Impax Environmental Markets plc

Half-Yearly Financial Report 2018

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 2018

Net assets	£498.3m
Net asset value ('NAV') per Ordinary Share	276.8p
Ordinary Share price	266.0p
Ordinary Share price discount to NAV	3.9%

Performance summary

% Change[2,3]

Share price total return per Ordinary Share[1]	4.7
NAV total return per Ordinary Share[1]	-0.6
FTSE ET100 Index	-1.0
MSCI All Country World Index	2.0

1. These are considered to be Alternative Performance Measures ("APMs")
2. Source: Bloomberg
3. Total returns in sterling for the six months to 30 June 2018

Alternative Performance Measures ('APMs')

The disclosures as indicated in footnote 1 above are considered to represent the Company's APMs. Definitions of these and other APMs used in this Half-year report, together with how these measures have been calculated can be found on page 18.

Contents

Chairman's Review

John Scott
Chairman

During the first six months of 2018 (the "Period") global equity markets were characterised by greater volatility. In March, the US central bank confirmed it was raising its benchmark interest rate by 0.25%, owing to a strengthening economic outlook. Further rate hikes this year also appear likely. In addition, political uncertainty in Europe, concerns about China-US trade wars and the global decoupling of monetary policy have created an uneven economic backdrop over the Period, with industrials underperforming, while energy outperformed as oil prices rose. This backdrop presented some challenges for the performance of Impax Environmental Markets plc (the "Company" or "IEM"), not least because we do not own fossil fuel stocks.

Nevertheless, fundamentals continued to improve in Environmental Markets. The global push to reduce plastic waste continued to gain momentum. The issue, which first came to wider public attention during BBC's Blue Planet II television series, was followed in January by the Chinese government banning the import of contaminated recyclables. These factors have led to aggressive government policy responses in Europe, including the UK government looking to introduce a deposit scheme on drinks containers. This, alongside changing consumer attitudes, is opening up multiple investment opportunities for the Company, which are discussed in greater detail in the Manager's Report.

The transition away from pure internal combustion engines, towards hybrid and electric vehicles, also continues to gather pace. In the first six months of the year, sales of new diesel cars in the UK fell by 30%. In February, Germany's highest administrative court declared that its cities have a duty to meet EU air quality levels and determined that banning older diesel vehicles was an effective and legal means to achieve these targets. Changing government policy, falling technology costs and evolving consumer preferences are expected to drive strong growth in this category. Both Original Equipment Manufacturer (OEM) targets and industry consultants such as Ricardo suggest rapid growth for hybrids and electric vehicles from under 1% penetration of world car sales in 2017 to 20% by 2025.

Disappointingly, global CO_2 emissions rose in 2017, according to BP's Statistical Review of World Energy. Under a "business as usual scenario", Climate Action Tracker expects atmospheric temperatures to reach 4ºC above preindustrial levels by 2050. Although advances have been made in influencing this trajectory, further technology developments and policy support is likely to emerge. Such developments will support the expansion of Environmental Markets, providing a compelling backdrop for the Company's investment hypothesis.

Investment performance

During the Period, the net asset value ("NAV") per share of the Company achieved a total return of -0.6%, measured in Pounds Sterling, and ended the Period at 276.8p. This represents a modest outperformance of our environmental comparator, the FTSE Environmental Technologies 100 (ET100), while we underperformed our global equity comparator, the MSCI All Country World Index (ACWI), by 2.6%. During the first six months of 2018, IEM achieved a share price total return of 4.7% and ended the Period at 266.0p.

Over the same period, the total return on the FTSE ET100 Index was -1.0% while the total return on the MSCI ACWI, was 2.0%. The Manager's Report includes some 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 2018, the Company's net gearing was 4.8%. We are currently in discussions with lenders on re-financing the current bank loan facility and replacing it with a longer-term fixed rate facility.

Discount and Premium Control

During the Period, the discount to NAV at which the Company's Ordinary Shares traded ranged from a discount of 5.7% to a premium of 1.2% and ended at a discount of 3.9%. The narrow discount to NAV at which the Company's shares have been trading has mitigated the need for share repurchases, the last buyback having been undertaken in June 2017 when the discount exceeded 10%.

Your Board recognises the need to address any sustained and significant imbalance of buyers and sellers of our shares which might emerge in the future. As we have done in the past, albeit in different circumstances, in the event of a surfeit of sellers leading to a widening discount, your Board would in normal market conditions intend to use its buyback powers to maintain a level of discount which is within reach of what we have experienced in recent months. In the event of investor demand outstripping the supply from sellers, we would be prepared to sell stock out of treasury with the aim of both meeting that demand and capping any premium which might develop. As set out in Note 8, we hold a substantial number of shares in treasury, arising from earlier buybacks, and re-selling these would help us to grow your Company as well as providing our Manager with additional resources to invest in the many opportunities which they see.

Shareholder communications

In January 2018 the board appointed Redleaf Communications to provide additional public relations support to the Company in order to raise the profile within the personal finance media. Although quite early to evaluate the effects of this additional resource, it is pleasing to see a noticeable increase in favourable coverage within the target channel.

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. Further information can be found on our website, www.impaxenvironmentalmarkets.co.uk, and you may also wish to follow us on Twitter, @IEMplc.

Outlook

It is likely that equity market volatility will continue in the coming months, due to trade negotiations and uncertainty about interest rate rises, to mention just two of the more obvious hazards on the horizon. Regardless of whatever fallout there may be from the Brexit negotiations (or lack thereof) we would expect environmental market conditions to continue to improve across much of the globe.

We remain confident in the long-term investment thesis due to the further development of the portfolio's underlying drivers. It is worth noting the increasing interest from investors within our target market for investment vehicles that have a positive environmental impact. With this trajectory firmly established, our conviction for investing in companies that provide environmental solutions appears ever more compelling. The Board and Managers are optimistic about the prospects for the Company and for the future delivery of above market growth and shareholder value in the medium term. Although, during the Period, the Company's NAV has undershot one of its comparator indices, while marginally outperforming the other, a further tightening of the discount has boosted the returns enjoyed by shareholders. Coupled with our excellent medium and long term record of significant outperformance, your Board continues to have great confidence in the strategy adopted by the Manager.

John Scott
Chairman

30 July 2018

Manager's Report

Jon Forster

Bruce Jenkyn-Jones

The Manager remains encouraged by the earnings delivery of the Company's portfolio holdings. Impax's analysis of IEM's earnings growth indicates an annualised excess of 5% ahead of MSCI ACWI over the past 5 years.

The Company performed ahead of its environmental comparator index (ET100) by 0.4%. The Company's exposure to software firms that are driving energy efficiency advances in industrial manufacturing is a contributor to this outperformance. Holdings that will aid greater plastics recycling or introduce potential alternative materials also performed well. Earnings growth was strong in European holdings during the Period.

However, during the Period, IEM underperformed its global comparator index, the MSCI All Country World Index ("ACWI"), by some 2.6%. Alongside a broad derating of the portfolio, there were a range of small issues, which could be attributed to a reversal of previously supportive tailwinds mentioned in last year's annual report. For example, the portfolio has very little exposure to the Energy MSCI GICS sectors – being underweight Energy presented a headwind, as did being overweight Industrials. There was also a minor drag from currency as IEM is underweight the US dollar. In addition, there were thematic areas of weakness, namely in water utilities, lighting and Asia.

Key developments and drivers of environmental markets

Update on digitalisation in Environmental Markets

In the last annual report, we highlighted the opportunities in this field. We envisage continuing increases in technology and software content in Environmental Markets driving further efficiency gains. McKinsey & Co has estimated that the industrial internet-of-things (IoT) could create more than $4trn of value in the next decade as the digital and physical worlds converge and improve efficiency in the industrial environment. PTC (Industrial Energy Efficiency, US), a software business with a leading market position in Product Lifecycle Management ('PLM') contributed strongly to performance. PLM involves using software to manage the design, manufacturing and maintenance of goods more efficiently and is experiencing strong growth. The company also announced news of a $1bn strategic investment by Rockwell Automation.

Pressure on plastics mounting

The global pressure on companies and policymakers to move away from single-use plastic continued to intensify. In May, Chinese President Xi Jinping pledged to push the fight against pollution forward. He signalled a desire to fundamentally improve environmental quality standards before 2035. In June, India's Prime Minister Narendra Modi indicated that India will remove all single-use plastics by 2022, in the boldest move yet to tackle plastic pollution. Closer to home, the European Commission unveiled new rules on single-use plastics, which will be banned where ready alternatives are available – such as with plastic cotton buds, cutlery, plates, straws and drinks stirrers. European Member States will set national reduction targets to lower the amount of plastic food containers and drinking cups in circulation and to increase plastic bottle recycling to 90% by 2025.

Deposit schemes are currently the most realistic approach to achieving such ambitious targets. Tomra (Norway), a holding in the portfolio at the time of these announcements, is the dominant supplier of reverse vending machines. We are equally encouraged by the opportunities now presented by the momentum in recycling infrastructure, fibre-based packaging and bioplastic alternative materials.

Lighting update

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

Absolute performance contributors and detractors

Contributors

As previously discussed, software holding PTC, and waste collection equipment provider Tomra, were the top contributors to performance during the Period. In addition, the Pollution Control sector advanced during the Period. ENN Energy (Pollution Control Solutions, Hong Kong) is active in gas distribution in China that is serving to displace coal, benefitted from stronger gas sales volumes. More recently, ENN's proposed acquisition of its sister company ENN Ubiquitous Energy Network (an integrated energy service provider), appears to have been well received by investors. Horiba (Environmental Testing & Gas Sensing, Japan) rallied as it reported a strong outlook for automotive emissions testing.

M&A has continued to play an important role in performance during the period. Two companies were exited due to acquisitions: Newalta (Hazardous Waste, Canada) and Pure Technologies (Water Infrastructure, Canada).

Detractors

It proved a challenging environment for water utilities during the Period. Higher interest rates, domestic political wrangling and regional challenges held the sector back. This backdrop affected:

- Sabesp (Water Utilities, Brazil), which announced weaker results and has seen a recent change in leadership while also facing some headwinds from local regulators.
- Beijing Enterprises Water (Water Utilities, China), a Chinese waste water treatment provider, faced challenges during the quarter as it posted disappointing 2017 earnings results, in addition to more modest core earnings growth guidance for 2018.

Regionally, the portfolio's Asian holdings struggled. Zhuzhou CRRC Times Electric (Transport Energy Efficiency, China) was held back by delays to the Chinese government's rail capital expenditure plans. Nevertheless a feature of China's 2020 Action Plan on Air Pollution, announced during the period, was an ambition to increase railroad freight transportation by 20% in the next two years providing medium term momentum to the subsector.

Unquoted companies

At 30 June 2018, the Company has a holding in Ensyn which is now the only significant unquoted company in the portfolio with a value of £10.1 million, representing 2.0% of net assets. Ensyn continues to make solid operational progress, with management and board continuing to work towards an exit.

	£m
Valuation of holding in Ensyn at 1 January 2018	9.9
Net FX change	0.2
Cash received	–
Valuation at 30 June 2018	**10.1**

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 6 and is consistent with that highlighted in the 2017 Annual Report.

The Company continues to find compelling investment ideas in the Sustainable Food, Agriculture and Forestry subsector, and has increased its exposure by 6% since the 2017 annual report, with small changes elsewhere. Versus the ET100, the Company remains underweight the more volatile and cyclical areas of Energy Efficiency and Renewable & Alternative Energy, and overweight the more defensive or more diversifying areas of Water Infrastructure and Technologies and Sustainable Food, Agriculture and Forestry.

The regional composition is little changed, and remains overweight Europe and underweight North America, and slightly more cyclical than the MSCI ACWI.

Portfolio activity continues to focus on adding defensive exposure or further diversification. For example, we added two biochemical businesses in the Sustainable Food, Agriculture and Forestry subsector, which have dominant market positions in niche chemicals that substitute for synthetic or petrochemical alternatives with better performance and a lower environmental footprint. We had two exits as a result of M&A activity and a further exit based on valuation.

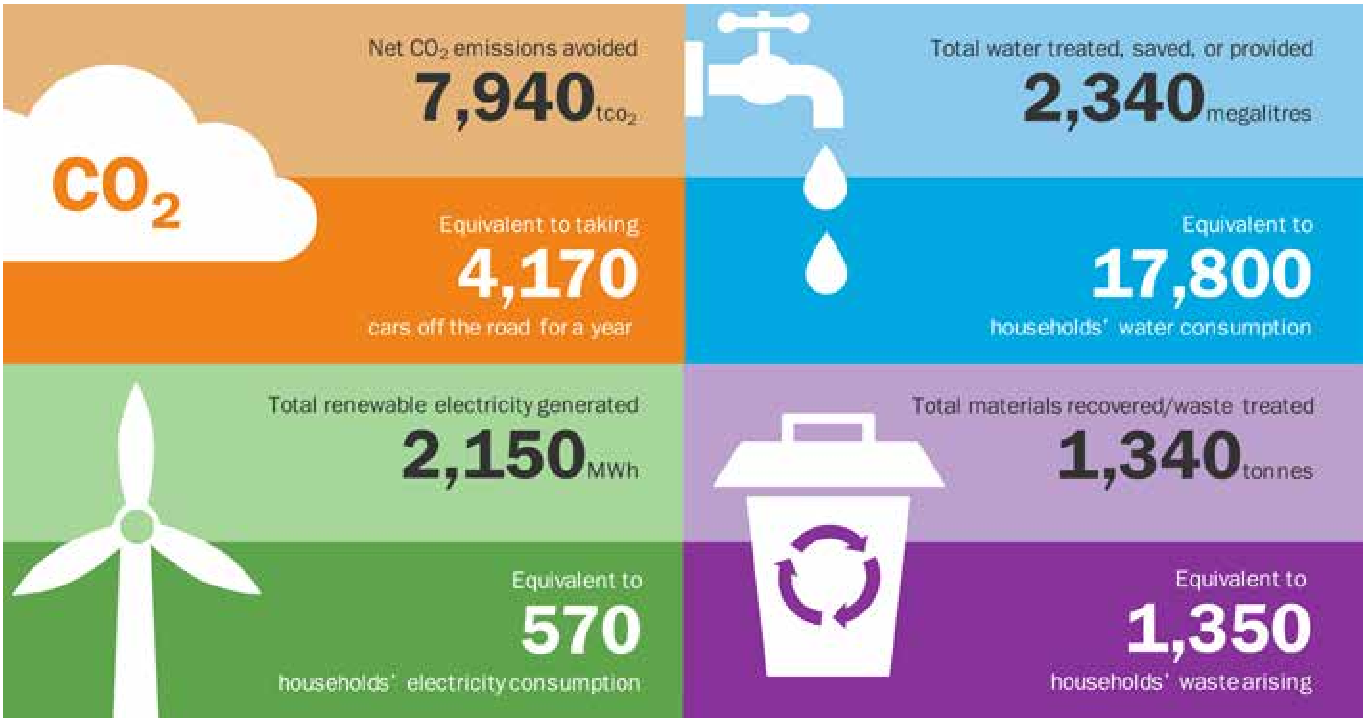
Following a de-rating in the second quarter, the Company trades on 17x PE (next twelve months), which is in line with the long term average. The premium to MSCI ACWI, which has averaged ~25% over the long term, is currently ~15%. Valuation is considered reasonable, with solid growth prospects over the next twelve months.

The Company's risk metrics remain slightly above those of the MSCI ACWI, but well below those of the ET100.

Outlook

We expect equity markets to remain volatile. The recent de-rating of the portfolio, healthy earnings growth, and a diversified positioning provide some comfort on outlook. We continue to encourage investors to remain focussed on the long-term growth story underpinning IEM. The overarching global drive towards more efficient usage of resources and the substantial investments required to establish and maintain infrastructure in environmental markets all remain firmly in place on a global basis. More disruptive developments, for example the transition from internal combustion to electric vehicles or related to the war on plastics waste, drive additional investment opportunities and provide a favourable outlook for growth and performance over the long term.

Environmental impact of £10m investment in IEM plc



Impact of £10m invested in the fund for one year. Based on most recently reported annual environmental data for holdings in the IEM plc fund as at 31 December 2017. Impax's impact methodology is based on equity value.

Environmental impact report

Over the past four years Impax has been publishing quantitative metrics demonstrating the environmental outcomes of the investment portfolio and we are pleased to include the latest report here. Although the objective of the fund is to achieve superior financial returns for long term savers, environmental benefits are a natural outcome of the investment philosophy applied. As a diversified environmental strategy the outcomes are reflective of the portfolio's positioning which is analysed as a snapshot as of end 2017 calendar year.

Comparing the environmental metrics with "real life equivalents" can be helpful for investors in making these outcomes more understandable. The infographic included above is therefore widely used in the manager's investor communications programme.

Changes in environmental impact with portfolio positioning

During 2017 the Manager reduced exposure to the Japanese water treatment equipment company, Kemira, in favour of a larger exposure to companies within the materials recovery and recycling value chain such as Brambles and Suez.

In response to this repositioning, the water treated metric has fallen to 2,340 megalitres per £10m invested in 2017, from 3,040 megalitres in 2016, while the waste recovered or treated metric has risen to 1,340 tonnes, from 790 tonnes over the same time period.

The renewable energy generated metric has fallen to 2,150 MWh per £10m invested in 2017, from 2,990 MWh in 2016, following the exit of Chinese wind developer Huaneng and a smaller exposure to geothermal energy company Ormat.

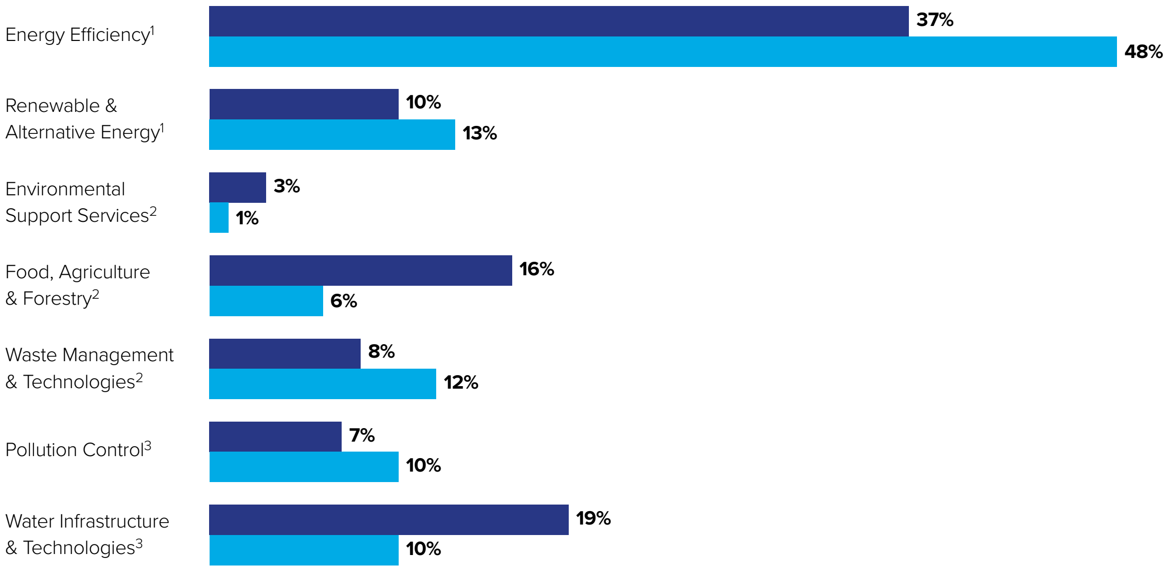
Despite this, the net CO_2 emissions avoided for the portfolio remained quite similar between the two years, at 7,940 tCO_2 in 2017 compared to 7,970 tCO_2 in 2016 due to the emissions avoided in the waste treatment value chain.

Impax Asset Management (AIFM) Limited
30 July 2018

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 (excluding cash)*

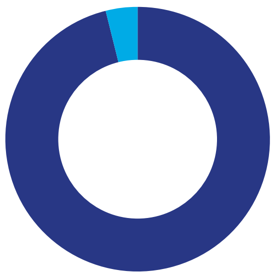
- Asia Pacific: **19%**
- Europe: **36%**
- North America: **44%**
- Rest of World: **1%**

*based on country of listing

Breakdown by company profitability*

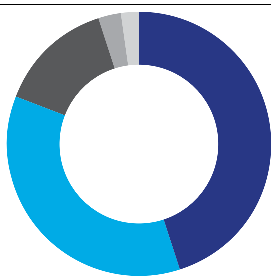
- Profitable: **96%**
- Unprofitable (including unquoted): **4%**

*based on next 12 months earnings estimates



Breakdown by market capitalisation

- More than US$5bn: **45%**
- US$2bn-5bn: **36%**
- US$500m-2bn: **14%**
- Less than US$500m: **3%**
- Unquoted: **2%**



Ten Largest Holdings

As at 30 June 2018

1 EDP Renovaveis – Portugal
3.0% of net assets (As at 30 June 2017: 3.0%)

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 a majority shareholder.

www.edpr.com

2 Eurofins Scientific – France
2.8% of net assets (As at 30 June 2017: 2.2%)

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 over 300 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

3 Brambles – Australia
2.7% of net assets (As at 30 June 2017: 2.1%)

Brambles is the dominant pallet and container pooler worldwide for the FMCG market, possessing huge economies of scale and well diversified customer base. The company has sustained stable and attractive returns over many years. The pooling method reduces wastage of disposing of pallets and is more efficient.

www.brambles.com

4 PTC – United States
2.6% of net assets (As at 30 June 2017: Not applicable)

PTC offers software products that can be used in CAD modelling and Product Lifecycle Management (PLM). Additionally, PTC's industrial connectivity platform enables customers to connect "smart" devices, analyse associated data and create Internet-of-Things (IoT) applications. The company has an established market position in CAD and PLM and is emerging as a leader in industrial connectivity platforms.

www.ptc.com

5 Welbilt – United States
2.5% of net assets (As at 30 June 2017: Not applicable)

Welbilt is a well-established foodservice equipment company which manufactures and supplies food and beverage equipment solutions for the commercial foodservice market, serving customers in 100 countries globally. Welbilt's products utilise sustainable manufacturing methods, energy-saving technologies and aid lifecycle management to mitigate environmental impact.

www.welbilt.com

6 Ormat Technologies – United States
2.4% of net assets (As at 30 June 2017: 2.1%)

Ormat Technologies is a world leader in geothermal technology and geothermal plant operation with proven track record over more than forty years. Ormat low-temperature technology has competitive advantage for the development of future geothermal resources worldwide.

www.ormat.com

7 Generac Holdings – United States
2.4% of net assets (As at 30 June 2017: 1.8%)

Generac Holdings is a leading supplier of standby power generators with focus on natural gas. Generac is a solution provider for aged and under invested grid which is vulnerable to an increasingly volatile climate. The company has a dominant market share in its core US residential market, which is still under-penetrated.

www.generac.com

8 Zhuzhou CRRC – China
2.4% of net assets (As at 30 June 2017: 1.7%)

Zhuzhou CRRC is the market leader in rail vehicle electronic control equipment in China with strong R&D capability and support from its parent company. Key drivers of demand come from the electrification of existing rail infrastructure and the continued build out of new rail/subway lines in China, and potential orders from overseas markets.

www.tec.crrczic.cc/en/1400.html

9 Spirax-Sarco Engineering – United Kingdom
2.4% of net assets (As at 30 June 2017: 1.9%)

Spirax-Sarco Engineering is an industrial engineering business comprising (i) Spirax-Sarco, the world leader in steam systems and electrical thermal energy solutions and (ii) Watson-Marlow, the world leader in peristaltic pump manufacturing and associated fluid path technologies. It provides energy saving solutions to its customers with relatively short paybacks and paid for from operating expenditure.

www.spiraxsarco.com

10 Advantech Co – Taiwan
2.3% of net assets (As at 30 June 2017: 1.9%)

Advantech is the largest industrial PC producer in the world, with global coverage and diverse domain expertise. It should be a beneficiary of the Internet-of-Things (IoT) revolution and industrial and commercial automation, which should enjoy strong secular growth.

www.advantech.com

Top Ten Holdings in Companies

As at 30 June 2018

As at 30 June 2018 Company	Valuation £'000	% of net assets
EDP Renovaveis	14,786	3.0
Eurofins Scientific	13,870	2.8
Brambles	13,395	2.7
PTC	13,173	2.6
Welbilt	12,284	2.5
Ormat Technologies	12,003	2.4
Generac Holdings	11,894	2.4
Zhuzhou CRRC	11,873	2.4
Spirax-Sarco Engineering	11,867	2.4
Advantech	11,770	2.3
Top ten holdings	**126,915**	**25.5**
Other holdings	395,554	79.4
Total holdings in companies	**522,469**	**104.9**
Bank loans	(29,793)	(6.0)
Cash and other net assets	5,648	1.1
Total net assets	**498,324**	**100.0**

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

www.impaxenvironmentalmarkets.co.uk

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 2018 and the impact of those events on the condensed set of financial statements included in this Half-yearly financial report.

The structure of the portfolio at the period end is analysed on page 6 and the largest ten investments held at the period end are provided on pages 7 and 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 2017 ('the Annual Report'). The categories of 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
30 July 2018

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

30 July 2018

Unaudited Income Statement

	Notes	Six months ended 30 June 2018			Six months ended 30 June 2017			Year ended 31 December 2017*		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments		–	(6,293)	(6,293)	–	36,061	36,061	–	68,546	68,546
Income	4	5,916	–	5,916	5,712	–	5,712	8,265	–	8,265
Investment management fees		(548)	(1,644)	(2,192)	(531)	(1,594)	(2,125)	(1,083)	(3,248)	(4,331)
Other expenses		(368)	–	(368)	(303)	–	(303)	(758)	–	(758)
Return on ordinary activities before finance costs and taxation		**5,000**	**(7,937)**	**(2,937)**	**4,878**	**34,467**	**39,345**	**6,424**	**65,298**	**71,722**
Finance costs	5	(83)	(249)	(332)	(72)	(214)	(286)	(144)	(435)	(579)
Return on ordinary activities before taxation		**4,917**	**(8,186)**	**(3,269)**	**4,806**	**34,253**	**39,059**	**6,280**	**64,863**	**71,143**
Withholding tax on overseas income		(813)	–	(813)	(740)	–	(740)	(1,136)	–	(1,136)
Return on ordinary activities after taxation		**4,104**	**(8,186)**	**(4,082)**	**4,066**	**34,253**	**38,319**	**5,144**	**64,863**	**70,007**
Return per Ordinary Share	6	2.28p	(4.55p)	(2.27p)	2.21p	18.61p	20.82p	2.83p	35.63p	38.46p

*Audited

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

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

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

The notes on pages 14 to 18 form part of these financial statements.

Unaudited Balance Sheet

	Notes	As at 30 June 2018 £'000	As at 30 June 2017 £'000	As at 31 December 2017* £'000
Fixed assets				
Investments at fair value through profit or loss	3	522,469	498,346	524,305
Current assets				
Income receivable		895	943	88
Sales awaiting settlement		–	206	256
Taxation recoverable		13	13	13
Other debtors		6	–	18
Cash and cash equivalents		5,849	5,688	13,054
		6,763	**6,850**	**13,429**
Creditors: amounts falling due within one year				
Purchases awaiting settlement		–	(268)	(204)
Bank loan	7	(29,793)	–	–
Other creditors		(1,115)	(590)	(1,181)
		(30,908)	(858)	(1,385)
Net current assets		**(24,145)**	**5,992**	**12,044**
Total assets less current liabilities		**498,324**	**504,338**	**536,349**
Creditors: amounts falling due after more than one year				
Bank loan	7	–	(29,119)	(29,442)
Total net assets		**498,324**	**475,219**	**506,907**
Capital and reserves: equity				
Share capital	8	22,574	22,574	22,574
Share premium account		16,035	16,035	16,035
Capital redemption reserve		9,877	9,877	9,877
Share purchase reserve		95,772	95,772	95,772
Capital reserve		346,285	323,861	354,471
Revenue reserve		7,781	7,100	8,178
Shareholders' funds		**498,324**	**475,219**	**506,907**
Net assets per Ordinary Share	10	276.79p	263.95p	281.55p

*Audited

Approved by the Board of directors and authorised for issue on 30 July 2018.

Impax Environmental Market plc is incorporated in England with registered number 4348393

The notes on pages 14 to 18 form part of these financial statements.

Unaudited Statement of Changes in Equity

Six months ended 30 June 2018	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity as at 1 January 2018		**22,574**	**16,035**	**9,877**	**95,772**	**354,471**	**8,178**	**506,907**
Share buy backs	8	–	–	–	–	–	–	–
Dividend paid	9	–	–	–	–	–	(4,501)	(4,501)
Profit for the year		–	–	–	–	(8,186)	4,104	(4,082)
Closing equity as at 30 June 2018		**22,574**	**16,035**	**9,877**	**95,772**	**346,285**	**7,781**	**498,324**

Six months ended 30 June 2017	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity as at 1 January 2017		**23,682**	**16,035**	**8,769**	**120,597**	**289,608**	**6,564**	**465,255**
Share buy backs	8	(1,108)	–	1,108	(24,825)	–	–	(24,825)
Dividend paid	9	–	–	–	–	–	(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**

Year ended 31 December 2017*	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Share purchase reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Opening equity as at 1 January 2017		**23,682**	**16,035**	**8,769**	**120,597**	**289,608**	**6,564**	**465,255**
Share buy backs	8	(1,108)	–	1,108	(24,825)	–	–	(24,825)
Dividend paid	9	–	–	–	–	–	(3,530)	(3,530)
Profit for the year		–	–	–	–	64,863	5,144	70,007
Closing equity as at 31 December 2017		**22,574**	**16,035**	**9,877**	**95,772**	**354,471**	**8,178**	**506,907**

*Audited

The notes on pages 14 to 18 form part of these financial statements.

Unaudited Statement of Cash Flows

	Notes	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017* £'000
Operating activities				
Return on ordinary activities before finance costs and taxation**		(2,937)	39,345	71,722
Less: Tax deducted at source on income from investments		(813)	(740)	(1,136)
Foreign exchange non cash flow (gains)/losses		(457)	40	(169)
Adjustment for losses/(gains) on investments		6,293	(36,061)	(68,546)
(Increase)/decrease in other debtors		(795)	(931)	112
(Decrease)/increase in other creditors		(407)	(184)	392
Net cash flow from operating activities		**884**	**1,469**	**2,375**
Investing activities				
Add: Sale of investments		54,613	79,203	146,716
Less: Purchase of investments		(58,560)	(58,946)	(120,748)
Net cash flow used in investing		**(3,947)**	**(20,257)**	**25,968**
Financing activities				
Finance costs paid	5	9	(251)	(383)
Movement in bank loan	7	350	(531)	350
Share buy backs	8	–	(24,825)	(24,825)
Equity dividends paid	9	(4,501)	(3,530)	(3,530)
Net cash flow used in financing		**(4,142)**	**(29,137)**	**(28,388)**
Decrease in cash		**(7,205)**	**(7,411)**	**(45)**
Opening balance at 1 January		13,054	13,099	13,099
Balance at 30 June		**5,849**	**5,688**	**13,054**

*Audited

*Cash inflow from dividends was £5,109,000 (30 June 2017: £3,962,000 and 31 December 2017: £8,164,000).

The notes on pages 14 to 18 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

The Half-yearly Financial Statements has 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 and updated in February 2018.

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 2017, which 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 2017 in this Half-yearly Financial Report has been extracted from the audited Annual Report and Accounts for that year. The accounting policies in this Half-yearly Financial Report are consistent with those applied in the Annual Report for the year ended 31 December 2017.

2 Going concern

The directors have adopted the going concern basis in preparing the Half-yearly Financial Statements for the period ended 30 June 2018. 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 report. 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 report, 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 2019. In the event that such a resolution is not passed, the directors are required to draw up proposals for Shareholders' approval for the voluntary liquidation or unitisation or other reorganisation of the Company, which would require a special resolution of Shareholders.

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.

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 fair value hierarchy descriptions are below:

Level 1

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

Level 2

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 2018				30 June 2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss								
- Quoted	512,310	–	–	512,310	488,042	–	–	488,042
- Unquoted	–	–	10,159	10,159	–	–	10,304	10,304
Total	**512,310**	**–**	**10,159**	**522,469**	**488,042**	**–**	**10,304**	**498,346**

	31 December 2017			
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss				
- Quoted	514,394	–	–	514,394
- Unquoted	–	–	9,911	9,911
Total	**514,394**	**–**	**9,911**	**524,305**

The valuation of level 3 investments is based on unobservable inputs.

There were no movements between levels during six months the period to 30 June 2018.

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

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Opening balance	9,911	10,858	10,858
Additions during the year	–	–	–
Disposals during the year	–	–	–
Valuation adjustments	248	(554)	(947)
Closing balance	**10,159**	**10,304**	**9,911**

Unquoted investments are valued using relevant financial data available on those investments and applying International Private Equity and Venture Capital guidelines. This includes, where appropriate, consideration of price of recent market transactions, earnings multiples, discounted cash flows, net assets and liquidity discounts. The value of the Company's holding in Ensyn has been valued at a discount to the latest transaction and translated into sterling at the period end.

4 Income

	Six months ended 30 June 2018 £'000	Six months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Income from investments			
Dividends from UK listed investments	324	295	660
Dividends from overseas listed investments	5,592	5,417	7,605
Total	**5,916**	**5,712**	**8,265**

5 Finance costs

	Six months ended 30 June 2018			Six months ended 30 June 2017			Year ended 31 December 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest charges	83	249	332	72	214	286	144	435	579
Total	**83**	**249**	**332**	**72**	**214**	**286**	**144**	**435**	**579**

6 Return per Ordinary Share

Return per share is based on the net loss on ordinary activities after taxation of £4,082,000 (30 June 2017: gain of £38,319,000 and 31 December 2017: gain of £70,007,000) comprising a revenue gain of £4,104,000 (30 June 2017: £4,066,000 and 31 December 2017: £5,144,000) and a capital loss of £8,186,000 (30 June 2017: gain of £34,253,000 and 31 December 2017: gain of £64,863,000) attributable to the weighted average of 180,039,246 (30 June 2017: 184,087,057 and 31 December 2017: 182,046,517) Ordinary Shares of 10p in issue (excluding Treasury shares) during the period.

There is no dilution to return per share as the Company has only 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 2018, the facility was fully drawn down and the Company's loans outstanding aggregated to £29,793,000, with a breakdown of the loan as follows.

Currency of loan	Loan currency amount	£'000
GBP loan	15,392,000	15,392
USD loan	19,000,000	14,401
Total		**29,793**

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. In the opinion of the directors, the fair value of the bank loan is not materially different to its amortised cost.

8 Purchase of own shares

During the six months ended 30 June 2018, there were no Ordinary Shares bought back and cancelled (30 June 2017: 11,083,249 and 31 December 2017: 11,083,249 at an aggregate cost of 30 June 2017: £24,825,000 and 31 December 2017: £24,825,000 respectively). At the period end, the Company held 45,698,109 (30 June 2017; 45,698,109) Ordinary Shares in Treasury.

9 Dividends

The final dividend for the year ended 31 December 2017 of 2.50p per Ordinary Share was paid on 24 May 2018 (year ended 31 December 2016 dividend of 1.95p per share was paid on 23 May 2017). In accordance with UK accounting standards the dividend for the year ended 31 December 2017 has been recognised in the Half-yearly financial report for the six months ended 30 June 2018.

The directors do recommend the payment of an interim dividend for the year ending 31 December 2018.

10 Net asset value per Ordinary Share

Net asset value per Ordinary Share is based on net assets of £498,324,000 (30 June 2017: £475,219,000 and 31 December 2017: £506,907,000) divided by 180,039,246 (30 June 2017: 180,039,246 and 31 December 2017: 180,039,246) Ordinary Shares in issue (excluding shares held in Treasury) at the period end.

11 Related party transactions

Fees payable to the Manager are shown in the Income Statement. As at 30 June 2018 the fee outstanding to the Manager was £372,000 (30 June 2017: £358,104 and 31 December 2017: £371,000).

Fees are payable to the directors, effective from 1 April 2018, at an annual rate of £35,250 to the Chairman, £28,625 to the Chairman of the Audit Committee and £23,500 to the other directors. Prior to that date fees were payable 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.

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

	Ordinary shares At 30 June 2018	Ordinary shares At 30 June 2017	Ordinary shares At 31 December 2017
John Scott	84,012	45,087	84,012
Vicky Hastings	19,500	19,500	19,500
Aine Kelly	10,000	10,000	10,000
Julia Le Blan	14,907	14,907	14,907
William Rickett	5,000	5,000	5,000

12 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 buybacks are funded from the share purchase reserve.

13 Subsequent events

There are no post period end events other than as disclosed in this report.

14 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 2018.

The Company's statutory accounts for the year ended 31 December 2017 received an unqualified audit report and have been filed with the registrar of companies at Companies House.

Alternative Performance Measures ('APMs')

Discount

The amount, expressed as a percentage, by which the share price is less that the Net Asset Value per Ordinary Share.

		Page	As at 30 June 2018 (Unaudited)
NAV per Ordinary Share (p)	a	1	276.8
Share price (p)	b	1	266.0
Discount	**(b÷a)-1**		**3.9%**

Gearing

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

		Page	As at 30 June 2018
Total assets less cash/cash equivalents (£'000)	a	n/a	522,268
Net assets (£'000)	b	11	498,324
Gearing (net)	**(a÷b)-1**		**4.8%**

Leverage

Under the Alternative Investment Fund Managers Directive ("AIFMD"), leverage is any method by which the exposure of an Alternative Investment Fund ("AIF") is increased through borrowing of cash or securities or leverage embedded in derivative positions.

Under AIFMD, leverage is broadly similar to gearing, but is expressed as a ratio between the assets (excluding borrowings) and the net assets (after taking account of borrowing). Under the gross method, exposure represents the sum of the Company's positions after deduction of cash balances, without taking account of any hedging or netting arrangements. Under the commitment method, exposure is calculated without the deduction of cash balances and after certain hedging and netting positions are offset against each other.

Ongoing charges

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

Six months ended 30 June 2018 (Unaudited)		Page	
Average NAV (£'000)	a	n/a	483,441
Annualised expenses (£'000)	b	n/a	5,134
Ongoing charges	**b÷a**		**1.06%**

Note: The ongoing charges as per the latest audited annual report for the period ended 31 December 2017 was 1.05%.

Premium

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

There is no calculation of premium shown as the Company's Ordinary Shares were trading at a discount of 3.9% at the period end.

Total return

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

Six months ended 30 June 2018 (Unaudited)		Page	Share price	NAV
Opening at 1 January 2018 (p)	a	n/a	256.50	281.55
Closing at 30 June 2018 (p)	b	n/a	266.00	276.80
Dividend adjustment factor	c	n/a	1.0096	1.0111
Adjusted closing (d = b x c)	d	n/a	268.55	279.86
Total return	**(d÷a)-1**		**4.7%**	**-0.6%**

n/a = not applicable

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Aine Kelly
Julia Le Blan
William Rickett, CB

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