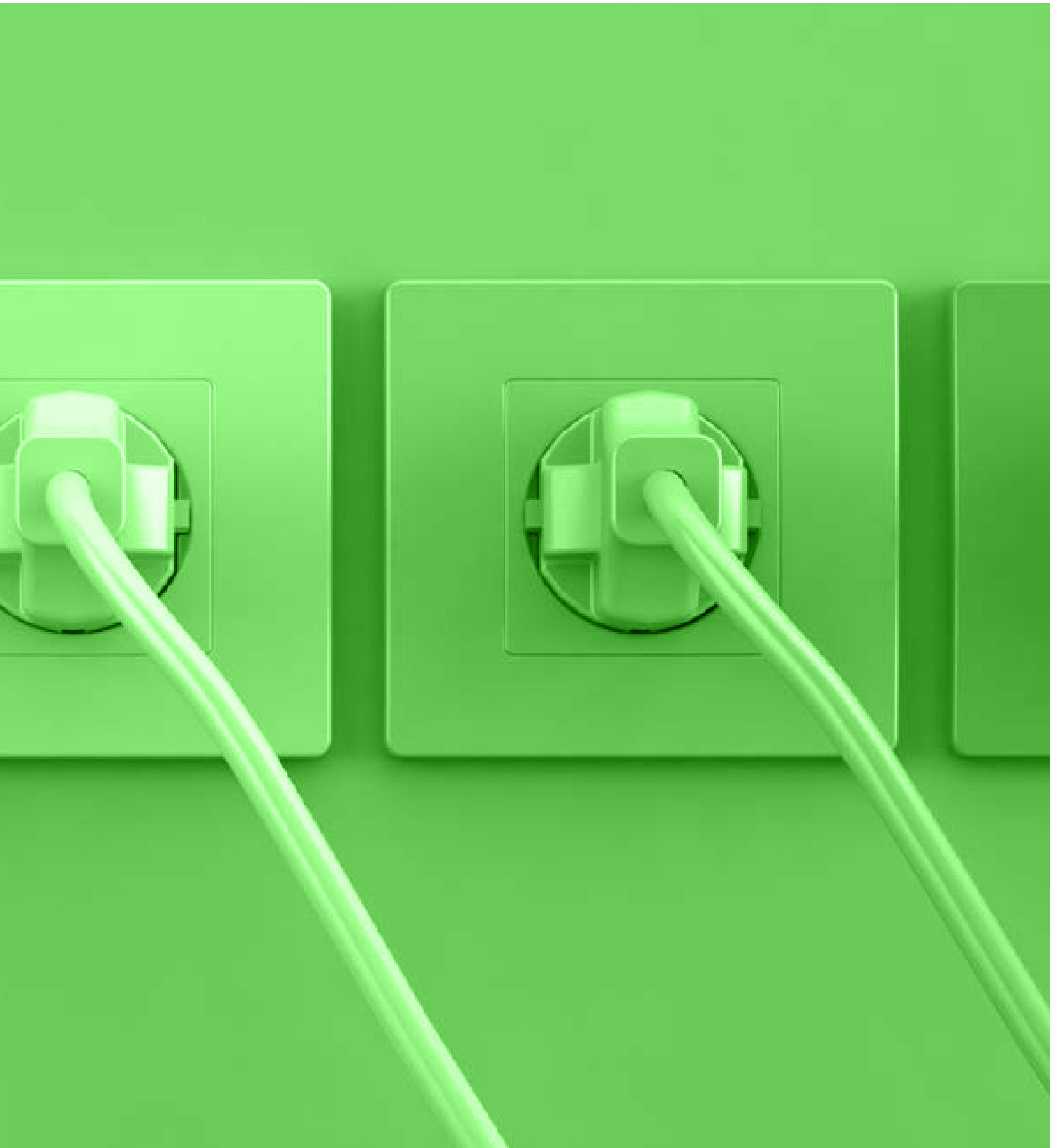
Impax Environmental Markets plc

Half-yearly Financial Report 2020



INTERIM REPORT 2020

IMPAX Environment Markets plc

CONTENTS

* Unaudited

Investment Objective

The investment objective of Impax Environmental Markets plc (the "Company") 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, notably 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

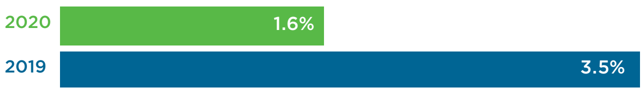
At 30 June 2020 and 31 December 2019

310.9p

Net asset value ("NAV") per share

1.6%

Premium to NAV[1]



316.0p

Share price

£756.7m

Net assets

PERFORMANCE SUMMARY

For the six months ended 30 June 2020

	% CHANGE[2,3]
Share price total return per share[1]	-4.0%
NAV total return per share[1]	-1.6%
FTSE ET100 Index	+18.5%
MSCI ACWI Index	+0.5%

[1] These are Alternative Performance Measures.

[2] Total returns in sterling for the six months to 30 June 2020.

[3] Source: Bloomberg and FactSet

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 performance measures used in this Half-yearly Report, together with how these measures have been calculated can be found on page 27.

Chairman's Review

John Scott
Chairman

The COVID–19 pandemic has created extremely challenging conditions around the world, and the sectors into which Impax Environmental Markets (the "Company", or "IEM") invests have not enjoyed any form of immunity from market turbulence. In addition to human suffering and loss of life, the economic impacts are proving to be profound. The world economy is forecast by the OECD to contract 6% in 2020, and by 7.6% in the event of a second wave of the pandemic.

The COVID-19 crisis resulted in extreme market volatility during the first six months of 2020 (the "Period"), including sharp market falls in February and especially in March, followed by a significant rebound during the second quarter. Following a very strong performance in 2019, IEM lagged its global comparator index during the Period, largely reflecting significant weakness in small and mid–cap companies, segments which account for a significant part of the Company's holdings. Performance was also well behind the environmental comparator index largely due to the absence of Tesla which performed extraordinarily well during the Period.

The health and economic impacts of the pandemic have highlighted areas of structural weakness in the global economy, particularly in relation to sustainability and vulnerability of supply chains. By contrast, they have also revealed areas of remarkable resilience, particularly in companies supplying basic needs to the consumer. Lockdown conditions have prompted what may turn out to be a structural shift in work patterns towards home–working, facilitated by a dramatically increased use of technology, and accompanied by permanently altered patterns of consumption.

Importantly, notwithstanding near–term volatility seen in some of the sectors in which the Company invests, we believe that the structural changes arising from COVID–19 are likely to reinforce the investment hypothesis underlying IEM. The Managers elaborate on their thinking on page 5.

These structural changes include an acceleration of the transition away from carbon–intensive industries that was underway before the pandemic. Unlike during the 2008–09 financial crisis, environmental considerations have been a prominent feature in many of the stimulus packages – totalling so far around US$9 trillion – that governments have launched to protect incomes and businesses.

For example, the EU has pledged that 30% of its €750 billion recovery plan will be directed towards climate action, while China announced a 'New Infrastructure' investment programme focused on electric vehicles, low–carbon transport, 5G networks and an upgraded electrical grid.

In addition, the lockdown has resulted in dramatically and visibly improved air quality in many of the world's most polluted cities, with measurable health benefits. While some of these improvements in air quality will be short–lived – and have been achieved at unsustainable economic and social costs – they have triggered debate about what levels of pollution are acceptable and have perhaps brought home to people how much damage has already been done to the environment. Data suggesting that COVID–19 mortality rates are higher in areas with high levels of air pollution will add grist to those discussions and, ultimately, help to support IEM's investment thesis.

Reduced demand for oil due to lockdowns, exacerbated by squabbles between Saudi Arabia and Russia, has led to oil prices falling dramatically during the Period. A low oil price will, at the margin, weigh on the economics of energy efficiency investments in some markets but, in contrast to similar episodes in the past, there is as yet no indication that cheaper oil is leading to sell–offs in renewable energy firms. Today's investors understand that oil and power prices are no longer closely correlated and renewable energy–focused utilities have outperformed during the recent turbulence. Indeed, it has been notable how oil majors have announced write–downs in the value of assets during the Period, partly because the pandemic is likely to have brought 'peak demand' for oil closer, as remote working habits and local air pollution concerns linger. The fact that we are even discussing 'peak (oil) demand' is remarkable, given that only a few years ago the focus was on 'peak supply'.

INVESTMENT PERFORMANCE

During the Period, the net asset value ("NAV") per share of the Company achieved a total return of –1.6%, measured in pounds sterling, and ended the Period at 310.9p. The Company underperformed its global comparator index, the MSCI All Country World Index (MSCI ACWI), by 2.1%. It significantly underperformed its environmental comparator, the FTSE Environmental Technologies 100 (FTSE ET100), which rose 18.5% over the Period; once again, not owning this index's largest constituent, Tesla, accounts for 13% of the 20% underperformance. During the first six months of 2020, IEM achieved a share price total return of –4.0% and ended the Period at 316.0p.

GEARING

Towards the end of the Period, the Company drew down its £20 million revolving credit facility to provide additional liquidity with which to take advantage of opportunities as they arise. As at 30 June 2020, the Company's net gearing was 2.5%.

DIVIDEND

The Company's net revenue for the Period was £3.2 million which, based on the weighted average number of shares in issue during the Period, equates to revenue earnings of 1.43 pence per share. The Board recognises that as the Company continues to expand its capital base and issue shares, this has a dilutive effect on the earnings per share if annual dividends are paid in full on all shares in issue, including those which came onto the register towards the end of the year in which the underlying earnings were accumulated. One way to mitigate this is to pay dividends as one or more interims. In the year between the Company's 2019 and 2020 AGMs, its issued capital base increased by 26% and in the ordinary course of events those shares issued just before the record date at the end of the period would have been entitled to the same dividend as those which had been in existence since the start of the period. By declaring an interim dividend in March 2020, we were able to reduce the degree of dilution for shares on the register at that date and we are proposing to follow the same procedure this year.

Accordingly, on 30 July 2020, the Board announced a first interim dividend of 1.3 pence per Ordinary Share, payable on 28 August 2020 to shareholders who appear on the register on 7 August 2020, with an ex-dividend date of 6 August 2020. The final, or second interim, dividend will be declared towards the end of Q1 2021. It remains the Board's policy to pay out substantially all earnings by way of dividend, and it is the Board's current expectation that the total dividend for the current year will be lower than the 3 pence per share paid in respect of the 2018 and 2019 financial years.

PREMIUM AND DISCOUNT CONTROL

It is gratifying that, notwithstanding an extremely turbulent time for equity markets, including some days which saw near panic selling, IEM's shares continued to trade predominantly at a premium. The Company's shares traded at a premium to NAV of 3.5% on 1 January 2020 and a premium to NAV of 1.6% on 30 June 2020, having traded during the Period between a discount of 8.3% – at the time of the March market crash – and a premium of 13.8%. The average premium on our shares through the Period was 3.7%.

During the Period, the Company continued to issue shares from treasury and, once these were exhausted, from a new tranche of 11 million approved at the General Meeting in February and a further 23 million approved at the Annual General Meeting ("AGM") in May. Over the Period, 39.2 million Ordinary Shares were issued, raising aggregate net proceeds of £121.2million. Subsequent to the Period end, demand has continued and a further 2.5 million new shares have been issued raising a further £8.1 million.

The Board has called another General Meeting for 14 August to seek shareholder approval to issue an additional 12.2 million shares, representing approximately 5% of the Company's issued share capital.

AUTHORITY TO ISSUE SHARES AND GENERAL MEETING

Shareholders will be aware that the Board has called a General Meeting, to be held on 14 August 2020, to seek shareholder approval to issue on a non-pre-emptive basis a further 12.2 million Ordinary Shares, representing approximately 5% of the Ordinary Shares currently in issue up until the Company's next AGM in May 2021.

This is in addition to the authority which was obtained at the Company's May 2020 AGM which, as explained in the Notice of General Meeting issued on 21 July 2020, the Board believes will be insufficient to meet the demand for new shares up until the Company's next AGM. The Board is concerned that, in the absence of new shares to issue, a supply/demand imbalance could lead to an unhealthy premium developing in the Company's share price. Accordingly, the Board is unanimous in believing that it is in the best interests of the Company and its shareholders as a whole that the Board should continue to have the flexibility to issue new Ordinary Shares on a non pre-emptive basis and request that shareholders grant authority to do so, in addition to any existing authority, at the upcoming General Meeting.

The Board has agreed with Impax Asset Management that, following the General Meeting, the Board will not seek further share issuance capacity before the end of 2020 owing to the need to manage overall flows into the Impax Asset Management strategy within which the Company sits. The Company and its brokers will endeavour to manage demand within this authority, but the Board notes that, should all the available share issuance capacity be used before the end of 2020, there is the prospect of an increasing share price premium to net asset value developing, which the Board would find hard to control in these circumstances.

Details of the resolutions proposed and how to register your vote can be found in the Notice of General Meeting issued to shareholders and on the Company's website www.impaxenvironmentalmarkets.co.uk.

OUTLOOK

Market conditions may well be volatile over the coming months. Investors will be watching closely for the development of vaccines or effective treatments that can halt or at least blunt the pandemic. The effects of the coronavirus in developing countries and the risk of further waves of infection in those countries that have been able to contain the virus risk provoking renewed downturns.

We are, nonetheless, confident that the long–term outlook for the Company remains positive. The contours of the post–COVID landscape are yet to come into focus, but there are clear signs that, unlike in the wake of the Global Financial Crisis, concerns about environmental issues have been elevated by what we have all experienced. The Manager's Report highlights a number of relevant opportunities for existing and future investments. The pandemic has revealed the fragility of human society in the face of a natural phenomenon and has triggered the kind of collective response that will be needed to address climate change and other sustainability challenges that we face.

John Scott, Chairman
3 August 2020

Manager's Report

Jon Forster

Bruce Jenkyn-Jones

As managers of IEM, we have aimed to construct a diversified, defensive portfolio that, we hoped, would be able to weather most market downturns better than our benchmarks. However, the economic shock caused by the COVID-19 pandemic was unprecedented. Over the Period, the Company's NAV total return was -1.6%, compared with 0.5% for MSCI ACWI and 18.5% for the FTSE ET100, its environmental markets benchmark.

This underperformance against the MSCI ACWI was driven by substantial underperformance of small- and mid-cap companies, which form the bulk of IEM's investments, pronounced weakness in select industries especially impacted by lockdown conditions, and a severe de-rating of those companies carrying more than nominal debt levels, reflecting the severity and uncertain duration of the downturn. Underperformance of the FTSE ET100 reflected in particular our conscious decision not to own Tesla, on the basis of valuation and poor governance standards around Board composition, diversity, remuneration packages and corporate behaviour. Tesla represents more than 11% of the FTSE ET100 and the share price rose by a factor of 2.5x during the period, driving around two thirds of the underperformance. The remainder reflected the issues discussed above.

Notwithstanding the above challenges, many of our holdings focus on delivering basic needs and so operate in 'critical' industries that were less impacted, while others contributed solutions to coronavirus challenges, including testing and monitoring and hazardous waste de-contamination.

Throughout the Period, we focused on our holdings' ability to endure the current challenges and their longer-term position in a changing world. We believe that the broad investment hypothesis will be reinforced as we emerge from the current crisis and see a variety of compelling opportunities, discussed below.

LONG TERM IMPLICATIONS OF COVID-19 FOR ENVIRONMENTAL MARKETS

Climate change and clean energy

The COVID-19 pandemic will, we believe, help support our general investment thesis, in that it has focused attention on 'tail risks' to which societies are exposed, with climate change being the most prominent. This will generate tailwinds for the Company's investments in renewable energy and energy efficiency.

The comprehensive responses of governments to the pandemic, and the broad public support for lockdown measures and other extreme constraints on personal freedom, have widened the window of the possible when it comes to addressing other collective challenges such as climate change. Furthermore, the massive sums spent by governments in protecting economies from the effects of lockdown have put the costs of the low-carbon transition in perspective.

Specifically, some governments have pledged to direct some of their economic stimulus spending to accelerating the low-carbon transition. As well as the EU's stimulus package, referenced in the Chairman's Statement, Germany is to invest €9 billion in building out hydrogen infrastructure and France has attached environmental conditions to the €7 billion bailout it extended to Air France.

Falling costs of technology, increased integration with energy storage and strong government and public support for renewables (including a long-term drive towards 'net zero' carbon emissions) led to strong performance in IEM's renewable energy holdings, discussed below in the Contributors and Detractors section.

Social distancing and focus on 'resilience' to drive automation and digitisation

In the absence of COVID-19 vaccines or treatment, companies face near-term challenges in maintaining operations under social distancing measures. They will also seek greater resilience in the face of future pandemics or similar disruption to working patterns.

As we have already seen, part of the response will be an increase in home working and the associated digital infrastructure. We are also likely to see an acceleration of investment in automation to allow for reduced workplace density. Advantech (Industrial Energy Efficiency, Taiwan), the world's largest supplier of industrial computers and a leading provider of Internet of Things applications, is expected to benefit.

We also see opportunities for accelerating digitisation across industrial supply chains to facilitate remote working, improved resilience and also increasing efficiency. IEM has already allocated around 8% NAV exposure to software and tech names focused on this thematic. These include PTC (Industrial Energy Efficiency, US) and Altair Engineering (Industrial Energy Efficiency, US), which are focussed on improving industrial manufacturing for example in automotive and capital goods markets, and Trimble Navigation (Sustainable & Efficient Agriculture, US), which is using GPS technology to facilitate yield improvements in farms and reduce time and materials wastage in construction markets.

Fragmenting supply chains present opportunity

The COVID-19 pandemic has also prompted a debate about the need to 'de-globalise' vital industries and has highlighted the vulnerability of some corporate supply chains, particularly in terms of an over-reliance on Chinese suppliers. This has added to existing pressures on supply chains caused by trade tensions between China, the US and the EU.

The fragmentation of global supply chains poses a challenge for companies but also presents opportunities to increase efficiencies. Supply chains will be subject to greater scrutiny and risk management: supply chain transparency will become expected, while risks of complexity and rigidity will come into greater focus. As supply chain deglobalisation manifests, the long-term carbon intensity of supply chains will reduce. We are researching several software businesses that enable companies to manage dispersed and fragmented supply chains.

Food production and distribution to see radical change

Given that the transmission of the COVID-19 virus to humans is believed to have occurred at a Chinese livestock market, the pandemic is likely to increase scrutiny of farming practices, food distribution, animal welfare practices and the fundamental relationships consumers have with food.

We expect to see greater demand for food testing and monitoring, such as that provided by Eurofins Scientific (Logistics, Food Safety & Packaging, France). We would also expect to see greater scrutiny of food logistics and supply chains, benefitting portfolio companies such as Brambles (Waste Technology Equipment, Australia), which provides pallet pooling services that improve logistical efficiency and reduce waste.

An increased focus on health and wellbeing

Generally speaking, the pandemic is already increasing concerns about health and wellbeing and is contributing to a growing awareness of the links between physical health, environmental health and economic health, and the complex interrelations between environmental, societal and financial systems.

For example, the links between poor air quality and susceptibility to COVID-19, combined with the recent experience of pollution-free air during the lockdown, will support investee companies specialising in industrial and automotive emissions management, such as Donaldson and Norma (Pollution Control, US and Germany, respectively).

Bicycle manufacturers are set for strong growth, given concerns about using public transport and the health benefits of cycling. We recently invested in Giant Manufacturing (Transport Energy Efficiency, Taiwan) the world's largest bicycle manufacturer, with a fast-growing e-bike business, which has seen strong performance.

Finally, concerns about health and safety are expected to accelerate the transition towards natural ingredients in food and industrial markets, benefiting Borregaard (Sustainable & Efficient Agriculture, Norway) which supplies wood based chemicals that substitute for petrochemicals across a range of industrial markets, and Croda (Pollution Control, UK), which supplies natural ingredients to a range of consumer markets, including personal care.

ABSOLUTE PERFORMANCE CONTRIBUTORS AND DETRACTORS

Contributors

As discussed above, IEM's renewable energy holdings were a strong driver of performance, especially EDP Renovaveis (Renewable Energy Developer & IPP, Portugal), Xinyi Solar (Solar Energy Generation Equipment, Hong Kong) and SolarEdge (Solar Energy Generation Equipment, US).

IEM also saw strength across a range of energy efficiency holdings. NIBE (Buildings Energy Efficiency, Sweden), a producer of heat pumps, has benefitted from a continuing focus on decarbonising heating. PTC (Industrial Energy Efficiency, US), a software company with a strong position in the Internet of Things ecosystem, delivered strong results and will thrive in a digitalising economy. Generac (Power Network Efficiency, US), a supplier of standby generators, performed well due to strong demand for resilient power at home and traction on its new energy storage product.

Detractors

Sectors with cyclical exposure to locked-down industries were weak, especially those with exposure to automotive markets. These included Ricardo (Environmental Support Services, UK), Sensata Technologies (Transport Energy Efficiency, US), Aalberts (Water Infrastructure, Netherlands) and Norma Group (Pollution Control, Germany).

Companies with anything more than a nominal level of debt underperformed. Isolated holdings with higher current or future gearing were heavily sold off, including Welbilt (Sustainable & Efficient Agriculture, US), Lenzing (Sustainable & Efficient Agriculture, US) and Sensata. During the Period we have been engaging regularly with all IEM holdings to ensure we remain comfortable with balance sheet resilience and financial flexibility as well as the companies' approach to stakeholder relations.

Performance contribution analysis

MSCI ACWI COMPARISON	SIX MONTHS ENDED 30 JUNE 2020 %
NAV total return	-1.6
MSCI ACWI total return	0.5
Relative performance	-2.1
Analysis of Relative Performance	
Portfolio total return	-1.0
MSCI ACWI total return	0.5
Portfolio underperformance	-1.5
Borrowing:	
Gearing effect	-0.1
Finance costs	-0.1
Management fee	-0.4
Other expenses	-0.1
Trading Costs	-0.1
Effect of share issues	0.3
Tax	-0.1
Total	-2.1

FTSE ET100 COMPARISON	SIX MONTHS ENDED 30 JUNE 2020 %
NAV total return	-1.6
FTSE ET100 total return	18.5
Relative performance	-20.1
Analysis of Relative Performance	
Portfolio total return	-1.0
FTSE ET100 total return	18.5
Portfolio underperformance	-19.5
Borrowing:	
Gearing effect	-0.1
Finance costs	-0.1
Management fee	-0.4
Other expenses	-0.1
Trading Costs	-0.1
Effect of share issues	0.3
Tax	-0.1
Total	-20.1

Portfolio positioning, valuation and risk

IEM had a well-diversified portfolio of 62 listed plus 1 active unlisted holdings at the end of the Period. Portfolio detail is provided on page 15. Positioning by sector and region is set out on page 12. The structure is consistent with that highlighted in the 2019 Annual Report.

Our focus continues to be to increase diversification and to look for economically defensive businesses.

New investments included bicycle maker Giant Manufacturing (Transport Energy Efficiency, Taiwan), and Repligen (Water Treatment Equipment, US), which supplies filtration technology in healthcare markets, offering defensive characteristics and a lower environmental footprint compared to baseline technology. We also added Rational (Sustainable & Efficient Agriculture, Germany), which manufactures high efficiency ovens and, whilst facing near-term challenges in food service markets, represents one of the strongest franchises in environmental markets.

The Company sold out of AO Smith (Buildings Energy Efficiency, US), which is facing incremental competitive threats in its core home market, and Hollysys (Transport Energy Efficiency, Hong Kong), which is exposed to a potential slowdown in investment in China's railway system.

Regarding valuation and growth, the high levels of uncertainty on near-term earnings across equity markets make it less relevant to provide figures for portfolio valuation based on the usual price-to-earnings ratio. We believe it is more instructive to look at the price-to-book ("P/B") ratio, which measures the market price of a company against the value of its assets. On this measure, the current portfolio is valued at 2.9 P/B at the end of the Period. This is higher than the historic average of the IEM portfolio of 2.4 times, but this partly reflects the result of a shift in recent years from asset-heavy manufacturers to asset-light technology and software business. Compared with the average P/B ratio of the existing portfolio over the last five years, of around three-times book value, the current portfolio is trading on a slightly lower valuation.

Following significant share issuance and the drawing down of IEM's revolving credit facility, the Company holds historically high levels of cash, at 2.7% of net assets, as well as 2.4% in highly liquid short-term US Treasury bills. This provides liquidity to take advantage of stock-specific opportunities as they arise in the second half of the year.

OUTLOOK

As noted above, we expect continuing volatility in markets generally and in the Company's environmental markets theme specifically. We are continuing to closely monitor the strength of corporate balance sheets and macro–level indicators such as the spread of the COVID–19 virus globally. We expect that the global economy will enter a recession in 2020, with the market pricing in a recovery in 2021. Given IEM's bias towards small and mid–cap stocks, we expect to see considerable tracking error compared with our benchmark indices.

The pandemic will generate a greater focus on some of the themes to which the Company is exposed, such as health infrastructure and sanitation, water quality and water infrastructure, food systems and food safety. We are also encouraged that some governments are prioritising environmental investments in COVID–19 stimulus packages, and by continuing public concern for sustainability issues, despite the social and economic disruption caused by the pandemic. We believe that this will help underpin strong performance by IEM as the global economy moves beyond the pandemic.

Impax Asset Management (AIFM) Limited
3 August 2020

Environmental Impact Report

Impax Environmental Markets plc invests globally in companies providing solutions to resource scarcity and environmental pollution. Investee companies must be 'pure plays', generating at least 50% of their revenues from sales of environmental products or services in the energy efficiency, renewable energy, water, waste or sustainable food markets. At the end of the year, the portfolio's weighted average revenue exposure to these markets was approximately 78%*.

As the size of the company varies between years due to share issuance or buy backs as well as valuation, it is helpful to standardise the environmental benefit to £10m invested in the Company.

The net CO_2 emissions avoided by portfolio companies' activities through the year remain significant. As context, Impax estimates that an economy aligned with the Paris Climate Agreement would deliver net CO_2 emissions of 1,600 tonnes of CO_2 equivalent ('tCO_2') per £10m invested via public and private capital. In contrast, the energy efficiency, renewable energy and waste recycling activities of IEM plc portfolio companies resulted in the avoidance of 4,900 tCO_2 per £10m invested in the Company, a total of 317,100 tCO_2 being avoided overall.

FOR THE YEAR 2019 A £10 MILLION INVESTMENT IN IEM IS EQUIVALENT TO:

Source: Impax Asset Management.

IEM is managed to optimise financial returns but has chosen four impact metrics to measure and report which best capture the environmental impact of the portfolio. The balance between impact metrics can vary year-on-year due to portfolio positioning, more accurate corporate reporting and improvements in the environmental performance of parts of the global economy. The impact metrics are calculated on the latest available company disclosures, in this case, referencing 2019 environmental benefits. In the table below the difference between environmental impact vs. 2018 can be seen.

*As at 31 December 2019

	2018	2019
Net CO_2 emissions avoided	7,000 tCO_2	4,900 tCO_2
Total water treated, saved, or provided	2,800 megalitres	600 megalitres
Total renewable electricity generated	2,410 MWh	1,490 MWh
Total materials recovered/ waste treated	1,590 tonnes	330 tonnes

The environmental benefits delivered by companies in the portfolio fell in comparison to the previous year due to the exit of certain names on investment grounds.

For example, the exit of Suez, a utility company with a productive waste to energy business, and lower exposure to Ormat, a leading geothermal plant operator, reduced the renewable energy generated metric. The water metrics also saw a dip following the exit of Kemira which had accounted for over half the water treated metric in 2018. Similarly, net CO_2 emissions declined as two holdings (Sunpower and Power Integrations) were sold and Tomra was trimmed on valuation grounds.

The calculation was also adjusted to be more conservative than in previous years through inclusion of more Scope 3 emissions**, which are becoming more standard in corporate reporting.

Over the years, falling environmental impact is also a function of the changes occurring in the global economy. As efforts to improve energy and natural resource efficiency take effect, the magnitude of incremental benefit delivered by Environmental Market technologies reduces.

For example, the electricity grid in the US saw CO_2 intensity fall by 5% in 2019 vs. 2018 (and in Europe it fell by 6%) due to lower dependence on carbon intensive fossil fuels such as coal. This means that although 1GWh of renewable electricity produced in 2019 was just as "clean" as in 2018, the improvement in comparison to the broader electricity network is smaller.

Ultimately this is good news as it is the evidence of the Company's investment thesis playing out – i.e. that use of environmental technologies will become more common over time as they are adopted by companies and individuals globally to reduce their pollution and improve natural resource efficiency.

These figures refer to the past. Past performance is not a reliable indicator of future results. Source: Impax Asset Management. All impact data represents impact of £10m invested in the Company for one year. Based on most recently reported annual environmental data for holdings in the portfolio as at 31 December 2019. Impax's impact methodology is based on equity value.

**Scope 3 – indirect emissions, other than greenhouse gases such as air travel and waste.

Case Studies

CLIMATE ADAPTATION

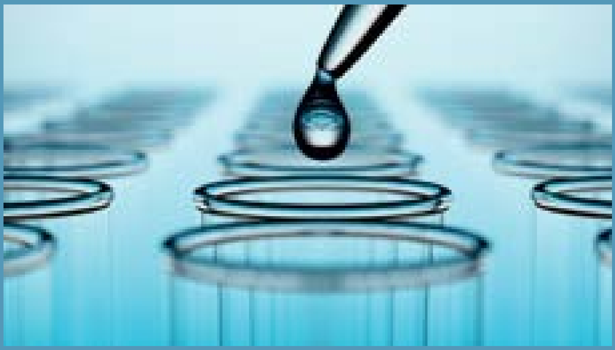
Repligen Corp – US

A life sciences company providing innovative bioprocessing technologies that are used to increase efficiencies and flexibility in the manufacture of biological drugs.

Investment Opportunity
The company benefits from exposure to the fast-growing bioprocessing industry, showing technology leadership in focused product areas and a record of introducing new products to the market. Focusing on cost and process efficiencies, while ensuring that the highest drug quality and safety standards are upheld, Repligen has been successful in launching industry-first products that help set new standards in the way biologic drugs are manufactured. The company's customers include life sciences companies and global biopharmaceutical companies, and it is partnering with these customers to help fast-track the development and manufacturing of COVID-19 therapeutics, vaccines and diagnostics.

Environmental Benefit
The life sciences and pharmaceutical industries are seeing increased research and innovation, especially in response to the COVID-19 pandemic. Repligen's products reduce the use of energy and natural resources, such as water, in the drug manufacturing process.

Impact Achieved
Repligen's technologies yield water savings of up to 90% and energy savings of up to 30% compared to stainless steel clinical manufacturing.



CLIMATE MITIGATION

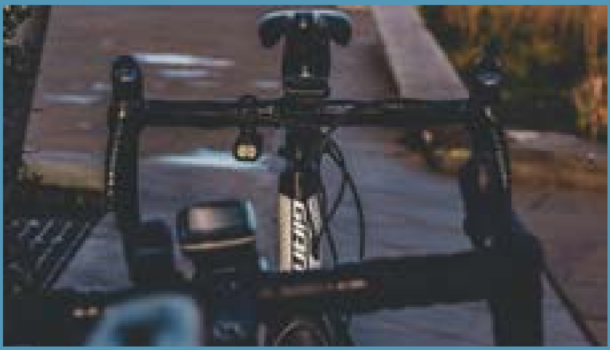
Giant Manufacturing Co. – Taiwan

With more than 12,000 retail partners worldwide, the company's products include mountain bicycles, racing bicycles, exercise bicycles and e-bikes, as well as a dedicated women's cycling brand.

Investment Opportunity
The company is the largest bicycle maker in the world by revenue, with its own design, production, marketing and distribution channels. Government policies around the world support the use of bicycles for local commuting, and the popularity of bikes, particularly e-bikes, has soared during the pandemic.

Environmental Benefit
Travelling by bike is a 'green' alternative to higher-emissions based transport and a strong alternative to public transport for shorter trips, especially while public health and virus transmission are ongoing concerns for commuters. City cycle sharing schemes are expanding networks and access to low-cost travel by bike.

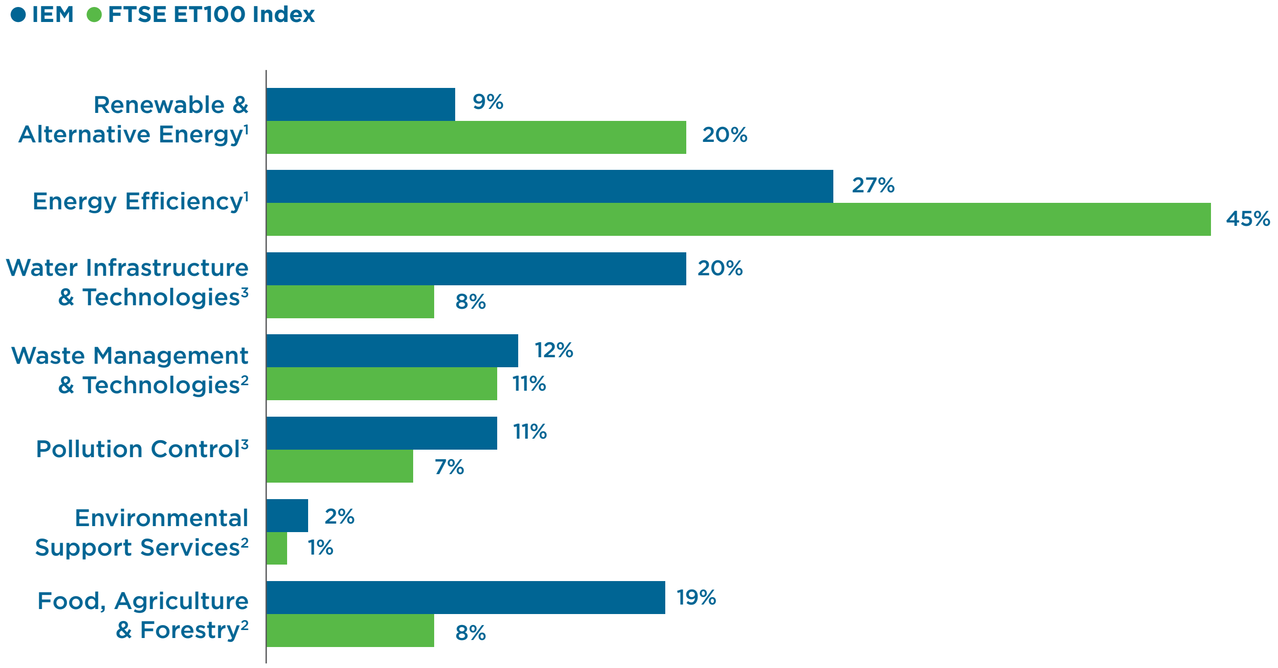
Impact Achieved
Car journeys account for 60% of transport emissions and, in England, two thirds of these journeys are less than a 20-minute bicycle ride. The average CO_2 emissions from passenger cars, avoided by cycling, is 120g of CO_2 per car per kilometre.



Structure of the Portfolio

As at 30 June 2020

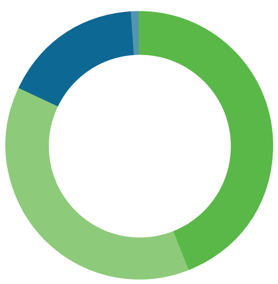
Breakdown by environmental markets classification system



Investment policy classification

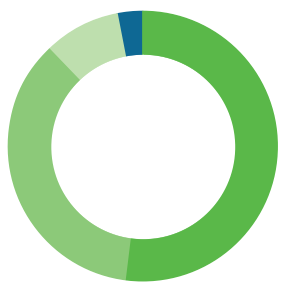
1. Alternative Energy and Energy Efficiency.
2. Waste Technologies and Resource Management.
3. Water Treatment and Pollution Control.

Breakdown by region



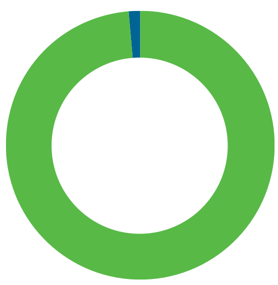
- North America, 44%
- Europe, 38%
- Asia Pacific, 17%
- Rest of World, 1%

Breakdown by market capitalisation



- More than US$5bn, 52%
- US$2bn-5bn, 36%
- US$500m-2bn, 9%
- Less than US$500m, 3%
- Unquoted, 0%

Breakdown by company profitability



- Profitable, 99%
- Unprofitable, 1%

Ten Largest Investments

As at 30 June 2020

1

3.0%
of net assets
(2019: 2.4%)

PTC Inc — www.ptc.com

PTC provides software solutions that are deployed in industrial design and manufacturing. The company's software is used to design products (computer-aided design – CAD), monitor how they are being manufactured and manage them throughout their lifetime (product lifecycle management – PLM). Importantly, PTC's industrial connectivity platform allows customers to connect 'smart' devices and analyse associated data enabling applications like remote monitoring and predictive maintenance. Operating in a market with high barriers to entry and low customer turnover, using its established market position, PTC is emerging as a leader in industrial 'Internet of Things' and benefitting from high recurring revenues.

2

3.0%
of net assets
(2019: 2.9%)

Rayonier Inc — www.rayonier.com

Rayonier is an international forestry company that owns timberland acreage and produces standing timber. As one of the largest private landowners in the US, it is an important player in the global sustainable forestry and plantation space. The company is based in Florida and owns 2.6 million acres of well-managed timber in the US and New Zealand, which contribute toward reducing the amount of CO_2 in the atmosphere.

3

2.9%
of net assets
(2019: 2.4%)

Clean Harbors Inc — www.cleanharbors.com

Clean Harbors is a market leader in the US hazardous waste sector with a strong market position and pricing power in a business with high barriers to entry. It provides collection, transportation, recycling, treatment and disposal services and holds dominant positions in incinerators, where new permits are becoming rare. It is also a leading responder to emergency clean-ups, for example post extreme weather events such as hurricanes and for the current COVID-19 crisis.

4

2.7%
of net assets
(2019: 2.1%)

Royal DSM NV — www.dsm.com

DSM supplies nutritional ingredients like vitamins and nutraceuticals into the animal feed, food and personal care industries. These products help improve livestock health and improve uptake of feed, which serves to reduce waste and emissions. DSM's transition from a diversified chemicals producer to a business focused on a more stable, and fast growing, nutrition industry is driving higher returns on capital, improved free cashflow generation and reduced earnings volatility. In addition, DSM is driving its end-market stakeholders towards more sustainable production methods. The company has a strong focus on sustainability, implemented by a solid management team and led by an internal Sustainability Leadership Team.

5

2.7%
of net assets
(2019: 2.6%)

Generac Holdings Inc — www.generac.com

Generac is a leading supplier of standby and portable generators for the residential, commercial and industrial markets. Extreme climate events such as hurricanes and wildfires in the US are leading to multi day black outs. Generac's predominantly gas-powered generators provide reliable power in these situations. The company has a circa 75% market share of the US residential market, with a strong brand and well-established distribution network that is difficult for competitors to replicate. The company has recently launched energy storage products that can store power from solar systems. This opens up a new avenue of growth for the company.

6

2.7% of net assets (2019: 1.8%)

American Water Works

www.awwa.org

American Water Works is the largest publicly listed US water utility. It provides water and water-related services in 47 states and also Ontario, Canada. The US water system is highly fragmented with over 50,000 individual community water systems. Close to 10% of the US population is served by water systems so small that they lack economies of scale and financial, managerial, and technical ability – leading to water quality violations that larger providers like American Water Works are better positioned to address.

7

2.5% of net assets (2019: 2.2%)

Trimble Inc

www.trimble.com

Trimble provides hardware and software solutions for collection and manipulation of location (GPS) related data that increase efficiency and reduce environmental issues across a range of industries. For example, Trimble's product helps enable the "connected farm", with fields mapped out for moisture and nutrient levels, increasing yields and reducing use of polluting fertiliser. On construction sites, products allow integration of different trade partners in the supply chain, improving efficiency and reducing wastage. The business is well positioned to provide solutions to a digitising industrial world.

8

2.4% of net assets (2019: 2.6%)

Spirax-Sarco Engineering Plc

www.spiraxsarcoengineering.com

Spirax-Sarco Engineering is a world leader in the control and efficient use of steam, electrical thermal energy solutions and peristaltic pumping and associated fluid path technologies. Its Steam Specialties and Electric Thermal Solutions businesses provide products and expertise that improve production efficiency and help customers meet their environmental sustainability targets. Its diverse end markets and broad customer base underpin its resilience. 50% of group revenue is derived from defensive, less cyclical, end markets such as food, pharmaceuticals and water & wastewater, and 85% of group revenue is derived from annual maintenance and operating budgets, rather than large projects from capex budgets.

9

2.4% of net assets (2019: 2.1%)

Darling Ingredients Inc

www.darlingii.com

Darling is a leading company extracting value added products from food waste. The company collects bakery, abattoir, cooking oil and other food waste and converts it into animal feed, glycerine and advanced biodiesel. Biodiesel production is achieved via its "Diamond Green Diesel" ("DGD") joint venture with Valero, selling into the attractive Californian markets. With a dominant position in the US, significant expansion of DGD ongoing, the company is well positioned for growth and strong cashflow generation.

10

2.4% of net assets (2019: 2.4%)

Aalberts NV

www.aalberts.com

Aalberts develops and sells various water technologies through four business segments – Building Installations, Climate Control, Industrial Controls and Industrial Services. Aalberts develops water regulation systems, flow control systems and piping systems among its infrastructure products. Its products address the need to preserve, re-use and reduce water usage and as such hold particular appeal. In addition, their buildings climate control equipment helps organisations to lower their carbon footprint through hydronic flow control systems for heating and cooling in eco-friendly buildings to improve the energy efficiency by reducing electricity use.

Details of Individual Holdings

AS AT 30 JUNE 2020 COMPANY	SECTOR	COUNTRY OF MAIN LISTING	MARKET VALUE £'000	% OF NET ASSETS
PTC	Energy Efficiency	United States	22,686	3.0
Rayonier	Food, Agriculture & Forestry	United States	22,441	3.0
Clean Harbors	Waste Management & Technologies	United States	22,225	2.9
Royal DSM	Food, Agriculture & Forestry	Netherlands	20,620	2.7
Generac Holdings	Energy Efficiency	United States	20,229	2.7
American Water Works	Water Infrastructure & Technologies	United States	20,186	2.7
Trimble	Food, Agriculture & Forestry	United States	18,827	2.5
Spirax-Sarco Engineering	Energy Efficiency	United Kingdom	18,651	2.4
Darling Ingredients	Waste Management & Technologies	United States	18,434	2.4
Aalberts	Water Infrastructure & Technologies	Netherlands	18,060	2.4
US Treasury Bill 2020	Fixed Income	United States	17,928	2.4
EDP Renovaveis	Renewable & Alternative Energy	Portugal	17,830	2.4
Brambles	Waste Management & Technologies	Australia	17,497	2.3
Advantech	Energy Efficiency	Taiwan	17,345	2.3
Pentair	Water Infrastructure & Technologies	United States	16,868	2.2
Indraprastha Gas	Pollution Control	India	16,845	2.2
Ormat Technologies	Renewable & Alternative Energy	United States	16,155	2.1
Littelfuse	Energy Efficiency	United States	15,799	2.1
Coway	Water Infrastructure & Technologies	South Korea	15,732	2.1
Xylem	Water Infrastructure & Technologies	United States	15,595	2.1
Bucher Industries	Food, Agriculture & Forestry	Switzerland	14,944	2.0
DS Smith	Waste Management & Technologies	United Kingdom	14,788	1.9
Corbion	Food, Agriculture & Forestry	Netherlands	14,599	1.9
Franklin Electric	Water Infrastructure & Technologies	United States	14,239	1.9
Altair Engineering	Energy Efficiency	United States	14,128	1.9
Top twenty five holdings			**442,651**	**58.5**
Other holdings			349,394	46.2
Unquoted holdings			637	0.1
Total holdings in companies			**792,682**	**104.8**
Cash			20,395	2.7
Other net liabilities			(56,421)	(7.5)
Total net assets			**756,656**	**100.0**

The full portfolio is published each month, quarterly in arrears, on the Company's website: www.impaxenvironmantalmarkets.co.uk

Interim Management Report

The Directors are required to provide an Interim Management Report in accordance with the Financial Conduct Authority ("FCA") Disclosure Guidance and Transparency Rules ("DTR"). The Directors consider that the Chairman's Review on pages 2 to 4 and the Manager's Report on pages 5 to 8 of this Half-yearly Report, provide details of the important events which have occurred during the Period and their impact on the financial statements. The statement on related party transactions and the Directors' Statement of Responsibility (below), the Chairman's Review and the Manager's Report together constitute the Interim Management Report of the Company for the six months ended 30 June 2020. The outlook for the Company for the remaining six months of the year ending 31 December 2020 is discussed in the Chairman's Review and the Manager's Report.

Details of the largest ten investments held at the Period end are provided on pages 13 to 14 and the structure of the portfolio at the Period end is analysed on page 12.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Company are summarised below:

(i) market risks – price movements are highly correlated to market movements. This is even more so for investee companies with small market capitalisation;

(ii) environmental markets – the Company invests in companies operating in environmental markets. There is a risk in such markets that change to governments support, technology costs or customer demand may have an adverse effect;

(iii) corporate governance and internal controls risks – failures in the performance or control environment of the Manager or other key service providers could adversely impact the Company's assets and return to investors;

(iv) cyber security risks – risk of breaches in confidentiality, data records being compromised or the inability to make investment decisions;

(v) regulatory risks – failure to meet regulatory obligations could lead to loss of investment trust status, financial penalties or other adverse consequences for the Company;

(vi) level of share price relative to the net asset value – returns to shareholders may be affected by the level of discount or premium at which the Company's shares trade;

(vii) financial risks – investment activities expose the Company to foreign currency and interest rate risk, which can have an unfavourable impact upon the return on the Company's investments and return to investors;

(viii) global pandemic risks – infectious disease and measures introduced to prevent its spread can adversely impact the operations of the Company, its key service suppliers and investee companies; and

(ix) physical climate change risks – extreme weather events can impair the operations of portfolio companies and supply chains.

Specifically, the market and operational risks associated with the COVID-19 pandemic, and the ongoing economic impact of measures introduced to combat its spread were discussed in depth with the Manager and are continually monitored by the Board. The Manager and other key service providers are providing regular updates on operational resilience in light of the pandemic. The Board is satisfied that the key service providers have the ability to continue their operations efficiently in a remote or virtual working environment.

The Company's Annual Report for the year ended 31 December 2019 contains on pages 18–19 more detail on the Company's principal risks and uncertainties, including the Board's ongoing process to identify, and where possible mitigate, emerging risks. The Annual Report can be found on the Company's website at www.impaxenvironmentalmarkets.co.uk.

The Board is of the opinion that these principal risks are equally applicable to the remaining six months of the financial year as they were to the six months being reported on.

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 Manager in the Period are detailed in the unaudited condensed income statement on page 18.

GOING CONCERN

This Half–yearly Report has been prepared on a going concern basis. The Directors consider this the appropriate basis as they 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 considered the liquidity of the Company's portfolio of investments, as well as its cash position, income and expense flows. The Company's net assets as at 30 June 2020 were £756.7 million, of which £792.0 million was in quoted investments and cash totalled £20.4 million. The main liability of the Company is its borrowings of £51.4 million which is covered 15 times by the adjusted assets, well in excess of the level of cover required by the borrowing covenants of 4 times. The total expenses (excluding finance costs and taxation) for the six months ended 30 June 2020 were £3.2 million, while income was £5.1 million.

In light of the COVID–19 pandemic, the Directors have considered the virus's impact on the Company's portfolio of investments and that any future prolonged and deep market decline would likely lead to falling values in the Company's investments and/or reduced dividend receipts. However, as explained above, the Company has more than sufficient liquidity available to meet its expected future obligations. In addition, the Board believes that the Company and its key third party service providers have in place appropriate business continuity plans and will be able to maintain service levels throughout the pandemic.

Board of Directors

3 August 2020

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 has been prepared in accordance with FRS 104 Interim Financial Reporting and gives a true and fair view of the assets, liabilities, financial position and return of the Company; and
- 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

3 August 2020

Condensed Income Statement

Unaudited

		SIX MONTHS ENDED 30 JUNE 2020			SIX MONTHS ENDED 30 JUNE 2019		
	NOTES	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
(Losses)/gains on investments		–	(14,326)	(14,326)	–	107,750	107,750
Net foreign exchange losses		–	(1,167)	(1,167)	–	(61)	(61)
Income	4	5,105	–	5,105	6,571	–	6,571
Investment management fees		(677)	(2,032)	(2,709)	(576)	(1,728)	(2,304)
Other expenses		(532)	–	(532)	(437)	–	(437)
Return on ordinary activities before finance costs and taxation		**3,896**	**(17,525)**	**(13,629)**	**5,558**	**105,961**	**111,519**
Finance costs	5	(156)	(469)	(625)	(157)	(470)	(627)
Return on ordinary activities before taxation		**3,740**	**(17,994)**	**(14,254)**	**5,401**	**105,491**	**110,892**
Taxation	6	(497)	78	(419)	(1,005)	(302)	(1,307)
Return on ordinary activities after taxation		**3,243**	**(17,916)**	**(14,673)**	**4,396**	**105,189**	**109,585**
Return per Ordinary Share	7	1.45p	(8.03p)	(6.58p)	2.41p	57.70p	60.11p

The total column of the Income Statement is the profit and loss account of the Company. The supplementary revenue and capital columns are provided for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies.

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".

Condensed Balance Sheet

Unaudited

	NOTES	AS AT 30 JUNE 2020 £'000	AS AT 31 DECEMBER 2019* £'000
Fixed assets			
Investments at fair value through profit or loss	3	792,682	674,892
Current assets			
Dividend receivable		955	131
Taxation recoverable		75	23
Other debtors		75	72
Cash and cash equivalents		20,395	13,818
		21,500	**14,044**
Creditors: amounts falling due within one year			
Purchases awaiting settlement		(4,343)	–
Revolving credit facility	8	(17,682)	–
Other creditors		(1,207)	(1,185)
		(23,232)	(1,185)
Net current (liabilities)/assets		**(1,732)**	**12,859**
Total assets less current liabilities		**790,950**	**687,751**
Creditors: amounts falling due after more than one year			
Capital gains tax provision		(612)	(690)
Bank loans and revolving credit facility	8	(33,682)	(30,080)
Net assets		**756,656**	**656,981**
Capital and reserves: equity			
Share capital	9	24,338	22,574
Share premium account		156,992	62,162
Capital redemption reserve		9,877	9,877
Share purchase reserve		147,855	123,239
Capital reserve		410,441	428,357
Revenue reserve		7,153	10,772
Shareholders' funds		**756,656**	**656,981**
Net assets per Ordinary Share	**10**	**310.90p**	**321.83p**

* Audited

Approved by the Board of Directors and authorised for issue on 3 August 2020.

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

Condensed Statement of Changes in Equity

Unaudited

SIX MONTHS ENDED 30 JUNE 2020	NOTE	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT £'000	CAPITAL REDEMP-TION RESERVE £'000	SHARE PURCHASE RESERVE £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
Opening equity as at 1 January 2020		**22,574**	**62,162**	**9,877**	**123,239**	**428,357**	**10,772**	**656,981**
Dividend paid	11	–	–	–	–	–	(6,862)	(6,862)
Shares sold from treasury	9	–	45,868	–	24,616	–	–	70,484
New shares issued	9	1,764	48,962	–	–	–	–	50,726
(Loss)/profit for the period		–	–	–	–	(17,916)	3,243	(14,673)
Closing equity as at 30 June 2020		**24,338**	**156,992**	**9,877**	**147,855**	**410,441**	**7,153**	**756,656**

SIX MONTHS ENDED 30 JUNE 2019	NOTE	SHARE CAPITAL £'000	SHARE PREMIUM ACCOUNT* £'000	CAPITAL REDEMP-TION RESERVE £'000	SHARE PURCHASE RESERVE * £'000	CAPITAL RESERVE £'000	REVENUE RESERVE £'000	TOTAL £'000
Opening equity as at 1 January 2019		**22,574**	**16,035**	**9,877**	**96,432**	**295,600**	**9,445**	**449,963**
Dividend paid	11	–	–	–	–	–	(5,488)	(5,488)
Shares sold from treasury	9	–	11,061	–	7,095	–	–	18,156
Profit for the period		–	–	–	–	105,189	4,396	109,585
Closing equity as at 30 June 2019		**22,574**	**27,096**	**9,877**	**103,527**	**400,789**	**8,353**	**572,216**

*Restated reserve. See note 1(b).

Statement of Cash Flows

Unaudited

	NOTES	SIX MONTHS ENDED 30 JUNE 2020 £'000	SIX MONTHS ENDED 30 JUNE 2019 £'000
Operating activities			
(Loss)/return on ordinary activities before finance costs and taxation*		(13,629)	111,519
Less: Tax deducted at source on income from investments		(497)	(1,005)
Foreign exchange non cash flow (losses)/gains		1,284	66
Adjustment for losses/(gains) on investments		14,326	(107,750)
Increase in other debtors		(879)	(278)
Increase in other creditors		2	136
Net cash flow from operating activities		**607**	**2,688**
Investing activities			
Add: Sale of investments		61,816	75,822
Less: Purchase of investments		(189,589)	(78,899)
Net cash flow used in investing		**(127,773)**	**(3,077)**
Financing activities			
Equity dividends paid	11	(6,862)	(5,488)
Proceeds from credit facility		20,000	–
Finance costs paid		(605)	(644)
Net proceeds from new shares issued	9	50,726	–
Net proceeds from treasury shares sold	9	70,484	18,156
Net cash flow from financing		**133,743**	**12,024**
Increase in cash		**6,577**	**11,635**
Cash and cash equivalents at start of period		**13,818**	**6,481**
Cash and cash equivalents at end of period		**20,395**	**18,116**

* Cash inflow includes dividend income received during the Period to 30 June 2020 of £4,274,000 (30 June 2019: £5,941,000) and bank interest of £7,000 (30 June 2019: £12,000).

Changes in Net Debt Note

	SIX MONTHS ENDED 30 JUNE 2020 £'000	SIX MONTHS ENDED 30 JUNE 2019 £'000
Net debt at start of period	(16,262)	(24,210)
Increase in cash and cash equivalents	6,577	11,635
Foreign exchange movements	(1,284)	(63)
Proceeds from credit facility	(20,000)	–
Net debt at end of period	**(30,969)**	**(12,638)**

Notes to the Financial Statements

1 ACCOUNTING POLICIES

(a) Basis of accounting

The Half–yearly Condensed Financial Statements has been prepared in accordance with FRS 104 Interim Financial Reporting issued by the Financial Reporting Council ('FRC') and the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies in October 2019.

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 2019. The Annual Report and Accounts for the year ended 31 December 2019 were prepared in accordance with FRS 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and received an unqualified audit report. The financial information for the year ended 31 December 2019 in this Half–yearly Financial Report has been extracted from the audited Annual Report and Accounts for the year ended 31 December 2019. The accounting policies in this Half–yearly Financial Report are consistent with those applied in the Annual Report for the year ended 31 December 2019.

(b) Restated reserves

The share premium account and share purchase reserve for the six months ended 30 June 2019 have been restated to adjust for the proceeds received from the resale of treasury shares in excess of their buy back cost. This excess of £11,061,000 is the premium on resale and the adjustment credits this to the share premium account as opposed to the share purchase reserve, where it was previously shown. No other reserves are affected by this adjustment. There has been no change of accounting policy and no change to the net asset value.

2 GOING CONCERN

The Directors have adopted the going concern basis in preparing the accounts. Details of the Directors' assessment of the going concern status of the Company, which considered the adequacy of the Company's resources and the impacts of the COVID–19 pandemic, are given on page 17.

3 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Classification of financial instruments

Securities of companies quoted on regulated stock exchanges and the Company's holdings in unquoted companies have been classified as 'at fair value through profit or loss' and are initially recognised on the trade date and measured at fair value in accordance with sections 11 and 12 of FRS 102. 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 Condensed Income Statement as a capital item.

The classifications and their descriptions are below:

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

Level 2 investments are holdings in companies with no quoted prices. 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.

3 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

	30 JUNE 2020				31 DECEMBER 2019			
	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 or loss								
– Quoted	792,045	–	–	792,045	673,703	–	–	673,703
– Unquoted	–	–	637	637	–	–	1,189	1,189
	792,045	**–**	**637**	**792,682**	**673,703**	**–**	**1,189**	**674,892**

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

	30 JUNE 2020 £'000	31 DECEMBER 2019 £'000
Opening balance	1,189	7,887
Valuation adjustments	(467)	(6,391)
Foreign exchange movements	(85)	(307)
Closing balance	**637**	**1,189**

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.

At the Period end the Company had one active unlisted holding, Ensyn, which was written down by 50%. The Company's holding has been valued in US dollars based on peer analysis prepared by the Manager and translated into sterling using the applicable foreign exchange rate at the Company's Period end.

4 INCOME

	SIX MONTHS ENDED 30 JUNE 2020 £'000	SIX MONTHS ENDED 30 JUNE 2019 £'000
Dividends from UK listed investments	353	374
Dividends from overseas listed investments	4,745	6,185
Bank interest received	7	12
Total Income	**5,105**	**6,571**

5 FINANCE COSTS

	SIX MONTHS ENDED 30 JUNE 2020			SIX MONTHS ENDED 30 JUNE 2019		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest charges	151	453	604	153	460	613
Direct finance costs	5	16	21	4	10	14
Total	**156**	**469**	**625**	**157**	**470**	**627**

Facility arrangement costs amounting to £72,000 are amortised over the life of the facility on a straight–line basis.

6 TAXATION

Analysis of charge in the year

	SIX MONTHS ENDED 30 JUNE 2020			SIX MONTHS ENDED 30 JUNE 2019		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Overseas taxation	497	–	497	1,005	–	1,005
Capital gains tax provision*	–	(78)	(78)	–	302	302
Taxation	**497**	**(78)**	**419**	**1,005**	**302**	**1,307**

* The capital gains tax provision for estimated unrealised gains on Indian securities reduced from £690,000 to £612,000 in the six months ended 30 June 2020.

7 RETURN PER SHARE

	SIX MONTHS ENDED 30 JUNE 2020	SIX MONTHS ENDED 30 JUNE 2019
Revenue return after taxation (£'000s)	3,243	4,396
Capital return after taxation (£'000s)	(17,916)	105,189
Total net after return (£'000s)	(14,673)	109,585
Weighted average number of Ordinary Shares	222,983,183	182,314,246

Net return per Ordinary Share is based on the above revenue, capital and total returns and the weighted average number of Ordinary Shares (excluding treasury shares) in issue during each period.

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

8 BANK LOANS AND CREDIT FACILITY

On 6 September 2018, the Company entered into five-year fixed rate multi-currency US$20 million and GB£15 million loans with Scotiabank Europe plc ("Scotiabank").

Interest is payable on the loans at the rate of 2.910% per annum in respect of the GB£ loan and at the rate of 4.504% per annum in respect of the US$ loan. The loans expire on 6 September 2023.

The Company also has a GB£20 million multi-currency revolving credit facility ("RCF") with Scotiabank of which GB£2.5 million was committed, but undrawn, at the beginning of the Period. On 9 June 2020, the RCF commitment was increased by GB£17.5 million for 1 year and the full GB£20 million of the facility was drawn down in two currencies, US$12.6 million and GB£10 million. Interest is payable on amounts drawn down under the facility computed at the six month LIBOR rate plus a margin of 1.70% per annum. The facility expires on 6 September 2023.

A summary of the Company's loans follows.

	30 JUNE 2020		31 DECEMBER 2019	
CURRENCY OF LOAN	LOAN CURRENCY AMOUNT	£'000	LOAN CURRENCY AMOUNT	£'000
GB£ loan	15,000,000	15,000	15,000,000	15,000
US$ loan	20,000,000	16,156	20,000,000	15,080
Currency of RCF				
GB£ RCF loan	10,000,000	10,000	–	–
US$ RCF loan	12,637,000	10,208	–	–
Total		**51,364**		**30,080**

8 BANK LOANS AND CREDIT FACILITY (CONTINUED)

The maturity profile of the bank loans and credit facility follows:

	30 JUNE 2020 £'000	31 DECEMBER 2019 £'000
Payable within one year		
Bank loans payable within one year	–	–
RCF payable within one year	17,682	–
	17,682	**–**
Payable more than one year		
Bank loans payable more than one year	31,156	30,080
RCF payable more than one year	2,526	–
	33,682	**30,080**

9 SHARE CAPITAL

A summary of the Company's share issues in the period.

	30 JUNE 2020	30 JUNE 2019
Number of treasury shares sold	21,598,109	6,225,000
Net proceeds from treasury shares (£'000)	70,484	18,156
Number of new shares issued	17,639,783	–
Net proceeds from new shares (£'000)	50,726	–

There were 243,377,138 Ordinary Shares of 10p each in issue at 30 June 2020 (31 December 2019: 225,737,355 shares made up of 204,139,246 Ordinary Shares and 21,598,109 treasury shares).

Since the Period end, a further 2.5 million shares have been issued raising a further £8.1 million.

10 NET ASSET VALUE PER SHARE

	30 JUNE 2020	31 DECEMBER 2019
Net asset value	£756,656,000	£656,981,000
Shares in issue (excluding shares held in treasury)	243,377,138	204,139,246
Net asset value per share	310.90p	321.83p

11 DIVIDENDS

A single interim – in lieu of final – dividend for the year ended 31 December 2019 of 3.0p per Ordinary Share was paid on 24 April 2020 (in the year ended 31 December 2018 there was a single, final, dividend of 3.0p per share which was paid on 28 May 2019). In accordance with UK accounting standards the dividend for the year ended 31 December 2019 has been recognised in the Half-yearly financial report for the six months ended 30 June 2020.

On the 30 July 2020, the Board announced a first interim dividend of 1.3p per Ordinary Share, payable on the 28 August 2020 to shareholders on the register at the close of business on the 7 August 2020, with an ex-dividend date of 6 August 2020. The Board intends in future to pay two dividends annually.

12 TRANSACTIONS WITH THE MANAGER AND RELATED PARTY TRANSACTIONS

The Company's transactions with related parties in the Period were with the Directors. There have been no material transactions between the Company and its Directors during the half year other than amounts paid to them in respect of expenses and remuneration for which there are no outstanding amounts payable at the Period end.

Fees payable to the Manager are shown in the Income Statement. As at 30 June 2020 the fee outstanding to the Manager was £898,000 (30 June 2019: £809,000 and 31 December 2019: £865,000).

13 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 information for the year ended 31 December 2019 has been extracted from the last published audited financial statements, unless otherwise stated. The audited financial statement has been delivered to the Registrar of Companies. BDO LLP reported on those accounts and their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

The Half–yearly Financial Report was approved by the Board on 3 August 2020.

Alternative Performance Measures (APMs)

APMs are often used to describe the performance of investment companies, although they are not specifically defined under FRS 102. APM calculations for the Company are shown below.

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 2020
Total assets less cash/cash equivalents (£'000)	a	n/a	775,857
Net assets (£'000)	b	19	756,656
Gearing (net)	**(a÷b)–1**		**2.5%**

Premium

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

		PAGE	AS AT 30 JUNE 2020
NAV per Ordinary Share (p)	a	1	310.9
Share price (p)	b	1	316.0
Premium	**(b–a) ÷a**		**1.6%**

Total return

A measure of performance that includes both income and capital returns. This takes into account capital gains and reinvestment of dividends on the ex-dividend date.

SIX MONTHS ENDED 30 JUNE 2020 (UNAUDITED)		PAGE	SHARE PRICE	NAV
Opening at 1 January 2020 (p)	a	n/a	333.00	321.83
Closing at 30 June 2020 (p)	b	1	316.00	310.90
Dividend/income adjustment	c	n/a	1.0116	1.0186
Adjusted closing (p) (d = b x c)	d	n/a	319.68	316.68
Total return	**(d÷a)–1**		**–4.0%**	**–1.6%**

Directors, Manager and Advisers

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John Scott (Chairman)
Stephanie Eastment (Audit Committee Chair)
Vicky Hastings
Aine Kelly (Senior Independent Director)
William Rickett, CB

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