000). 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. Prior to 1 April 2015 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.

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

	Ordinary Shares At 30 June 2016	Ordinary Shares At 30 June 2015	Ordinary Shares At 31 December 2015
Vicky Hastings	19,500	12,500	19,500
Julia Le Blan	14,907	10,000	14,907
William Rickett	5,000	5,000	5,000
John Scott	35,087	22,000	35,087

Notes to the Accounts continued

12 Classification of Financial Instruments

FRS 102, as amended for fair value hierarchy disclosures (March 2016), sets out three fair value levels. These are:

Level 1

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

Level 2

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

Level 3

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

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

	30 June 2016				30 June 2015			
	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	418,062	5,740	–	423,802	377,881	6,562	–	384,443
– Unquoted	–	–	10,102	10,102	–	–	9,679	9,679
	418,062	5,740	10,102	433,904	377,881	6,562	9,679	394,122

Level 3 quoted investments detailed above are holdings in quoted companies held through broker participatory notes. As at 30 June 2016 and 30 June 2015 the Company held one investment, Thermax (India), through a participatory note.

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

	Six months ended 30 June 2016 £'000	Six months ended 30 June 2015 £'000	Year ended 31 December 2015 £'000
Opening balance	9,097	10,913	10,913
Additions during the year	–	–	–
Disposals during the year	–	–	–
Valuation adjustments	1,005	(1,234)	(1,816)
Closing balance	10,102	9,679	9,097

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. 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.

14. Post Balance Sheet Events

PraxisIFM Fund Services (UK) Limited has been appointed as Company Secretary and Administrator to the Company with effect from 1 July 2016, having acquired Cavendish Administration Limited.

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 2 August 2016.

The Company's statutory accounts for the year ended 31 December 2015 received an unqualified audit report and have been filed with the registrar of companies at Companies House.

Directors, Manager and Advisers

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

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