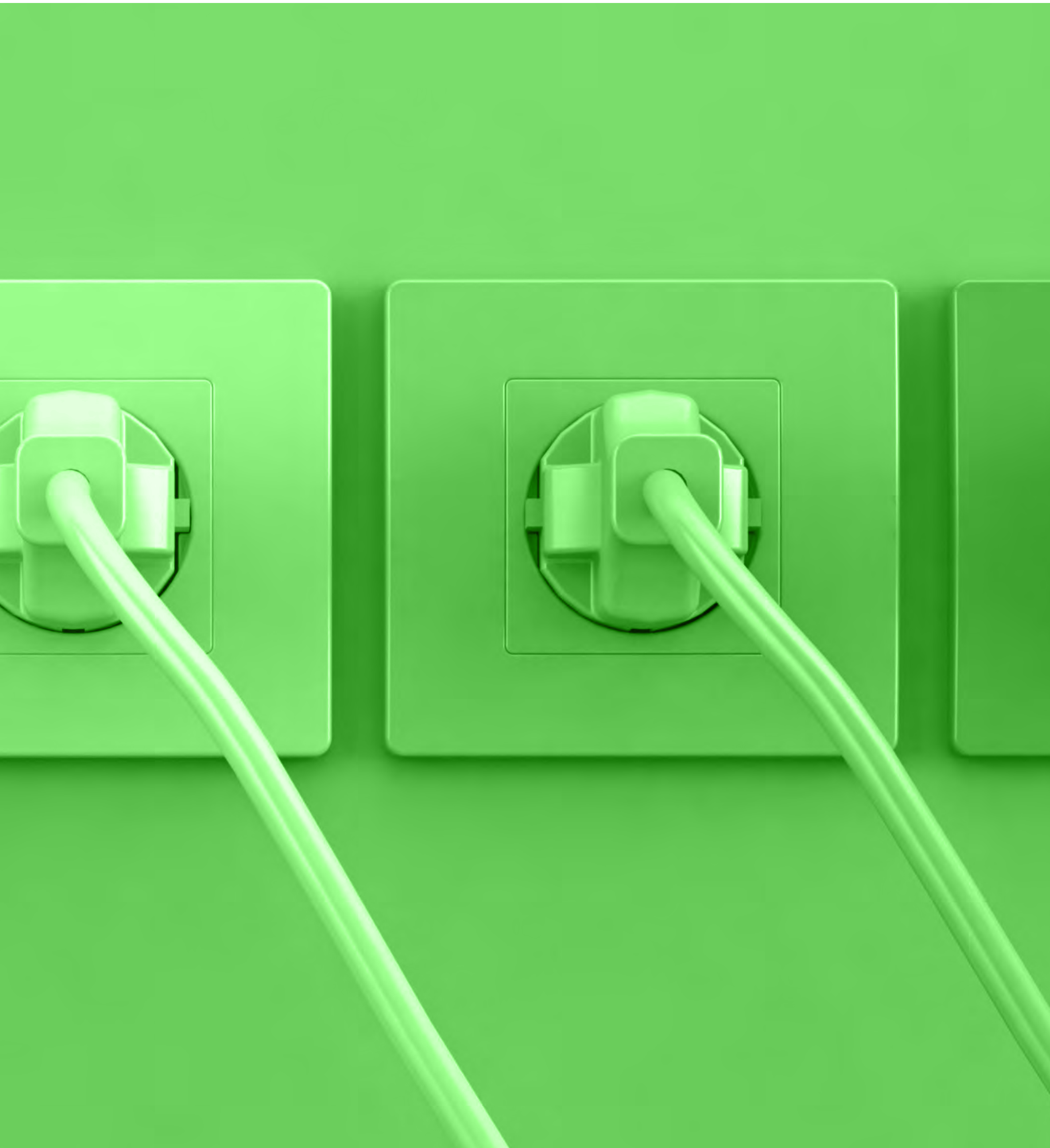
Impax Environmental Markets plc

Half-yearly Financial Report 2021



INTERIM
REPORT
2021

IMPAX Environment Markets plc

CONTENTS

* Unaudited

LSE Green Economy Mark: The Green Economy Mark recognises London-listed companies that generate over 50% of their total annual revenues from products and services that contribute to the global green economy. IEM was awarded the mark in 2019 alongside Impax Asset Management Group.

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, 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 2021 and 31 December 2020

465.6p

Net asset value ("NAV") per Ordinary Share

2.1%

Ordinary Share price premium to NAV[1]

475.5p

Ordinary Share price

£1,322.1m

Net assets

PERFORMANCE SUMMARY

For the six months ended 30 June 2021

	% CHANGE[2,3]
NAV total return per Ordinary Share[1]	13.5%
Share price total return per Ordinary Share[1]	12.8%
MSCI ACWI Index	11.1%
FTSE ET100 Index	1.7%

[1] These are alternative performance measures.

[2] Total returns in sterling for the six months to 30 June 2021.

[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 APMs and other performance measures used by the Company, together with how these measures have been calculated, can be found on page 26.

Chairman's Statement

John Scott
Chairman

I am happy to report a further period of strong performance by Impax Environmental Markets (the "Company" or "IEM") in the first six months of 2021 (the "Period"). IEM was again ahead of its global equity comparator index, the MSCI All Country World index ("MSCI ACWI"), over the Period, building upon the outperformance seen in 2019 and 2020, and has also significantly outperformed its environmental markets benchmark, the FTSE Environmental Technology 100 index ("FTSE ET100").

Despite good progress on vaccinations in many western economies, it is too early to suggest that COVID-19 might be behind us. On a global basis vaccination rates continue to vary enormously between countries and with the emergence of new variants it is clear that the human health, social and economic impact will continue to be felt in coming months, if not years.

In May a net-zero roadmap was published by the International Energy Agency ("IEA"), an intergovernmental body which advises member countries on energy policy, which clarified for the first time its view on what would be required to reach net-zero emissions by 2050. "Nothing less than a complete transformation of how we produce, transport and consume energy," it notes, before setting out the policies, investment and innovation required; a roadmap which it considers "narrow but achievable".

The imperative to pursue a net-zero path becomes ever greater. Climate disruption was a factor in the freezing weather that paralysed Texas in February, leading to more than 100 deaths and likely economic costs above $130 billion.[1] At the other end of the temperature scale, the Pacific Northwest faces an intense heatwave and Brazil is experiencing its worst drought in almost a century, with water shortages threatening output from its agricultural sector, which accounts for almost a third of its GDP.

Despite this backdrop of seemingly negative social and environmental news, financial markets remain optimistic on the likely speed and scale of economic recovery. Concerns that COVID-19 might crowd out climate change and other sustainability issues have proved unfounded; if anything, the pandemic has increased awareness of the interaction of our economy with the natural environment and has demonstrated the ability of societies to respond to global threats when the resources and political will are deployed.

Today we see a premium for listed companies contributing to efforts to "build back better".

The shape of equity markets is certainly being driven in part by exceptionally loose monetary policy and substantial government infrastructure investment announcements.

Significant parts of those packages are directed towards environmental purposes. In the EU, for example, €500 billion of the €1.8 trillion spending package agreed in July 2020 is ringfenced for climate action. In the US, the latest $1.2 trillion infrastructure bill contains significant allocations for public transportation and strengthening the power grid and is to be followed by a larger $6 trillion bill where climate change will be a core focus. This stimulus spending is taking place in the context of increasing government support for the transition to a net-zero global economy, as envisaged by the Paris Agreement. Countries representing around two-thirds of global GDP have committed to reach net-zero carbon emissions by mid-century. In the run-up to the COP26 climate talks in Glasgow in November, we expect to see a growing number of countries produce nearer-term emission reduction plans.

In addition to these familiar drivers, it is worth noting that financial market regulators, including the UK's Financial Conduct Authority, are now paying greater attention to the role of the financial system in directing capital towards companies contributing positively to environmental objectives. Impax Asset Management has pioneered the reporting of environmental impact within listed equity markets, enabling shareholders to understand the benefits being delivered by the companies within the portfolio. As a well-established investor in environmental markets, the Company is well positioned to continue as a leader in the creation of a more sustainable finance sector.

INVESTMENT PERFORMANCE

During the Period, the net asset value ("NAV") per share of the Company achieved a total return of 13.5% (measured in pounds sterling and with dividends reinvested) and ended the Period at 465.6p. The Company outperformed its global comparator index, which returned 11.1% on the same basis, and it significantly outpaced the FTSE ET100 (which, thanks in part to the weakness of the Tesla share price, saw a meagre increase of + 1.7% over the Period), recovering from underperformance against this index in 2020.

[1] https://www.dallasfed.org/research/economics/2021/0415.aspx

“Today we see a premium for listed companies contributing to efforts to “build back better”

GEARING

As at 30 June 2021, the Company’s net gearing was 1.6%, slightly below the 2.2% net gearing as at the end of 2020. The Board maintains its view that gearing is a positive feature of investment trusts. However, whilst we continue to see high investor demand for our shares, any increase in capital by way of borrowings is likely to result in a reduction in our ability to issue equity, given capacity constraints of the specialist strategy of our Manager.

DIVIDEND

The Company’s net revenue return for the Period was £5.7 million, compared with £3.2 million earned in the same period last year.

There continues to be strong investor demand for our shares and at the end of the Period there were 284 million shares in issue, as compared to 265.9 million as at the year end 31 December 2020. As outlined in the Company’s latest Annual Report, the Board recognises that the steady expansion of the Company’s capital base has the effect of diluting earnings per share if a single annual dividend is paid, irrespective of when the new shares are issued; the problem is exacerbated the longer the period between the end of the financial year and the dividend record date. The Company’s dividend policy, as approved by shareholders at the May 2021 AGM, is to declare two dividends each year; and, while the Company’s capital base is growing, to pay these by way of interim dividends in order to make the distribution earlier and thereby reduce the dilutive effect.

In 2020, a first interim dividend of 1.3 pence per Ordinary Share was paid on 28 August 2020 to shareholders on the register at 7 August 2020. A second interim dividend in respect of the 2020 financial year of 1 penny per Ordinary Share was paid on 12 March 2021 to shareholders on the register at 19 February 2021, giving a total distribution of 2.3 pence for the 2020 financial year.

On 29 July 2021, the Board announced a first interim dividend for this financial year of 1.3 pence per Ordinary Share, payable on 27 August 2021 to shareholders who appear on the register at 6 August 2021, with an ex-dividend date of 5 August 2021. The second interim dividend will be declared in Q1 2022. It remains the Board’s policy to pay out substantially all earnings by way of dividend.

PREMIUM AND DISCOUNT CONTROL

The Company’s Ordinary Shares traded at a premium to NAV of 2.7% on 31 December 2020 and a premium to NAV of 2.1% on 30 June 2021, having traded between a premium of 0.1% and 13.3% during the Period.

The Company has been issuing shares throughout the Period to meet demand and manage the premium. There were 265.9 million Ordinary Shares in issue at the start of the year and this grew to 284.0 million by the end of June 2021, reflecting the issuance of 18.1 million new shares, raising gross proceeds of £82.4 million. Subsequent to the Period end, demand has continued and a further 4 million new shares have been issued, raising a further £19 million. At a General Meeting on 12 January 2021, the Company received a fresh authority to issue a further 26.3 million Ordinary Shares, approximately 10% of the shares then in issue. In addition, at the May 2021 AGM the Company was granted authority to issue a further 27.8 million Ordinary Shares, approximately 10% of the shares in issue at the date of the Notice of AGM.

The Board takes this opportunity to reiterate what was said in the 2020 Annual Report, namely that, following discussions between IEM and the Manager, Impax Asset Management has requested that, in order to manage overall flows into the strategy within which the Company sits, the Board should aim to control the issuance of new shares in the Company so that not more than approximately 10% of the Company’s share capital is issued over the course of a calendar (and financial) year. The Company and its brokers will endeavour to manage demand within these constraints but the Board notes that, should the Company’s share issuance authority become exhausted ahead of renewal, or should demand outstrip the rate of issuance agreed with IAM, there is the prospect of an increasing share price premium to net asset value, which the Board would find hard to control.

SHAREHOLDER COMMUNICATIONS

We seek to communicate effectively with all our shareholders. The May 2021 AGM was successfully held as a virtual event, with the Manager invited to give a presentation to investors. A video is available on our website for those who were not able to attend.

As an environmental investor, we favour digital communication on account of its low environmental impact. Our website provides our shareholders with access to a wider range of content and we encourage shareholders to sign up to receive our news at www.impaxenvironmentalmarkets.co.uk/trust-info/alert-service/.

THE BOARD

William Rickett, non-executive director and chairman of the Remuneration Committee, retired at the 2021 AGM. The Board would like to express its appreciation for Mr Rickett's invaluable contribution to the Company in the ten years since he joined IEM in 2011.

As announced previously, I plan to step down at the 2022 AGM. It is intended that Simon Fraser, who joined as a non-executive director of the Company at the beginning of March and was elected by shareholders at the recent 2021 AGM, will succeed me as Chairman. We are delighted to welcome Mr Fraser, with his wealth of investment trust experience and deep knowledge of global markets, to the Board.

In addition, as announced on 8 July 2021, Nick Hurd has joined the Board as a non-executive director on 1 August. Mr Hurd was a Member of Parliament for fourteen years, prior to standing down in 2019. During that time he served as a Government Minister for almost nine years in five different departments, including spells as the UK Minister of State for Climate Change and Industry, and UK Minister for International Development. His involvement in climate change policy goes back to 2004 and he has served as Chair of the Environment All Party Parliamentary Group and as a member of the Environmental Audit Committee and the Climate Change Bill Committee. He is a member of the Privy Council. Before politics, Mr Hurd spent eighteen years in the private sector, including nine years in investment management and banking. As we continue to develop our business, I believe that Mr Hurd will be able to bring to IEM his many years of experience within government, as the world's leading economies find themselves forced to de-carbonise in the face of an accelerating climate and resource crisis.

OUTLOOK

Global equity markets are subject to considerable uncertainty at present. This reflects the pace of emergence from the COVID-19 pandemic, fears over inflation and continuing geopolitical tension between China and the West. Against this short-term backdrop, the Manager continues to voice concerns about the high valuation of environmental stocks. Longer term, the Directors and the Manager are encouraged both by the attractive economics of environmental solutions and the clear focus by policymakers on environmental challenges and the need for a green recovery. The outlook for superior, long-term growth remains fully intact for the companies owned by IEM, which are providing solutions to some of the world's most pressing environmental challenges.

John Scott, Chairman
3 August 2021

Manager's Report

Jon Forster   Bruce Jenkyn-Jones

We are pleased with the performance of IEM (NAV total return 13.5%) in the first half of 2021. The portfolio significantly outperformed FTSE ET100 (1.7%) and also outperformed MSCI ACWI (11.1%) during the Period.

The positive absolute and relative performance versus the FTSE ET100 reflected a combination of strong asset allocation and stock selection. IEM benefitted from its underweight position in Renewable Energy which saw a valuation correction from previously inflated levels, together with overweight positions in Food, Agriculture & Forestry, and Water Infrastructure, which are all positively exposed to the re-opening of the global economy. The Company also benefitted, in relative performance terms, from a correction in technology names in the FTSE 100 but not owned in the portfolio, which struggled given expectations for rising interest rates. Overall earnings delivery of portfolio companies remained robust over the Period.

We have closely followed the debate on the inflation outlook and its potential implications for the portfolio. The impact of sustained inflation varies across environmental markets. Notable positives include our overweight versus MSCI ACWI in industrials and materials, both of which we would expect to outperform in an inflationary environment. This could be offset by some headwinds from our lack of exposure to financials, which also tend to outperform in a rising interest rate environment, and our overweight in utilities, which could see multiple compression in this scenario. We do not see this as a material headwind to relative performance and believe that our focus on companies with pricing power should position the portfolio well.

KEY DEVELOPMENTS AND DRIVERS OF ENVIRONMENTAL MARKETS

Renewable energy retrenchment and re-evaluation

The renewable energy sector was the strongest performing environmental subsector in 2020, driven by escalating government targets for cleaner power generation as part of the transition to net zero carbon emissions. Performance was compounded by substantial inflows into passive clean energy exchange-traded funds ("ETFs"); assets in just two leading ETFs jumped from $760 million to $10.6 billion between January 2020 and March 2021, with these funds invested into a relatively small number of holdings. We had flagged valuation challenges in renewable energy, and we had therefore reduced exposure in the second half of 2020. In the first half of 2021, profit taking and a rebalancing of ETFs to increase the number of holdings led to weak performance by the sector which fell by 20.6% in the Period.

However, it is worth noting a few figures from the IEA's net-zero roadmap, discussed in the Chairman's Statement, as a reminder of the medium-term prospects for the sector. The IEA estimates that achieving net-zero by 2050 would require annual additions of solar photovoltaics to reach 630GW by 2030, and wind to reach 390GW, four times the records set in 2020, to create an energy sector "dominated by renewables". It would see renewables (including hydro, geothermal and bioenergy as well as wind and solar) deliver two-thirds of total energy supply by 2050.

In this long-term context, and given the dramatic underperformance in the Period, we have been selectively adding back to certain existing holdings such as Xinyi Solar (Renewable & Alternative Energy, China) and EDP Renovaveis (Renewable & Alternative Energy, Portugal). We also continue to look for incremental opportunities in renewable Independent Power Producers ("IPPs"), with a focus on names that bring different regional exposure or exposure to different technologies such as offshore wind.

"Circular" and "Sharing" economy opportunities

Impax believes that consumers are in the early stages of transitioning from an economy based on ownership and consumption to one based on sharing and renting, and on "circularity", where products are designed with recycling in mind and manufactured from recyclable or sustainable materials. This transition is underpinned by significant policy, including the EU Circular Economy Action Plan, a component of the EU Green Deal, which aims to increase the bloc's GDP by 0.5% per year by 2030, and create 700,000 jobs.[1]

This theme has delivered a rich seam of investment for IEM, with a total of 5.3% of the Company's NAV at Period end exposed to fibre-based recyclable packaging (DS Smith and Graphic Packaging) and sustainable textile fibres (Lenzing) which are manufactured from agricultural waste materials, rather than newly grown crops.

During the Period, we invested in a new subset of this theme, equipment leasing. Leasing equipment such as cranes and industrial tools, can enable higher rates of utilisation, of typically higher quality and better maintained hardware, than might be achieved by a company owning its equipment. This can deliver significant lifetime emissions savings of 30-50% over the course of an asset's life. In addition, the sub-sector benefits from attractive fundamentals, including increasing rental penetration and a consolidating market.

Our research led to IEM's first investment in the space, in Herc (Industrial Energy Efficiency, US), which is catching up with larger peers on margins and returns and which trades at a material valuation discount.

[1] https://ec.europa.eu/commission/presscorner/detail/en/ip_20_420

"The pandemic has triggered behavioural and cultural shifts accelerating the emergence of the digital economy"

Digital infrastructure

The COVID-19 pandemic has triggered behavioural and cultural shifts that are accelerating the emergence of the digital economy, including the use of cloud computing to enable online collaboration, the remote control of infrastructure, and the use of digital technology to better coordinate the delivery of public services.

The resulting investment in digital infrastructure and ongoing cloud migration present significant climate change mitigation benefits. Consolidating separate IT functions within a single data centre delivers economies of scale and can meet computing requirements using less electricity. Furthermore, as data centres are increasingly powered by renewables, the carbon footprint of the digital economy is reduced. Digital infrastructure also offers climate change adaptation benefits. Distributed infrastructure, supported by continuous power supply systems, can deliver uninterrupted connectivity in the face of extreme weather events.

Approximately 7% of the IEM portfolio is invested in companies with exposure to the digital infrastructure theme. Switch (Industrial Energy Efficiency, US), another new investment during the Period, specialises in data centres that are 100% powered by renewable energy and have industry-leading energy efficiency. Monolithic Power Systems offers power management components used in both data centres and telecommunication towers (also Industrial Energy Efficiency, US). In addition, Generac (Power Network Energy Efficiency, US), which produces generators for redundant power supply, and Littelfuse (Transport Energy Efficiency, US), which provides basic "picks and shovels" computing, networking and power supply components for data centres, are well-positioned to benefit from the strong outlook for digital infrastructure.

The IPO market

The strong recovery from the COVID-19 pandemic and buoyant equity markets have triggered a rush to take private companies public through traditional initial public offerings ("IPOs") and through shell special purpose acquisition companies ("SPACs").

General investor enthusiasm for environmental and sustainability themes, and high levels of risk appetite, have encouraged management and their advisors to place high valuations on these companies. We have tended to consider these valuations to be overdone and remain sceptical that they are likely to deliver the earnings to justify them.

As investors in this space since the 1990s, we have seen several similar waves of 'irrational exuberance' regarding environmental market stocks, where inflows from non-specialist investors overwhelm the ability of the sector to usefully absorb the capital that is chasing opportunities. We remain determined to maintain investment discipline and participate only in IPOs in well-established companies of high quality and with justifiable valuations. We considered several but did not participate in any IPOs in the Period.

ABSOLUTE PERFORMANCE CONTRIBUTORS AND DETRACTORS

Contributors

Energy Efficiency was the single largest contributor to the Company's returns in the first half of 2021, delivering 5.71% of absolute performance, and 4.4% of relative outperformance against the FTSE ET100. In particular, ongoing concerns about extreme climate events in the US have supported demand for back-up power generators made by Generac (Power Network Efficiency, US), which also benefitted from the successful launch last year of its energy storage product. Successful execution on cost management and good positioning for infrastructure spending drove growth at efficient lighting company Signify (Buildings Energy Efficiency, Netherlands), while heat pump manufacturer NIBE Industrier (Buildings Energy Efficiency, Sweden) saw positive results and accelerating growth prospects, driven by the need to decarbonise heating.

Food, Agriculture & Forestry delivered pleasing performance across the board, often with tailwinds from the re-opening of economies after the pandemic. Rayonier (Sustainable Forestry & Plantations, US) benefitted from strong construction markets feeding back up the value chain. Eurofins Scientific (Logistics, Food Safety & Packaging, France) delivered strong growth and deleveraging, while the reopening of clothing retail and the growing focus on sustainability in fashion drove demand for the sustainable fibres produced by Lenzing (Sustainable & Efficient Agriculture, Austria).

Finally, the Water Infrastructure and Technologies sector had a positive first half, driven by strength in its construction and industrial end markets. Pentair (Water Treatment Equipment, US), Aalberts (Water Infrastructure, Netherlands) and Advanced Drainage Systems (Water Infrastructure, US) all performed well.

Detractors

As discussed above, and despite underweighting the sector, Renewable & Alternative Energy was a drag on performance. The worst performers were, in order, Xinyi Solar (Solar Energy Generation Equipment, China), Vestas Wind Systems (Wind Energy Generation Equipment, Denmark), EDP Renovaveis (Renewable Energy Developer & IPP, Portugal) and SolarEdge Technologies (Solar Energy Generation Equipment, US).

Performance contribution analysis

MSCI ACWI COMPARISON	SIX MONTHS ENDED 30 JUNE 2021 %
NAV total return	13.5
MSCI ACWI total return	11.1
Relative performance	2.4
Analysis of relative performance	
Portfolio total return	13.7
MSCI ACWI total return	11.1
Portfolio outperformance	2.6
Borrowing:	
Gearing effect	0.3
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	2.4

FTSE ET100 COMPARISON	SIX MONTHS ENDED 30 JUNE 2021 %
NAV total return	13.5
FTSE ET100 total return	1.7
Relative performance	11.8
Analysis of relative performance	
Portfolio total return	13.7
FTSE ET100 total return	1.7
Portfolio outperformance	12.0
Borrowing:	
Gearing effect	0.3
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	11.8

Portfolio positioning, valuation and risk

At the end of the Period, the Company held a well-diversified portfolio of 63 listed holdings, as well as one active unlisted investment. Portfolio detail is provided on page 14. Positioning by sector and region is set out on page 11. The portfolio has a good balance of cyclical and defensive stocks and is, for the first time, more defensive than the MSCI ACWI (with 42% of its assets in defensive stocks, against 40% for MSCI ACWI).

Specific new investments include two differentiated technology companies, Switch (discussed above) and Descartes Systems (Industrial Energy Efficiency, Canada). Descartes focuses on software to improve the efficiency of logistics networks. We invested in two defensive value stocks, namely Stericycle (Hazardous Waste Management, US), the leading US medical waste treatment company, which benefits from high barriers to entry, and Graphic Packaging (Recycling and Value Added Waste Processing, US), a fibre-based packaging company. Finally, we added Airtac (Industrial Energy Efficiency, Taiwan) to the portfolio. The company is the second largest supplier of pneumatic automation equipment in China, helping to address labour constraints and increasing efficiency in manufacturing.

We exited four companies over the Period, namely Franklin Electric (Water Infrastructure, US), Kingspan (Buildings Energy Efficiency, Ireland), Rational (Sustainable & Efficient Agriculture, Germany), and Zhuzhou CRRC (Transport Energy Efficiency, China). These exits were largely based on valuation following strong performance.

At the end of the Period, the portfolio was trading at 25.6 times next-12 month-earnings, compared with 26.9 times on 31 December 2020. Its P/E premium to the MSCI ACWI, of 40%, is similar to the 39% at the time of the annual report, reflecting continued high investor interest in the environmental markets sector. Valuations remain challenging, but they are navigable given IEM's global remit and broad range of sectors from which to select stocks. A strong bounce-back in earnings is expected compared with 2020; analysts' consensus is for next-12 months earnings per share to rise 22% for the portfolio, versus 8% for the MSCI ACWI.

OUTLOOK

Our view remains unchanged: the investment hypothesis underlying environmental markets has never been more relevant or compelling than it is at the current time. Valuation challenges exist in certain sectors, but we continue to find attractive new and differentiated investments, we take comfort from a very well diversified portfolio and have increased exposure to defensive areas of the investable universe. We remain convinced of the long-term growth potential offered by companies in environmental markets which offer solutions to critical sustainability challenges facing the global economy.

Impax Asset Management (AIFM) Limited

3 August 2021

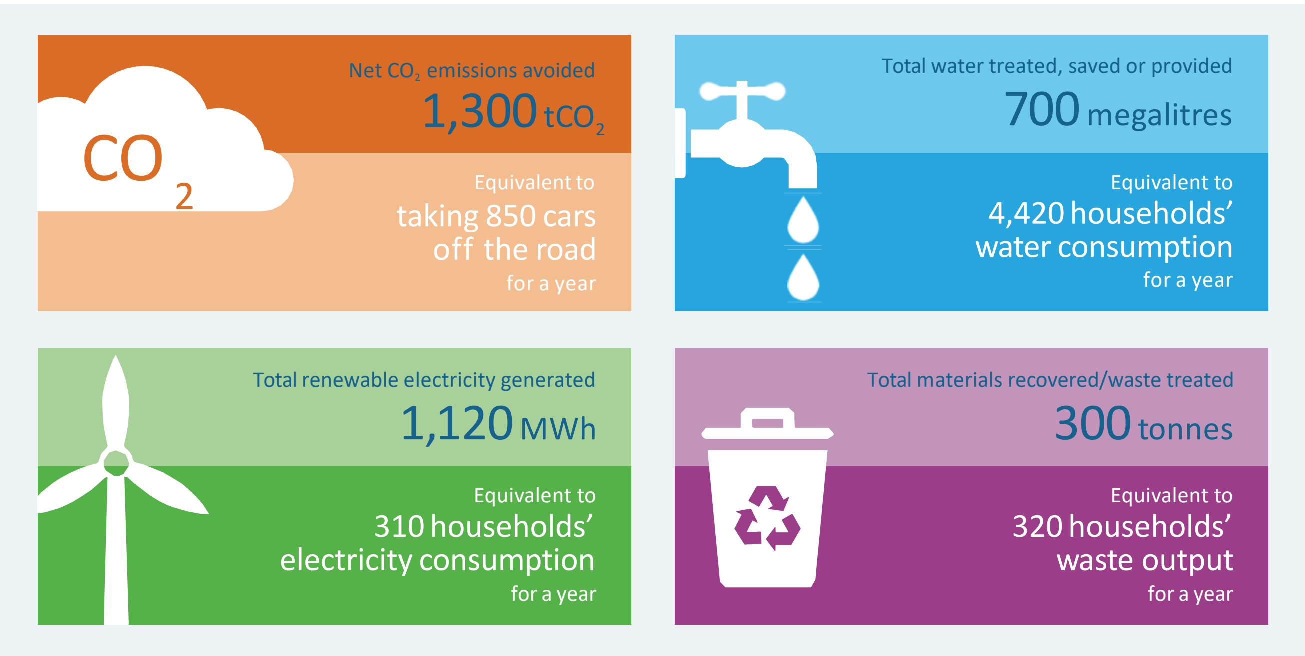
Environmental Impact Report

IEM 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. As at 30 June 2021, the portfolio's weighted average revenue exposure to these markets was approximately 82%. The focus of the investment process on companies delivering environmental solutions naturally results in environmental benefits which Impax quantifies at the end of each year on the basis of portfolio company disclosures.

In addition, the companies' activities are closely aligned with the UN's Sustainable Development Goals ("SDGs") which challenge governments to improve environmental protection. Over time the exposure to any one of the environmental impact metrics and SDGs will vary in relation to the composition of the portfolio across sectors and also in relation to the condition of the broader economy. However, there remains an intrinsic link between the intentionality of the investment process's focus on environmental markets and the delivery of environmental benefit which is reassuring for investors seeking to understand returns on their investment, beyond the financial outcome.

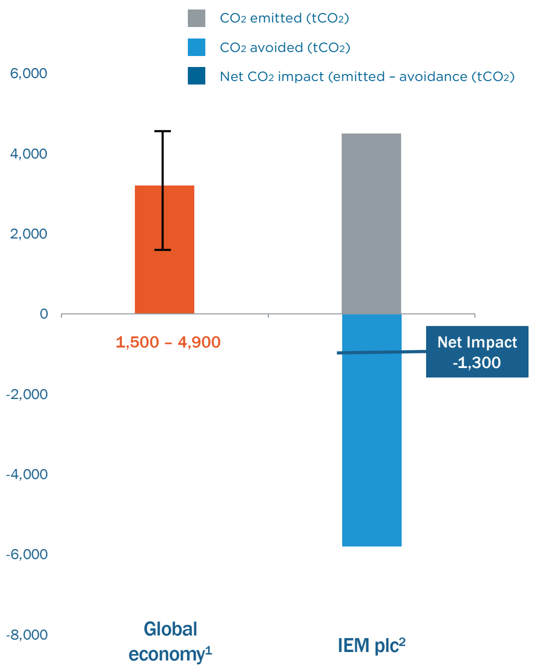
The net CO_2 emissions avoided by portfolio companies' activities are calculated by looking at the total emissions from the activities of companies during the year minus the emissions avoided by the use of their products and services for one year. For example, renewable energy developer EDP Renovaveis created 3,700 tCO_2 emissions (including some Scope 3 emissions) through its operations including installing wind and solar power generation equipment and corporate activities in 2020. Once installed the emissions avoided by the operation of this equipment vs the incumbent power generation system is 18,467,000 tCO_2 resulting in a net avoidance of 18,463,300 tCO_2.

IN 2020, A £10M INVESTMENT IN IEM SUPPORTED:[1]



[1] These figures refer to the past. Past performance is not a reliable indicator of future results. Impact of £10m invested in the strategy for one year. Based on most recently reported annual environmental data for holdings in IEM plc as at 31 December 2020. Impax's impact methodology is based on equity value.

IEM PLC SUPPORTS THE REDUCTION OF 1,300 TCO_2 FROM THE ENVIRONMENT PER £10M INVESTED:



When considered at the portfolio level the emissions avoided materially exceed those emitted, resulting in net emissions avoided of -1,300tCO_2. As context, Impax estimates that the current economy delivers emissions of approximately 2,400 tCO_2. It is the energy efficiency and emission abatement solutions delivered by IEM portfolio companies which will enable the global economy to reduce emissions to net zero overall.

Global emissions decreased by 7% in 2020 as a result of COVID-19 lockdown measures. At the same time, we saw an expansion of global financial AUM in 2020 as valuations rose. Together, this decreased the carbon emission intensity of the global economy portfolio per £10M by ~14.5% in 2020.

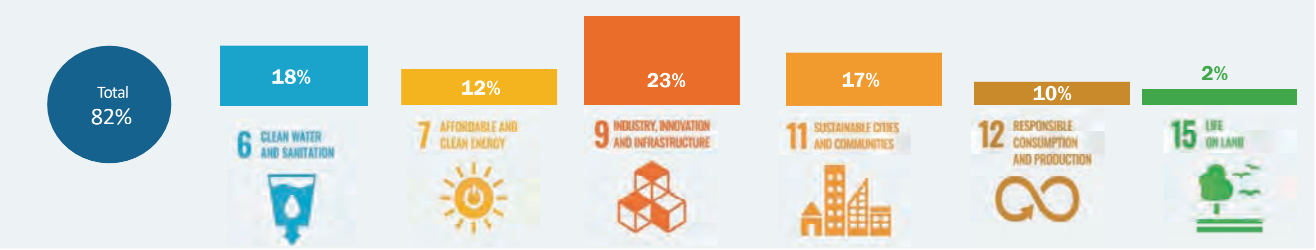
IEM PLC MAPPED TO UN SUSTAINABILITY GOALS[3]

The SDGs, agreed in 2015, comprise a series of 17 sets of targets to be met by 2030. These goals are increasingly being referenced by investors and are helpful in comparing funds' relative impact outcomes.

Impax has mapped the IEM portfolio to show how companies' activities align with the goals based on their environmental market revenue exposure.

IEM has 82% revenue exposure to the SDGs overall with greatest linkage to:

- Goal 9, Industry innovation and infrastructure which relates to holdings in industrial energy efficiency.
- Goal 6, Clean water & sanitation which relates to holdings in water utilities and infrastructure.
- Goal 11, Sustainable cities and communities which relates to holdings in pollution control solutions, recycling and waste management.



These figures refer to the past. Past performance is not a reliable indicator of future results.

[1] Source: Estimated total emissions 2020 [GtCO_2e] (orange bar) Global Carbon project, source Carbon brief using 2020 figures. Black bars reflect the range of estimates of value invested. Global AUM for 2020 as provided by PwC for the low figure and Global Wealth for 2020 as provided by Credit Suisse for the high figure.

[2] Impax Asset Management, 31 December 2020. Impax's impact methodology is based on equity value.

[3] Source: Data as at 31 December 2020. Figures are based on Impax internal data.

Case Studies

DS SMITH – UK

DS Smith is a packaging services company offering corrugated fibre-based consumer boxes, protective trays, shelf-ready transit packaging and industrial packaging.

Investment Opportunity
The company stands to benefit from the substitution of plastic by fibre-based packaging. Consolidation in the packaging markets can create substantial value, and DS Smith has unique insight into the economics of recycling operations. Already a leader in the European market, recent US acquisitions are opening new opportunities. The company plays a key role in global and local supply chains, including food and pharmaceuticals, which have been an area of focus in the past year.

Environmental Benefit
DS Smith helps retailers respond to changing consumer preferences for more sustainable packaging and e-commerce by focusing its business model on the concept of “circularity”. At the design stage, environmental impact is a key consideration, with the company applying Circular Design Principles and making 100% recyclable packaging from paperboard for customers. DS Smith aims to eliminate waste and pollution from packaging, instead turning it into a resource able to be recycled up to 25 times. The company recycles used paper, turns that into new packaging, then collects used packaging to start the loop again.

DS Smith has been awarded the LSE Green Economy Mark, recognising that the company derives substantial revenues from environmental solutions.

Impact Achieved
DS Smith is Europe’s largest cardboard and paper recycler, managing approximately 6 million tonnes of waste material every year[1]. This is more than the company requires for its own products, and so the excess recovered paper can be passed on to other companies.

In its operations, the company has committed itself to rigorous sustainability targets and publishes a comprehensive sustainability report annually. The 2020/21 year saw the company reduce CO_2 per tonne of production by 4%[2], reduce water abstraction by 5%[3] and waste to landfill by 32%[4], year on year.

DS Smith funded 57 projects[5] to improve biodiversity in the year, from wildflower meadows and community gardens to bug hotels and ponds. The company aims to have all of its paper mills running a biodiversity programme in its local community by 2025.

ROYAL DSM (DSM) – The Netherlands

DSM is a multinational life sciences and materials sciences company. Its global end markets include food and dietary supplements, personal care, feed, pharmaceuticals, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy, and bio-based materials.

Investment Opportunity
The company has moved rapidly from its cyclical chemical industry roots to a nutrition and performance materials group with a very sharp focus on sustainability. The company is now focused on leading positions in growing markets, with a good balance of cyclical and defensive characteristics underpinning the company’s growth target.

DSM has a sustainable competitive advantage backed by heavy investment in R&D. The company is providing commercially attractive answers to some of the greatest sustainability challenges including feeding a growing population, tackling climate change and enabling a restorative bio-based circular economy.

Environmental Benefit
DSM strives to help society transform to a circular, bio-based economy, providing food, materials and energy in a way that is cyclical and restorative by design.

Animal farming accounts for 14.5% of all human-derived greenhouse gas (GHG) emissions. This figure is set to rise as demand for meat and dairy increases. The main sources of these emissions relate to animal feed, followed by methane naturally produced by cows, and then again by methane plus nitrous oxide emissions from manure. DSM improves the productivity of livestock rearing helping reduce waste and harmful emissions with its products and services related to animal nutrition and health.

In the area of biofuels, DSM products use yeast and enzymes to improve biomass conversion. DSM has integrated bio-based feedstock, instead of fossil-fuel based resources, into the production of fibres with a wide range of applications, from ropes to lightweight, high-performance fabrics for outdoor and sports use. Due to their extreme robustness, garments made with these fibres last longer than comparable traditional products, lengthening the cycle lifetime.

Impact Achieved
DSM’s innovative animal nutritional solutions targeting emissions are reducing methane emissions from cows by at least 30%, ammonia emissions by up to 18% in swine, and feed enzymes to improve protein feed protein utilization in poultry and subsequently reduce nitrogen emissions by up to 17% without compromising animal welfare, feed consumption or performance. [6]

By using diverse feed raw materials DSM are reducing farmers’ reliance on soy beans, a crop associated with deforestation. This equates to an average reduction of 8% (25kg)[7] in the amount of soybean meal required per ton of broiler feed.

Production of 1 metric ton of bio-based fibres generates 5 metric tons less CO_2 than the same volume of fossil-based fibres. In addition, it has the lowest carbon footprint per unit strength compared to other synthetic fibres. [8]

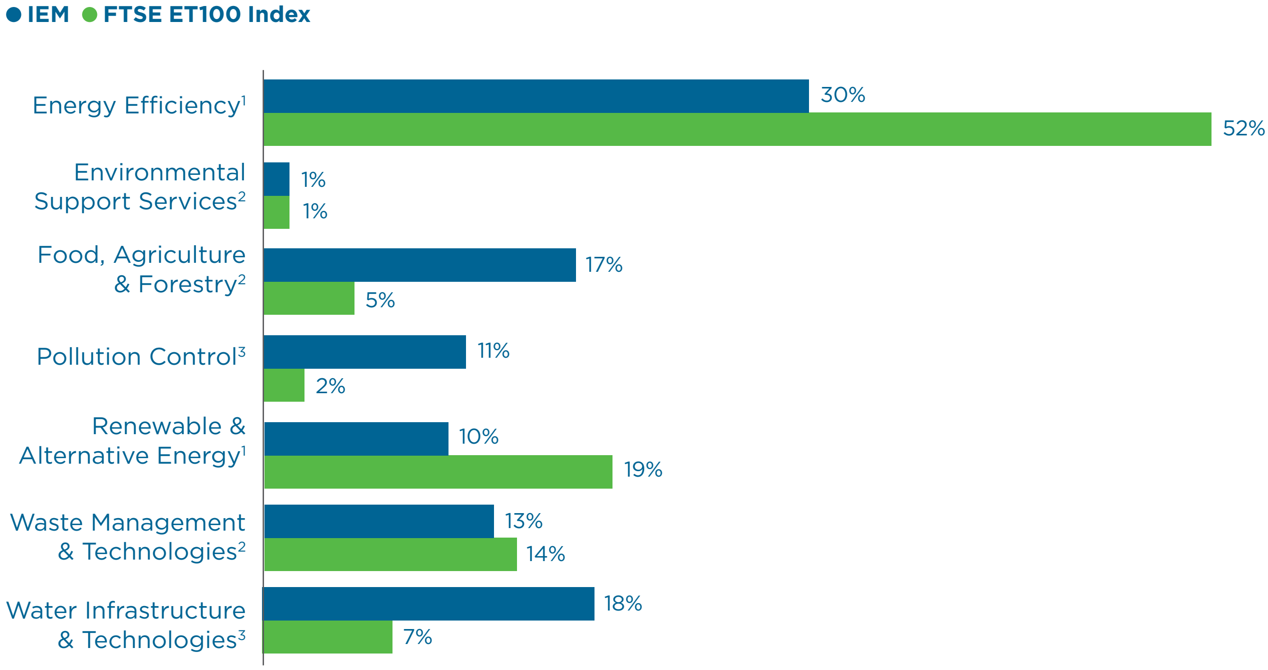
[1,2,3,4,5] DS Smith Sustainability Report 2021
https://www.dssmith.com/contentassets/68c1668e244c47bbabbc125265e6ec63/dss081_sr_2021_pages.pdf

[6,7,8] DSM Integrated Annual Report 2020
https://annualreport.dsm.com/ar2020/case-studies/making-animal-farming-more-sustainable.html?tabc=1e2

Structure of the Portfolio

As at 30 June 2021

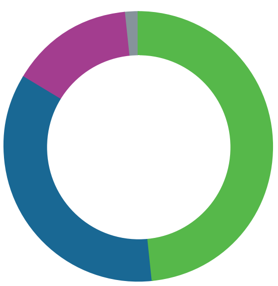
Breakdown by environmental markets classification system



Investment policy classification

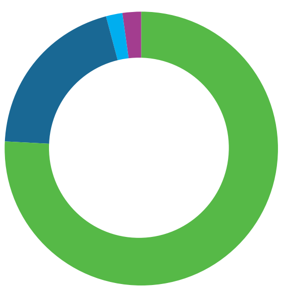
1. Alternative Energy and Energy Efficiency.
2. Waste Technologies and Resource Management.
3. Water Treatment and Pollution Control.

Breakdown by region



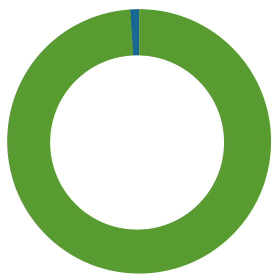
- North America, 49%
- Europe, 35%
- Asia Pacific, 15%
- Rest of World, 1%

Breakdown by market capitalisation



- More than US$5bn, 76%
- US$2bn – 5bn, 20%
- US$500m - 2bn, 2%
- Less than US$500m, 2%

Breakdown by company profitability



- Profitable, 99%
- Unprofitable,1%

Ten Largest Investments

As at 30 June 2021

1

2.8% of net assets (2020: 2.6%)

PTC Inc – United States

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

2.8% of net assets (2020: 2.6%)

Generac Holdings Inc – United States

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.

3

2.6% of net assets (2020: 2.5%)

Koninklijke DSM NV – The Netherlands

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 cash flow 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.

4

2.6% of net assets (2020: 2.6%)

Clean Harbors – United States

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 waste to energy plants, 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.

5

2.4% of net assets (2020: 2.4%)

Indraprastha Gas Ltd – India

www.iglonline.net

Indraprastha Gas is a key distributor of natural gas in India supplying compressed natural gas to the automotive market, and piped gas to residential, commercial and industrial customers. Penetration of gas in India remains low but is expected to increase given the strong government support for the transition from coal and diesel to cleaner energy sources. Indraprastha is well positioned to benefit from this attractive long-term growth environment given its leading market position and strong track record of managing profitability.

6

2.4%

of net assets

(2020: 2.7%)

American Water Works – United States

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

2.3%

of net assets

(2020: 2.3%)

Aalberts NV – The Netherlands

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 usage.

8

2.2%

of net assets

(2020: 2.5%)

Xinyi Solar Holdings Ltd – China

www.xinisolar.com

Xinyi Solar is the largest and most profitable solar glass producer in China and specialises in research and development, manufacturing, sales, and after-sale service of solar PV glass, as well as providing solar power station investment, construction, and operation services. Xinyi Solar Holdings serves customers worldwide. The company is the largest solar glass producer globally, benefiting from a consolidated industry and growth in bifacial solar panels.

9

2.2%

of net assets

(2020: 2.4%)

Trimble Inc – United States

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.

10

2.1%

of net assets

(2020: 2.8%)

Rayonier Inc – United States

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.

Top Thirty Portfolio Investments

AS AT 30 JUNE 2021 COMPANY	SECTOR	COUNTRY OF MAIN LISTING	MARKET VALUE £'000	% OF NET ASSETS
PTC	Energy Efficiency	United States	37,213	2.8
Generac Holdings	Energy Efficiency	United States	36,457	2.8
Koninklijke DSM	Food, Agriculture & Forestry	Netherlands	34,121	2.6
Clean Harbors	Waste Management & Technologies	United States	33,723	2.6
Indraprastha Gas	Pollution Control	India	32,294	2.4
American Water Works	Water Infrastructure & Technologies	United States	31,628	2.4
Aalberts	Water Infrastructure & Technologies	Netherlands	30,655	2.3
Xinyi Solar Holdings	Renewable & Alternative Energy	China	29,039	2.2
Trimble	Food, Agriculture & Forestry	United States	28,860	2.2
Rayonier	Food, Agriculture & Forestry	United States	27,612	2.1
Top ten holdings			**321,602**	**24.4**
Descartes Systems	Energy Efficiency	Canada	27,184	2.1
Brambles	Waste Management & Technologies	Australia	26,927	2.0
Spirax-Sarco Engineering	Energy Efficiency	United Kingdom	26,434	2.0
EDP Renovaveis	Renewable & Alternative Energy	Portugal	26,174	2.0
Eurofins Scientific	Food, Agriculture & Forestry	France	26,054	2.0
Bucher Industries	Food, Agriculture & Forestry	Switzerland	25,757	1.9
Croda International	Pollution Control	United Kingdom	25,671	1.9
Pentair	Water Infrastructure & Technologies	United States	25,597	1.9
DS Smith	Waste Management & Technologies	United Kingdom	25,030	1.9
Advanced Drainage Systems	Water Infrastructure & Technologies	United States	25,024	1.9
Top twenty holdings			**581,454**	**44.0**
Littelfuse	Energy Efficiency	United States	24,427	1.8
Graphic Packaging	Waste Management & Technologies	United States	24,084	1.8
Vestas Wind Systems	Renewable & Alternative Energy	Denmark	23,835	1.8
Xylem	Water Infrastructure & Technologies	United States	23,596	1.8
Donaldson	Pollution Control	United States	23,372	1.8
NIBE Industrier Ab-B Shs	Energy Efficiency	Sweden	23,369	1.8
Advantech Co Ltd	Energy Efficiency	Taiwan	23,297	1.8
Signify Nv	Energy Efficiency	Netherlands	22,836	1.7
Corbion Nv	Food, Agriculture & Forestry	Netherlands	22,790	1.7
Coway Co Ltd	Water Infrastructure & Technologies	South Korea	22,628	1.7
Top thirty holdings			**815,688**	**61.7**
Other quoted holdings			521,352	39.4
Total quoted holdings			**1,337,040**	**101.1**
Unquoted holdings -Ensyn	Renewable and Alternative Energy	United States	571*	0.0
Portfolio Total			**1,337,611**	**101.1**
Cash			31,179	2.4
Other net liabilities			(46,696)	(3.5)
Total net assets			**1,322,094**	**100.0**

*Directors' Valuation

All investment is in equity securities unless otherwise stated.

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 Statement on pages 2 to 4 and the Manager's Report on pages 5 to 7 of this Half-yearly Financial Report, provide details of the important events which have occurred during the six months ended 30 June 2021 (the "Period") and their impact on the financial statements. The statement on related party transactions and the Directors' Statement of Responsibility (on pages 15 and 16 respectively), the Chairman's Statement and the Manager's Report together constitute the Interim Management Report of the Company for the Period. The outlook for the Company for the remaining six months of the year ending 31 December 2021 is discussed in the Chairman's Statement and the Manager's Report.

Details of the largest ten investments held at the Period end are provided on pages 12 to 13 and the structure of the portfolio at the Period end is analysed on page 11.

PRINCIPAL RISKS AND UNCERTAINTIES

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

(i) economic and market risks – price movements of the Company's investments are highly correlated to market movements and general economic conditions. 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 governmental support, technology costs or customer demand may have an adverse effect;

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

(iv) emerging risks – failure to identify emerging risks may cause a reactive action rather than proactive and the Company could be forced to change its structure, objective or strategy and, in worse case, could cause the Company to become unviable or otherwise fail; and

(v) failure or breach of information security (IT) – including cyber-security and physical security risks – failure of IT or physical security could potentially lead to breaches of confidentiality, data records being compromised and the inability to make investment decisions. In addition, unauthorised physical access to buildings could lead to damage or loss of equipment.

Specifically, the market and operational risks associated with the COVID-19 pandemic, and the ongoing economic impact of measures introduced to combat its spread, continue to be monitored by the Board. The Board is satisfied that the key service providers had, and continue to have, the ability to continue their operations efficiently whilst safeguarding their staff. The Manager continues to provide regular updates to the Board on the impact of the pandemic on investee companies, as well as the long term effects and opportunities for the sectors in which the Company invests.

The Company's Annual Report for the year ended 31 December 2020 contains more detail on the Company's principal risks and uncertainties, including the Board's ongoing process to identify, and where possible mitigate, emerging risks (pages 22 to 25). Detail is also provided on other risks that, whilst not being identified as principal risks after mitigation controls are applied, are relevant risks to the Company. 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

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.

GOING CONCERN

This Half–yearly Financial 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 2021 were £1,322.1 million, of which £1,337.0 million was in quoted investments with cash totalling £31.2 million. The main liability of the Company is its borrowings of £48.7 million which is covered 28 times by the adjusted assets, well in excess of the level of cover required by the borrowing covenants of four times. The total expenses (excluding finance costs and taxation) for the six months ended 30 June 2021 were £5.2 million, while income was £8.9 million.

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

Board of Directors

3 August 2021

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 2021

Condensed Income Statement

Unaudited

		SIX MONTHS ENDED 30 JUNE 2021			SIX MONTHS ENDED 30 JUNE 2020		
	NOTES	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Gains/(losses) on investments		–	147,848	147,848	–	(14,326)	(14,326)
Net foreign exchange gains/(losses)		–	166	166	–	(1,167)	(1,167)
Income	4	8,945	–	8,945	5,105	–	5,105
Investment management fees		(1,121)	(3,365)	(4,486)	(677)	(2,032)	(2,709)
Other expenses		(709)	–	(709)	(532)	–	(532)
Return on ordinary activities before finance costs and taxation		**7,115**	**144,649**	**151,764**	**3,896**	**(17,525)**	**(13,629)**
Finance costs	5	(182)	(544)	(726)	(156)	(469)	(625)
Return on ordinary activities before taxation		**6,933**	**144,105**	**151,038**	**3,740**	**(17,994)**	**(14,254)**
Taxation	6	(1,276)	(107)	(1,383)	(497)	78	(419)
Return on ordinary activities after taxation		**5,657**	**143,998**	**149,655**	**3,243**	**(17,916)**	**(14,673)**
Return per Ordinary Share	**7**	**2.04p**	**52.05p**	**54.09p**	**1.45p**	**(8.03p)**	**(6.58p)**

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 period.

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

Condensed Balance Sheet

Unaudited

	NOTES	AS AT 30 JUNE 2021 £'000	AS AT 31 DECEMBER 2020* £'000
Fixed assets			
Investments at fair value through profit or loss	3	1,337,611	1,112,889
Current assets			
Dividends receivable		1,360	55
Sales awaiting settlement		4,854	3,888
Taxation recoverable		–	58
Other debtors		55	85
Cash and cash equivalents		31,179	30,037
		37,448	**34,123**
Creditors: amounts falling due within one year			
Trade and other payables		(3,166)	(3,732)
		(3,166)	**(3,732)**
Net current assets		**34,282**	**30,391**
Total assets less current liabilities		**1,371,893**	**1,143,280**
Creditors: amounts falling due after more than one year			
Capital gains tax provision		(1,150)	(1,092)
Bank loans and credit facility	8	(48,649)	(48,908)
Net assets		**1,322,094**	**1,093,280**
Capital and reserves: equity			
Share capital	9	28,397	26,588
Share premium account		319,143	239,059
Capital redemption reserve		9,877	9,877
Share purchase reserve		147,855	147,855
Capital reserve		807,866	663,868
Revenue reserve		8,956	6,033
Shareholders' funds		**1,322,094**	**1,093,280**
Net assets per Ordinary Share	**10**	**465.57p**	**411.20p**

* Audited

Approved by the Board of Directors and authorised for issue on 3 August 2021.

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

Condensed Statement of Changes in Equity

Unaudited

SIX MONTHS ENDED 30 JUNE 2021	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 2021		**26,588**	**239,059**	**9,877**	**147,855**	**663,868**	**6,033**	**1,093,280**
Dividend paid	11	–	–	–	–	–	(2,734)	(2,734)
Net proceeds from issue of new shares	9	1,809	80,084	–	–	–	–	81,893
Return for the period		–	–	–	–	143,998	5,657	149,655
Closing equity as at 30 June 2021		**28,397**	**319,143**	**9,877**	**147,855**	**807,866**	**8,956**	**1,322,094**

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)
Net proceeds of shares sold from treasury	9	–	45,868	–	24,616	–	–	70,484
Net proceeds from issue of new shares	9	1,764	48,962	–	–	–	–	50,726
Return 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**

Condensed Statement of Cash Flows

Unaudited

	NOTES	SIX MONTHS ENDED 30 JUNE 2021 £'000	SIX MONTHS ENDED 30 JUNE 2020 £'000
Operating activities			
Return/(loss) on ordinary activities before finance costs and taxation*		151,764	(13,629)
Less: Tax deducted at source on income from investments		(1,325)	(497)
Foreign exchange non cash flow (gains)/losses		(259)	1,284
Adjustment for (gains)/losses on investments		(147,848)	14,326
Increase in other debtors		(1,217)	(879)
(Decrease)/increase in other creditors		(199)	2
Net cash flow from operating activities		**916**	**607**
Investing activities			
Add: Sale of investments		188,510	61,816
Less: Purchase of investments		(266,713)	(189,589)
Net cash flow used in investing		**(78,203)**	**(127,773)**
Financing activities			
Equity dividends paid	11	(2,734)	(6,862)
Proceeds from revolving credit facility		–	20,000
Finance costs paid		(730)	(605)
Net proceeds from issue of new shares	9	81,893	50,726
Net proceeds of shares sold from treasury	9	–	70,484
Net cash flow from financing		**78,429**	**133,743**
Increase in cash		**1,142**	**6,577**
Cash and cash equivalents at start of period		**30,037**	**13,818**
Cash and cash equivalents at end of period		**31,179**	**20,395**

* Cash inflow includes dividend income received during the period to 30 June 2021 of £7,640,000 (30 June 2020: £4.274,000 and bank interest £7,000).

Changes in Net Debt Note

	SIX MONTHS ENDED 30 JUNE 2021 £'000	SIX MONTHS ENDED 30 JUNE 2020 £'000
Net debt at start of period	(18,871)	(16,262)
Increase in cash and cash equivalents	1,142	6,577
Foreign exchange movements	259	(1,284)
Proceeds from revolving credit facility	–	(20,000)
Net debt at end of period	**(17,470)**	**(30,969)**

Notes to the Financial Statements

1 ACCOUNTING POLICIES

The Half-yearly Condensed Financial Statements have 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 April 2021.

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 2020. The Annual Report and Accounts for the year ended 31 December 2020 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 2020 in this Half-yearly Financial Report has been extracted from the audited Annual Report and Accounts for the year ended 31 December 2020. The accounting policies in this Half-yearly Financial Report are consistent with those applied in the Annual Report for the year ended 31 December 2020.

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 pages 15 to 16.

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 classification of financial instruments within the fair value hierarchy be determined by reference to the source of inputs used to derive the fair value and the lowest level input that is significant to the fair value measurement as a whole. The classifications and their descriptions are below:

Level 1

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

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 2021				31 DECEMBER 2020			
	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	1,337,040	–	–	1,337,040	1,112,312	–	–	1,112,312
– Unquoted	-	–	571	571	–	–	577	577
	1,337,040	**–**	**571**	**1,337,611**	**1,112,312**	**–**	**577**	**1,112,889**

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. The Company's holding in Ensyn 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. The Manager valued the Company's interests in Ensyn at a price of US$7.50 per share as at 30 June 2021 (31 December 2020: US$7.50 per share).

4 INCOME

	SIX MONTHS ENDED 30 JUNE 2021 £'000	SIX MONTHS ENDED 30 JUNE 2020 £'000
Dividends from UK listed investments	629	353
Dividends from overseas listed investments	8,316	4,745
Bank interest received	–	7
Total Income	**8,945**	**5,105**

5 FINANCE COSTS

	SIX MONTHS ENDED 30 JUNE 2021			SIX MONTHS ENDED 30 JUNE 2020		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest charges	180	539	719	151	453	604
Direct finance costs	2	5	7	5	16	21
Total	**182**	**544**	**726**	**156**	**469**	**625**

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 period

	SIX MONTHS ENDED 30 JUNE 2021			SIX MONTHS ENDED 30 JUNE 2020		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Overseas taxation	1,276	–	1,276	497	–	497
Increase/(decrease) on capital gains tax provision	–	107	107	–	(78)	(78)
Taxation	**1,276**	**107**	**1,383**	**497**	**(78)**	**419**

6 TAXATION (CONTINUED)

The capital gains tax provision represents an estimate of the amount of tax provisionally payable by the Company on direct investment in Indian equities. It is calculated based on the long term or short term nature of the investments and the unrealised gain thereon at the applicable tax rate at the period end.

Movements on the capital gains tax provision for the period

	SIX MONTHS ENDED 30 JUNE 2021	SIX MONTHS ENDED 30 JUNE 2020
Provision brought forward	1,092	690
Capital gains tax paid	(49)	–
Increase/(decrease) in provision in period	107	(78)
Provision carried forward	**1,150**	**612**

7 RETURN PER SHARE

	SIX MONTHS ENDED 30 JUNE 2021	SIX MONTHS ENDED 30 JUNE 2020
Revenue return after taxation (£'000)	5,657	3,243
Capital return after taxation (£'000)	143,998	(17,916)
Total net return after tax (£'000)	**149,655**	**(14,673)**
Weighted average number of Ordinary Shares	276,654,235	222,983,183

Net return per Ordinary Share is based on the above totals of revenue and capital and the weighted average number of Ordinary 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 £15 million loans with Scotiabank Europe plc ("Scotiabank"). The loans expire on 6 September 2023.

The Company also has a £20 million multi-currency revolving credit facility ("RCF") with Scotiabank which was fully committed and drawn down in two currencies. The facility expires on 6 September 2023.

A summary of the Company's borrowings follows.

		30 JUNE 2021		31 DECEMBER 2020	
CURRENCY OF LOAN	INTEREST RATE	LOAN CURRENCY AMOUNT	£'000	LOAN CURRENCY AMOUNT	£'000
BANK LOANS – FIXED RATE					
Sterling	2.910%	15,000,000	15,000	15,000,000	15,000
Non-sterling	4.504%	20,000,000	14,492	20,000,000	14,651
			29,492		**29,651**
RCF – FLOATING RATE					
Sterling	Six month LIBOR+1.7%	10,000,000	10,000	10,000,000	10,000
Non-sterling	Six month LIBOR+1.7%	12,637,000	9,157	12,637,000	9,257
			48,649		**48,908**

8 BANK LOANS AND CREDIT FACILITY (CONTINUED)

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

PAYABLE AFTER MORE THAN ONE YEAR	30 JUNE 2021 £'000	31 DECEMBER 2020 £'000
Bank loans payable after more than one year	29,492	29,651
Revolving credit facility payable after more than one year	19,157	19,257
	48,649	**48,908**

9 SHARE CAPITAL

	SIX MONTHS ENDED 30 JUNE 2021		SIX MONTHS ENDED 30 JUNE 2020	
	NUMBER	£'000	NUMBER	£'000
Issued and fully paid shares of 10p each				
Brought forward	265,877,138	26,588	204,139,246	20,414
New shares issued in period	18,093,850	1,809	17,639,783	1,764
Treasury shares issued in period	–	–	21,598,109	2,160
Carried forward	**283,970,988**	**28,397**	**243,377,138**	**24,338**
Treasury shares of 10p each				
Brought forward	–	–	21,598,109	2,160
Issued in period	–	–	(21,598,109)	(2,160)
Carried forward	**–**	**–**	**–**	**–**
Share capital	**283,970,988**	**28,397**	**243,377,138**	**24,338**

The Company received aggregate gross proceeds of £82,426,000 (2020: £122,445,000) from the issue of shares and net proceeds of £81,893,000 (2020: £121,210,000) after issue costs of £533,000 (2020: £1,235,000). Since the period end a further 3,954,545 Ordinary Shares have been issued for aggregate gross proceeds of £19,043,000, and net proceeds of £18,948,000 after issue costs of £95,000.

10 NET ASSET VALUE PER SHARE

	30 JUNE 2021	31 DECEMBER 2020
Net asset value (£'000)	1,322,094	1,093,280
Ordinary Shares in issue	283,970,988	265,877,138
Net assets per Ordinary Share	**465.57p**	**411.20p**

11 DIVIDENDS

A second interim – in lieu of final – dividend for the year ended 31 December 2020 of 1.0p per Ordinary Share was paid on 12 March 2021 (for the year ended 31 December 2019 there was a single, interim dividend of 3.0p per share which was paid on 24 April 2020). In accordance with UK accounting standards the second interim dividend for the year ended 31 December 2020 has been recognised in the Half-yearly Financial Report for the six months ended 30 June 2021.

On the 29 July 2021, the Board announced a first interim dividend of 1.3 pence per Ordinary Share, payable on 27 August 2021 to shareholders on the register at the close of business on 6 August 2021, with an ex-dividend date of 5 August 2021.

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 half year period end.

Fees payable to the Manager are shown in the Income Statement. As at 30 June 2021 the fee outstanding to the Manager was £1,559,000 (31 December 2020: £1,953,000).

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 2020 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 2021.

Alternative Performance Measures (APMs)

APMs are often used to describe the performance of investment companies, although they are not specifically defined under FRS 102. The Directors assess the Company's performance against a range of criteria which are viewed as relevant to both the Company and its market sector. 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	30 JUNE 2021	31 DECEMBER 2020
Total assets less cash/cash equivalents (£'000)	a	n/a	1,343,880	1,116,975
Net assets (£'000)	b	18	1,322,094	1,093,280
Gearing (net)	**(a÷b)-1**		**1.6%**	**2.2%**

PREMIUM

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

		PAGE	30 JUNE 2021	31 DECEMBER 2020
NAV per Ordinary Share (p)	a	1	465.6	411.2
Share price (p)	b	1	475.5	422.5
Premium	**(b-a) ÷a**		**2.1%**	**2.7%**

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 2021 (UNAUDITED)		PAGE	SHARE PRICE	NAV
Opening at 1 January 2021 (p)	a	n/a	422.5	411.2
Closing at 30 June 2021 (p)	b	1	475.5	465.6
Dividend/income adjustment factor[1]	c	n/a	1.0023	1.0023
Adjusted closing (p) (d = b x c)	d	n/a	476.6	466.6
Total return	**(d÷a)-1**		**12.8%**	**13.5%**

[1] The dividend adjustment factor is calculated on the assumption that dividends paid out by the Company are reinvested into the shares of the Company at NAV at the ex-dividend date.

Directors, Manager and Advisers

DIRECTORS
John Scott (Chairman)
Aine Kelly (Senior Independent Director)
Stephanie Eastment (Audit Committee Chairman)
Simon Fraser
Vicky Hastings
Nick Hurd (appointed 1 August 2021)

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