Impax Environmental Markets plc

Half-yearly Financial Report 2017

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 2017

Net assets	£475.2m
Net asset value ('NAV') per Ordinary Share	264.0p
Ordinary Share price	234.8p
Ordinary Share price discount to NAV	11.1%

Performance summary

% Change[1]

Share price total return per Ordinary Share	+8.6%
NAV total return per Ordinary Share[2]	+9.3%
FTSE ET100 Index[2]	+14.8%
MSCI All Country World Index[2]	+6.0%

1. Total returns in sterling for the six months to 30 June 2017.
2. Source: Morningstar.

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www.impaxenvironmentalmarkets.co.uk
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Chairman's Review

John Scott
Chairman

Investor appetite for new technologies and companies that provide solutions to environmental challenges continues to increase and it is pleasing to report that Impax Environmental Markets plc has made a good start to the year.

During the first six months of 2017 ('the Period') global equity markets continued their advance and largely ignored concerns arising from world-wide geopolitical uncertainties. Environmental markets also advanced versus global equities over this time and Impax Environmental Markets plc ('IEM', or the 'Company'), generated a share price total return of nearly 9%. In 2016, our results benefitted significantly from the weakness of sterling, but with the Pound strengthening marginally against the US Dollar during the Period, this had an impact on our NAV of minus 2.3%.

The first half of 2017 has seen episodes of further political turbulence across Europe, although this does appear to be receding, with the far right failing to secure power in the Netherlands and France. In June, investors did not react dramatically to the surprise and inconclusive result of the UK election, although the heightened uncertainties surrounding the Brexit negotiations are proving unsettling for all market participants. It remains to be seen if populist anti-EU movements will continue to wane on the Continent when Germany goes to the polls in September.

In early June, President Trump's decision to take the United States out of the Paris Climate Agreement was met with defiance, both domestically, with many US companies and State politicians pledging their continuing allegiance to the Agreement, and internationally, with the EU, China, and India reiterating their pledges to tackle climate change. The global commitment to keep the earth's temperature rise to within the target of well below 2°C above pre-industrial levels looks set to eclipse this latest initiative from the White House, and the development of new companies and technologies providing solutions to climate and pollution challenges persists unabated.

Severe air pollution in the world's cities has a serious impact on public health. Although the terrible air quality in Chinese and Indian cities has received much attention, the UK, too, has recently been in the spotlight, with the Government losing a High Court case over its failure to meet EU standards on air pollution.

As air pollution concerns grow, we have seen rising adoption of electric ('EV') and hybrid vehicles around the world, driven in part by rapid technological advances. In 2016, global EV sales rose 45% and the first 'affordable' long-range EV was recently launched, but this sector still made up less than 1% of the car market. This is predicted to rise to 4% by 2022 as the move away from petrol and diesel engines accelerates. This is just one solution to the problem of urban air pollution and, while we are not invested in the most high profile EV manufacturer, Tesla, IEM has exposure to companies across the EV value chain.

Investment performance

During the Period, the net asset value per share ('NAV') of IEM achieved a total return of 9.3% and ended the Period at 264.0p. During the first six months of 2017, IEM achieved a share price total return of 8.6% and ended the Period at 234.75p.

Over the same period we outperformed one of our comparators, but not both; the total return on the MSCI All Country World Index ('MSCI ACWI'), measured in Pounds Sterling was 6.0%, while the total return on the FTSE ET100 Index was 14.8%. A significant contributor to the underperformance against the FTSE ET100 was our carefully considered decision not to invest in Tesla, which now constitutes 10% of that index. The Manager's Report includes more detail on the main absolute contributors and detractors to performance.

Gearing

The Company has a £30 million, three year (to January 2019), multi-currency, revolving credit facility with The Royal Bank of Scotland plc. The loan was fully drawn down throughout the Period. As at 30 June 2017 the Company's net gearing was 4.9%.

Discount and share buybacks

During the Period, the discount to NAV at which the Company's Ordinary Shares traded ranged from 9% to 13% and ended at 11%. The Company bought back 11,083,249 Ordinary Shares in the Period at an average discount to NAV of 13%. The buybacks enhanced the NAV per Ordinary Share by approximately 1.9p, equivalent to 0.7% of the NAV per Ordinary Share at the Period end.

Shareholder communications

We seek to communicate as effectively as possible with all our shareholders. As an environmental investor we believe it is appropriate for us to focus on digital communication because of its low environmental impact, but we are happy to provide hard copies of our reports to shareholders who request them from the registrar.

Chairman's Review continued

In March we launched a new website (www.impaxenvironmentalmarkets.co.uk). The site has been redesigned with enhanced impact, clarity and simplicity of navigation. We have also added new content, including videos and podcasts. We hope you find these useful and we would welcome your suggestions and feedback for future development. We encourage our followers to use the alerts function to elect to receive new announcements including media releases, regulatory news, financial calendar updates and Reports & Accounts as soon as they are published. You may also like to follow us on Twitter @IEMplc for timely updates and commentary.

Outlook

As mentioned in the Annual Report, we do not believe that the attractiveness of the sectors in which IEM invests will be significantly affected by the consequences of Britain's vote to leave the EU. Meanwhile, in the US, companies that provide solutions to environmental challenges look set to maintain their superior rate of growth, notwithstanding President Trump's changes to the country's environmental policy and regulations.

While material uncertainty in global equity markets looks likely in the medium-term, investor appetite for new technologies and companies that provide solutions to environmental challenges – and have a demonstrable positive impact on the environment – continues to increase. We believe this trend will continue to gather momentum as governments, investors and commentators around the world recognise the economic benefits of shifting to a more sustainable and lower carbon global economy. With this trajectory firmly established, the case for investing in companies that provide environmental solutions appears ever more compelling. The Board and Manager are confident in the prospects for the Company and for the future delivery of strong long-term growth and shareholder value.

John Scott
Chairman

2 August 2017

Manager's Report

Jon Forster

Bruce Jenkyn-Jones

During the Period the Company maintained its record of delivering strong NAV performance compared to global equities, and IEM again out-performed its global comparator index, the MSCI ACWI by some 3%. Solid earnings delivery endures as the overarching driver of performance, rather than a re-rating of the portfolio. IEM's holdings generally delivered earnings at or above expectations in the last quarter of 2016 and first quarter of 2017, and we are confident that this positive momentum will be maintained.

Performance compared to the environmental comparator index did suffer from a 5.5% relative headwind due to the Company not holding Tesla (which now accounts for 10% of the FTSE ET100). As discussed in previous reports, we remain uncomfortable with Tesla's valuation and prefer to invest in companies that supply critical products and services across the value chain for EV and hybrid vehicles, which will benefit from broad market growth.

In the Annual Report we discussed what appears to have been a temporary period of investor trepidation on the outlook for environmental markets following the election of President Trump. However, much of the negative sentiment has now subsided and we believe that the legislative and regulatory mechanisms, together with pure economics, will continue to drive healthy growth for environmental companies in the US.

We also welcome the Task Force on Climate-Related Financial Disclosures ('TCFD') which was announced at the end of June by co-Chairmen, Governor of the Bank of England Mark Carney and investor/philanthropist Mike Bloomberg. Impax Asset Management is proud to be an early signatory of the statement of support for these recommendations. The TCFD's recommendations are designed to help the international financial system take on board the systemic risks of climate change, which may become the defining societal challenge of the 21st century. We will certainly encourage the companies in which we invest to adhere to the recommendations for improved reporting. These will be helpful not only in the identification of risk, but also in the recognition of new opportunities, particularly in energy efficiency, renewable energy and water management sectors.

Key developments and drivers of environmental markets

Emerging markets offer compelling opportunities

Rapid increases in population, an expanding middle class, increasing urbanisation and substantial infrastructure requirements continue to drive strong growth opportunities in environmental companies in emerging markets, often at attractive valuations versus 'developed' countries.

IEM currently has a 15% exposure to emerging markets and we have been seeking new opportunities. India is particularly interesting and we have recently visited a number of companies there with a view to increasing our exposure when the valuations meet our targets. These include natural gas distribution companies benefiting from Indian government bans on the use of fuel oil and coke for industrial purposes and further supported by parallel initiatives to increase natural gas as a proportion of the energy mix from 11% in 2010, to 20% by 2025. Existing holdings such as Thermax (Power Network Efficiency) are profiting from a drive to retrofit coal-fired power stations with enhanced pollution control systems.

We have also identified convincing opportunities in the Philippines, and have added Energy Development Corp ('EDC', a renewable IPP) to the portfolio during the Period. EDC is the country's leading geothermal utility, with 1,169 MW of mainly geothermal assets. The valuation looks attractive with a 12 times price-to-earnings ratio (December 2017).

LEDs and next generation 'connected' lighting

Light emitting diodes ('LED') lighting markets are expanding at 15-20% a year, driven by energy efficiency regulations that are leading to the phasing out of incandescent and halogen lighting, and by the falling costs of technology. The payback period for LEDs is increasingly short, especially for commercial and industrial markets. However, LED penetration is still low at around 5% and is expected to grow to 20% by 2020, creating a significant investment opportunity.

During the Period we added Philips Lighting (Netherlands) to the portfolio as it has an attractive market position and is also developing its 'connected' lighting business. We see huge potential for 'connected' lighting which adds sensors to the lighting infrastructure to collect, analyse and use data. Examples of its applications include automated dimming, tracking of machinery or assets in a factory and targeted marketing to customers in retail environments. We also added Acuity Brands (US), a leader in this part of the market to the portfolio during the Period.

Water in the era of the 'Internet of things' and 'Big data'

Technological advances are changing the ways in which water is managed and used. For example, advanced metering solutions are growing at nearly twice the rate of traditional water meters. This reflects strong support from utilities, which are recognising the opportunities to add smart meters to their asset base on which they earn a regulated return, while also reducing their operating costs. Smart meters play a critical role in more effective metering and pricing of water and are key to reducing water use. IEM has exposure to this rapidly growing market with holdings in Badger Meter and Itron (both US).

Over the longer term we believe that utilities will be forced to focus on more effective management of their infrastructure, particularly reducing leakage rates and avoiding catastrophic failures through improved integration of sensors and monitoring. As an early mover in this area, Pure Technologies (Canada) is well positioned to exploit this opportunity.

Finally, smart pump technology is developing rapidly, including the launch of waste water pumping systems with integrated intelligence. These systems can adapt performance in real time and provide feedback to pumping station operators, increasing efficiency and reliability, and making them simpler and cheaper to run than traditional technologies. Xylem (water infrastructure, US) is a top ten holding that is leading the way in this area.

Absolute performance contributors and detractors

Contributors

IEM's holdings with exposure to the electrification of vehicles were significant contributors to performance. This reflects the increasingly aggressive forecasts for sales of EV and hybrid vehicles market share. We favour investments in companies supplying critical components in the supply chain, including Umicore (Belgium), which supplies materials for batteries, LEM (Switzerland) and Delta Electronics (Thailand), which both supply power electronics for vehicles and charging infrastructure.

The Pollution Control sub-sector also delivered strong performance, driven by tightening emissions regulations and attractive business models. ENN Energy Holdings (HK) received a positive outcome on regulated returns and experienced solid growth as a result of China's transition from coal to gas. Filtration markets are fertile grounds for investment. These high value niche areas can be dominated with the right technology, securing high margin and recurring filter sales. These characteristics drove outperformance in Porvair (UK).

Finally, the Company saw strength in its European holdings across all sub-sectors, driven by healthy fundamentals and compounded by cheap valuations, justifying our overweight position in this region versus the MSCI ACWI.

Detractors

Performance was broad across most environmental sub-sectors. Waste Management and Technologies underperformed the overall portfolio, especially hazardous waste companies with exposure to oil and gas markets, such as Clean Harbors (US) and Newalta (Canada). We see value in these sectors and strong competitive positions due to high barriers to entry, especially in permitting.

The Company's US holdings lagged performance of the overall fund, but performed in line with US small cap companies. This followed robust performance in 2016 and relatively expensive valuations in the region, which is taken into account in our underweight position versus the MSCI ACWI.

Unquoted companies

At 30 June 2017, the Company has a holding in Ensyn which is now the only significant unquoted company in the portfolio with a value of £10.3 million, representing 2.1% of net assets. Ensyn is making good operational progress and the company's management and board continue to work towards an exit.

	£m
Valuation of holding in Ensyn at 1 January 2017	10.9
Net FX change	(0.6)
Valuation at 30 June 2017	**10.3**

Portfolio positioning, valuation, and risk

IEM has a well-diversified portfolio of 60 listed holdings at the end of the Period. Positioning by sector and region is set out on page 8 and is consistent with that highlighted in the 2016 Annual Report.

The Company retains its significantly underweight position in North America and overweight Europe versus the ACWI, a constellation we believe to be appropriate on the basis of relative valuations. The portfolio remains slightly more cyclical compared to the ACWI. Versus the FTSE ET100, we remain well-diversified by sector, with unchanged overweight positions in Water (mainly water utilities which are not included in the ET100) and in Sustainable Food & Agriculture, where we see attractive growth and diversification opportunities. IEM is underweight in the more cyclical and volatile Energy Efficiency and Renewable Energy sub-sectors.

Portfolio valuation is broadly in line with long-term averages, with a low premium to the ACWI compared to historical levels. In terms of risk metrics, we expect a high single digit percentage tracking error versus global equities, with other risk metrics slightly above the levels of the ACWI.

Outlook

We continue to live in a world of significant geopolitical risks and at a time of economic transition as central banks prepare to withdraw stimulus and raise interest rates. Equity market valuations overall are no longer cheap and we see extremely low volatility as a cause for concern rather than celebration. However, the global economic outlook looks broadly healthy and, leaving Brexit to one side, the EU political environment appears to be stabilising. We believe that the portfolio valuation remains reasonable, and are confident that the Company is well-positioned for further delivery of robust performance versus global equity markets.

Impax Asset Management (AIFM) Limited
2 August 2017

Ten Largest Holdings

1 Lenzing – Austria
3.1% of net assets (2016: 2.3%)

Lenzing is a market leader in the supply of man-made cellulose ('MMC') fibres to the global textile and non-woven fabric industry. MMC fibres are displacing cotton, the production of which requires large amounts of water and can lead to significant environmental degradation. MMC fibres are much less environmentally damaging, and the specialist fibres Tencel and Modal, where Lenzing is dominant, have additional characteristics of durability, stretch and breathability. This is driving strong growth in the business.

www.lenzing.com

2 EDP Renovaveis – Portugal
3.0% of net assets (2016: 2.9%)

EDP Renovaveis is a leading global wind farm operator with over 10GW of capacity spread over 11 countries in Europe and the US, where it is the third largest operator. The company creates significant value by developing projects, managing construction and then owning and operating the assets. In addition, the company also creates value by selling selective assets to 'yieldcos' and recycling proceeds into new projects. The company is currently subject to a takeover offer from EDP, which already owns 77.5%.

www.edpr.com

3 Clean Harbors – United States
2.9% of net assets (2016: 2.7%)

Clean Harbors is North America's leading provider of environmental, energy and industrial services to a diverse customer base, including a majority of the Fortune 500 companies. Its core hazardous waste business has high barriers to entry against competition, with significant regulatory costs and difficulty in adding new facilities. Although it is not immune to moves in the oil price, there is potential for it to increase profitability through operating efficiencies and cost reductions. It also has a solid track record of value-creating acquisitions that allow it to cross-sell new and existing services.

www.cleanharbors.com

4 Xylem – United States
2.5% of net assets (2016: 3.0%)

Xylem is a leading global water technology provider, enabling customers to transport, treat, test, and efficiently use water in public utility, residential and commercial building services, and industrial and agricultural settings. It has a compelling long-term growth profile driven by factors such as increasing urbanisation and regulatory focus on water quality. It also has attractive options for capital deployment, including complementary technology-focused acquisitions, such as its 2016 purchase of metering and software company Sensus.

www.xyleminc.com

5 A.O. Smith – United States
2.4% of net assets (2016: 1.8%)

A.O. Smith is a leading global manufacturer of water heaters, with strong market positions in North America and China. The US market is healthy and underpinned by a robust replacement market, and growth in China has benefited from urbanisation and rising living standards. Ongoing global tightening of energy efficiency standards continue to drive growth, with A.O. Smith being particularly good in this category. Building on the success of its core water heater business, the company has moved into adjacent product markets such as water treatment and air purification. The company has an excellent track record of organic growth and of adding value via acquisitions.

www.aosmith.com

6 Arcadis – Netherlands
2.3% of net assets (2016: 1.7%)

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

www.arcadis.com

7 Watts Water Technologies – United States
2.3% of net assets (2016: 2.6%)

Watts manufactures valves and products to control the flow of water in household, commercial, and institutional water systems. These markets are driven by tightening standards and specifications, which favour leading suppliers, including Watts. The company has benefited from a substantial 'self-help' story, comprising consolidation of manufacturing locations and product rationalisation to discontinue unprofitable products. Going forward, further margin expansion is expected from continued operational improvements and an increasing focus on higher margin 'system' vs. lower margin 'component' sales.

www.wattswater.com

8 Horiba – Japan
2.2% of net assets (2016: 3.0%)

Horiba is a manufacturer of measuring instruments and systems for the automotive, environmental, medical and semi-conductor industries. The company has a dominant 80% market share of automobile emissions testing equipment and continues to benefit from the increasing focus on this issue following the Volkswagen emissions scandal. The company is well positioned for the shift towards real world emissions testing following its acquisition of UK company Mira in July 2015. Mira has extensive real world testing facilities on a 297 hectare site near Birmingham England, that can be used for both 'conventional' and 'autonomous' vehicle testing.

www.horiba.com

9 Coway – South Korea
2.2% of net assets (2016: 2.3%)

Coway is the leading provider of household water and air purifiers in South Korea. The company has a strong brand and operates in an expanding domestic market, driven by increasing concerns about environmental issues. The majority of sales are secured under rental contracts, which generate a high margin and defensive recurring earnings. This strong domestic business is providing Coway with a platform for international growth.

www.coway.com

10 Eurofins Scientific – France
2.2% of net assets (2016: 1.8%)

Eurofins Scientific is a leading laboratory group providing testing services to the food, environmental, consumer products, and pharmaceutical industries, as well as governments. The company has 310 laboratories, employing over 28,000 people across 39 countries. Tightening of environmental and food testing regulations is driving solid organic growth, which the company is supplementing with acquisitions in what remain fragmented markets, driving strong earnings growth.

www.eurofins.com

Top Ten Holdings in Companies

As at 30 June 2017 Company	Valuation £'000	% of net assets
Lenzing	14,613	3.1%
EDP Renovaveis	14,363	3.0%
Clean Harbors	13,799	2.9%
Xylem	12,009	2.5%
A.O. Smith	11,180	2.4%
Arcadis	10,948	2.3%
Watts Water Technologies	10,720	2.3%
Horiba	10,529	2.2%
Coway	10,443	2.2%
Eurofins Scientific	10,433	2.2%
Top ten holdings	**119,037**	**25.1%**
Other holdings	379,309	79.8%
Total holdings in companies	**498,346**	**104.9%**
Bank loans	(29,119)	(6.2%)
Cash and other net assets	5,992	1.3%
Total net assets	**475,219**	**100.0%**

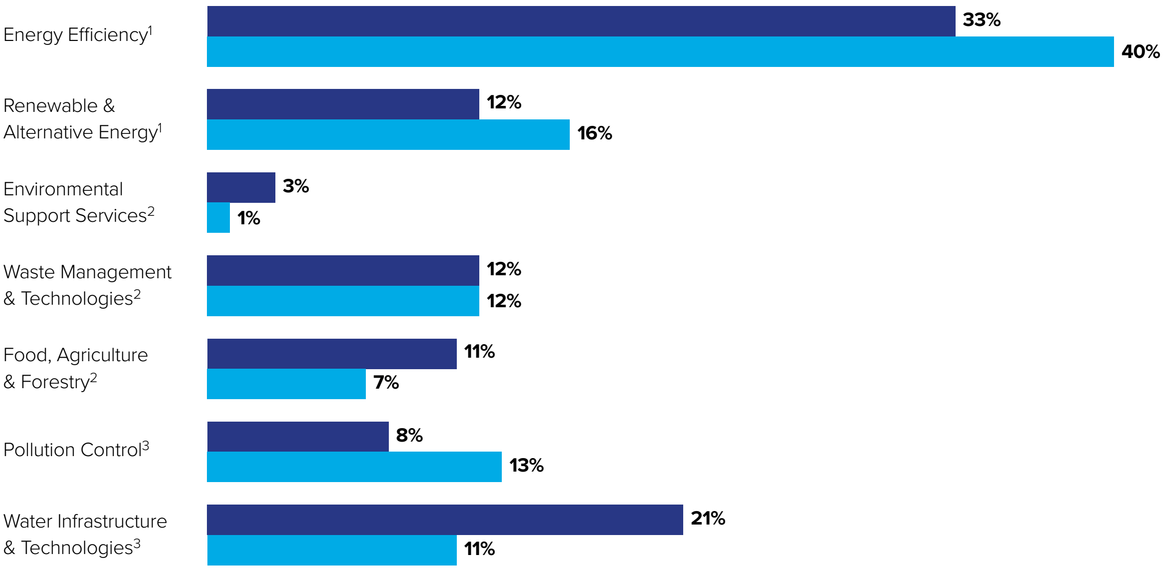
The full portfolio is published each month, quarterly in arrears on the Company's website

www.impaxenvironmentalmarkets.co.uk

Structure of the Portfolio

Breakdown by environmental markets classification system

- IEM plc
- FTSE ET100 Index



Investment policy classification

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

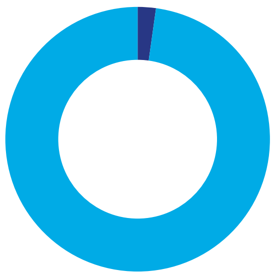
Breakdown by region

- North America: **43%**
- Europe: **34%**
- Asia Pacific: **21%**
- Rest of World: **2%**

Breakdown by company profitability*

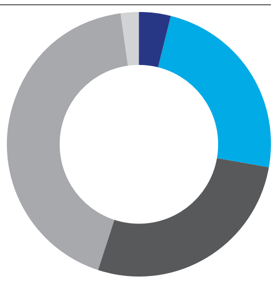
- Unprofitable (including unquoted): **2%**
- Profitable: **98%**

*based on next 12 month's earnings' estimates



Breakdown by market capitalisation

- Less than US$500m: **4%**
- US$500m-2bn: **24%**
- US$2bn-5bn: **27%**
- More than US$5bn: **43%**
- Unquoted: **2%**



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 2017 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 8.

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 Annual Report for the year ended 31 December 2016. 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 page 10.

Board of Directors
2 August 2017

Directors' Statement of Responsibility

The Directors confirm to the best of their knowledge that:

- The condensed set of financial statements contained within the Half-yearly financial report have 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 Guidance and Transparency Rules.

John Scott
Chairman of the Board of Directors

2 August 2017

Unaudited Income Statement

	Notes	Six months ended 30 June 2017			Six months ended 30 June 2016			Year ended 31 December 2016		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments		–	36,061	36,061	–	63,284	63,284	–	125,251	125,251
Income	4	5,712	–	5,712	3,920	–	3,920	6,360	–	6,360
Investment management fees		(531)	(1,594)	(2,125)	(440)	(1,320)	(1,760)	(955)	(2,866)	(3,821)
Other expenses		(303)	–	(303)	(352)	–	(352)	(731)	–	(731)
Return on ordinary activities before finance costs and taxation		**4,878**	**34,467**	**39,345**	**3,128**	**61,964**	**65,092**	**4,674**	**122,385**	**127,059**
Finance costs	5	(72)	(214)	(286)	(74)	(220)	(294)	(128)	(383)	(511)
Return on ordinary activities before taxation		**4,806**	**34,253**	**39,059**	**3,054**	**61,744**	**64,798**	**4,546**	**122,002**	**126,548**
Withholding tax on overseas income		(740)	–	(740)	(391)	–	(391)	(626)	–	(626)
Return on ordinary activities after taxation		**4,066**	**34,253**	**38,319**	**2,663**	**61,744**	**64,407**	**3,920**	**122,002**	**125,922**
Return per Ordinary Share	6	2.21p	18.61p	20.82p	1.32p	30.72p	32.04p	1.99p	61.91p	63.90p

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

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

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

The notes on pages 14 to 16 form an integral part of these financial statements.

Unaudited Balance Sheet

	Notes	As at 30 June 2017 £'000	As at 30 June 2016 £'000	As at 31 December 2016 £'000
Fixed assets				
Investments at fair value through profit or loss	3	498,346	433,904	483,366
Current assets				
Income receivable		943	415	97
Sales awaiting settlement		206	282	–
Taxation recoverable		13	213	129
Other debtors		–	8	5
Cash and cash equivalents		5,688	11,079	13,099
		6,850	**11,997**	**13,330**
Creditors: amounts falling due within one year				
Purchases awaiting settlement		(268)	–	(414)
Accrued liabilities		(590)	(578)	(593)
		(858)	(578)	(1,007)
Net current assets		**5,992**	**11,419**	**12,323**
Total assets less current liabilities		**504,338**	**445,323**	**495,689**
Creditors: amounts falling due after more than one year				
Bank loan	7	(29,119)	(31,564)	(30,434)
Total net assets		**475,219**	**413,759**	**465,255**
Capital and reserves: equity				
Share capital		22,574	24,168	23,682
Share premium account		16,035	16,035	16,035
Capital redemption reserve		9,877	8,283	8,769
Share purchase reserve		95,772	130,616	120,597
Capital reserve		323,861	229,350	289,608
Revenue reserve		7,100	5,307	6,564
Total equity		**475,219**	**413,759**	**465,255**
Net assets per Ordinary Share	8	263.95p	211.12p	243.43p

The notes on pages 14 to 16 form an integral part of these financial statements.

Unaudited Statement of Changes in Equity

Six months ended 30 June 2017	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserves £'000	Total £'000
Opening equity as at 1 January 2017		**23,682**	**16,035**	**8,769**	**120,597**	**289,608**	**6,564**	**465,255**
Share buy backs	10	(1,108)	–	1,108	(24,825)	–	–	(24,825)
Dividend paid		–	–	–	–	–	(3,530)	(3,530)
Profit for the period		–	–	–	–	34,253	4,066	38,319
Closing equity as at 30 June 2017		**22,574**	**16,035**	**9,877**	**95,772**	**323,861**	**7,100**	**475,219**

Six months ended 30 June 2016	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserves £'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	10	(1,212)	–	1,212	(19,372)	–	–	(19,372)
Dividend paid		–	–	–	–	–	(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**

Year ended 31 December 2016	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserves £'000	Revenue reserves £'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	10	(1,698)	–	1,698	(29,391)	–	–	(29,391)
Dividend paid		–	–	–	–	–	(2,874)	(2,874)
Profit for the year		–	–	–	–	122,002	3,920	125,922
Closing equity as at 31 December 2016		**23,682**	**16,035**	**8,769**	**120,597**	**289,608**	**6,564**	**465,255**

The notes on pages 14 to 16 form an integral part of these financial statements.

Unaudited Statement of Cash Flows

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
Operating activities			
Return on ordinary activities before finance costs and taxation*	39,345	65,092	127,059
Less: Tax deducted at source on income from investments	(740)	(391)	(626)
Add: Realisation of investments at book cost	46,539	39,141	93,453
Less: Purchase of investments	(58,946)	(22,608)	(87,844)
Adjustment for gains on investments held	(3,397)	(51,392)	(89,930)
Foreign exchange non cash flow losses	40	1,625	2,394
(Increase)/decrease in debtors	(931)	(381)	327
(Decrease)/increase in creditors	(184)	(163)	428
Net cash flow from operating activities	**21,726**	**30,923**	**45,261**
Financing activities			
Bank loan repaid	(531)	(442)	(2,353)
Finance costs paid	(251)	(450)	(838)
Share buy backs	(24,825)	(19,372)	(29,391)
Equity dividends paid	(3,530)	(2,874)	(2,874)
Net cash flow used in financing	**(29,137)**	**(23,138)**	**(35,456)**
(Decrease)/increase in cash	**(7,411)**	**7,785**	**9,805**
Opening balance at 1 January	**13,099**	**3,294**	**3,294**
Balance at period end	**5,688**	**11,079**	**13,099**

*Cash inflow from dividends was £3,962,000.

The notes on pages 14 to 16 form an integral part of these financial statements.

Notes to the Financial Statements

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 and Venture Capital Trusts' 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 a full set of 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 2016. The Annual Report and Accounts for the year ended 31 December 2016 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 2016 in this Half-yearly Financial Report has been extracted from the audited Annual Report and Accounts for the year ended 31 December 2016. The accounting policies in this Half-yearly Financial Report are consistent with those applied in the Annual Report for the year ended 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.

Changes in fair value are included in the Income Statement as a capital item.

4 Income

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
Income from investments			
Dividends from UK investments	295	288	611
Dividends from overseas investments	5,417	3,632	5,749
	5,712	**3,920**	**6,360**

5 Finance costs

	Six months ended 30 June 2017			Six months ended 30 June 2016			Year ended 31 December 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest payable	72	214	286	71	214	285	123	365	488
Direct costs	–	–	–	3	6	9	5	18	23
	72	**214**	**286**	**74**	**220**	**294**	**128**	**383**	**511**

6 Return per Ordinary Share

Return per Ordinary Share is based on the net return on ordinary activities after taxation of £38,319,000 (30 June 2016: £64,407,000 and 31 December 2016: £125,922,000) comprising a revenue return of £4,066,000 (30 June 2016: £2,663,000 and 31 December 2016: £3,920,000) and a capital return of £34,253,000 (30 June 2016: £61,744,000 and 31 December 2016: £122,002,000) attributable to the weighted average of 184,087,057 (30 June 2016: 200,999,453 and 31 December 2016: 197,055,871) Ordinary Shares in issue (excluding treasury shares) during the period.

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

7 Bank loan

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

As at 30 June 2017, the facility was fully drawn down and the Company's loans outstanding aggregated to £29,119,000, with a breakdown of the loan as follows.

Currency of loan	Loan currency amount	£'000
GBP loan	£14,512,553	14,513
USD loan	$19,000,000	14,606
		29,119

Interest is payable on amounts drawn down under the facility computed at the rate of LIBOR plus a margin of 1.00% per annum. A commitment fee computed at the rate of 0.25% per annum is payable on any amounts not drawn down under the facility.

8 Net assets per Ordinary Share

Net assets per Ordinary Share is based on the net assets of £475,219,000 (30 June 2016: £413,759,000 and 31 December 2016: £465,255,000) divided by 180,039,246 (30 June 2016: 195,986,690 and 31 December 2016: 191,122,495) Ordinary Shares in issue (excluding treasury shares) at the Balance Sheet date.

9 Dividend

The final dividend for the year ended 31 December 2016 of 1.95p per Ordinary Share was paid on 23 May 2017 (year ended 31 December 2015 dividend of 1.45p per share was paid on 24 May 2016). In accordance with UK accounting standards the dividend for the year ended 31 December 2016 has been recognised in the Half-yearly financial report for the six months ended 30 June 2017.

The directors do not recommend the payment of an interim dividend for the year ending 31 December 2017.

10 Purchase of own shares

During the six months ended 30 June 2017, 11,083,249 (30 June 2016: 12,114,330 and 31 December 2016: 16,978,525) Ordinary Shares were bought back and cancelled at an aggregate cost of £24,825,000 (30 June 2017: £19,372,000 and 31 December 2016: £29,391,000).

11 Related party transactions

Fees payable to the Manager are shown in the Income Statement. As at 30 June 2017 the fee outstanding to the Manager was £358,104 (30 June 2016: £317,973 and 31 December 2016: £354,000).

The Manager's group has a holding in Ensyn which is an unquoted investment in the Company's portfolio. The Manager has procedures in place to mitigate any conflicts of interest from this investment.

Fees are payable to the directors, effective from 1 April 2017, at an annual rate of £34,500 to the Chairman, £28,000 to the Chairman of the Audit Committee and £23,000 to the other directors. Prior to that date fees were 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.

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

	Ordinary shares At 30 June 2017	Ordinary shares At 30 June 2016	Ordinary shares At 31 December 2016
Vicky Hastings	19,500	19,500	19,500
Aine Kelly	10,000	–	–
Julia Le Blan	14,907	14,907	14,907
William Rickett	5,000	5,000	5,000
John Scott	45,087	35,087	35,087

12 Classification of financial instruments

FRS 102 requires that the classification of financial instruments be valued by reference to the source of inputs used to derive the fair value. The Company has adopted the fair value hierarchy disclosures as set out in the March 2016 amendment to FRS 102 classifications and their descriptions are below:

Level 1

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

12 Classification of financial instruments continued

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 2017				30 June 2016			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss								
– Quoted	488,042	–	–	488,042	418,062	5,740	–	423,802
– Unquoted	–	–	10,304	10,304	–	–	10,102	10,102
	488,042	**–**	**10,304**	**498,346**	**418,062**	**5,740**	**10,102**	**433,904**

	31 December 2016			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss				
– Quoted	466,921	5,587	–	472,508
– Unquoted	–	–	10,858	10,858
	466,921	**5,587**	**10,858**	**483,366**

Level 2 investments detailed above are holdings in quoted companies held through broker participatory notes.

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

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
Opening balance	10,858	9,097	9,097
Additions during the year	–	–	–
Disposals during the year	–	–	–
Valuation adjustments	(554)	1,005	1,761
Closing balance	**10,304**	**10,102**	**10,858**

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

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

There are no post balance sheet events other than as disclosed in this report.

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 2017.

The Company's statutory accounts for the year ended 31 December 2016 received an unqualified audit report and have been filed with the registrar of companies at Companies House.

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Aine Kelly
Vicky Hastings
Julia Le Blan
William Rickett, CB

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