IMPAX Environmental Markets plc

Celebrating XX twenty years

Impax Environmental Markets plc

Half-yearly Financial Report 2022

INTERIM
REPORT
2022

IMPAX Environment Markets plc

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* 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, 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 2022 and 31 December 2021

410.9p

Net asset value ("NAV") per share

(2.7)%

Ordinary Share price (discount) premium to NAV[1]

400.0p

Ordinary Share price

£1,249.2m

Net assets

PERFORMANCE SUMMARY

For the six months ended 30 June 2022

	% CHANGE[2,3]
NAV total return per Ordinary Share[1]	(17.0)%
Share price total return per Ordinary Share[1]	(26.7)%
MSCI ACWI Index	(11.0)%
FTSE ET100 Index	(20.6)%

[1] These are alternative performance measures.

[2] Total returns in sterling for the six months to 30 June 2022.

[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 29.

Chairman's Statement

John Scott
Chairman

"notwithstanding the recent headwinds, the Company's longer term performance remains excellent"

The first part of this year has been challenging for markets in general, and Impax Environmental Markets (the "Company", or "IEM") has not been spared. Following three years of strong performance, IEM's share price has fallen in absolute and relative terms over the first six months of 2022 (the "Period"). War has brought devastation to Ukraine, caused turmoil in commodity markets and further stoked inflation. Our income has grown, however, and we have declared a first interim dividend of 1.5 pence per Ordinary Share, an increase of 15% as compared with that declared in 2021.

Over the six months to the end of June, the Company's share price fell by 26.7%, and the net asset value ("NAV") by 17.0%. This trailed broader equity markets, with the MSCI All Country World Index ("MSCI ACWI"), its global comparator, declining by 11.0%. It is some comfort that the Manager, on an NAV basis, was able to outperform our environmental benchmark, the FTSE Environmental Technology 100 ("FTSE ET100"), due to judicious stock selection. Over the Period, although IEM's share price has slipped from a small premium to a modest discount, the share price has generally remained close to the Company's NAV, as is discussed further below. It is relevant at this point to remind shareholders that, notwithstanding the recent headwinds, the Company's longer term performance remains excellent. For the five years to the end of the Period, the share price is up 77.8%, with MSCI ACWI up 50%. On an annualised basis over ten years, MSCI ACWI has returned 11.6% per annum and the IEM plc share price 16.6%.

The outlook for markets at the start of the Period was already cloudy, even before the Russian invasion of Ukraine. Inflation was on the rise, driven by the release of demand pent up by the COVID-19 pandemic and supply chain constraints. In addition, the prospect of central banks increasing interest rates was weighing on the small- and mid-cap sectors in which IEM tends to invest, and equity markets were facing pressure from the end of quantitative easing programmes. The outbreak of the biggest war in Europe in 75 years intensified these challenges.

Beyond Ukraine itself, the immediate impact of the conflict has been on energy markets, as the West seeks to reduce its dependence on Russian fossil fuels. The resulting rise in energy prices will serve to undermine growth and stimulate inflation, but it has also added an energy security dimension to the low-carbon transition. EU policymakers in particular have moved swiftly to cut the bloc's reliance on Russian energy exports with plans that, while disruptive in the near-term, are positive from an environmental as well as an energy security perspective.

The predicament policymakers face is how to plug immediate shortfalls in energy supply while cleaner alternatives can be brought online. The risk, from a climate perspective, is that fossil fuels from Russia are simply replaced with fossil fuels from elsewhere, enabled by investment in infrastructure that risks locking in hydrocarbon use for decades to come.

Notwithstanding the longer-term imperatives to take action on climate change, investors' enthusiasm for the sector has cooled in recent months. Part of the reason is those funds' poor performance, as investors have favoured sectors such as conventional energy and financials. Another reason is growing concern in the market about 'greenwashing', where fund managers have been perceived to have overstated the Environmental, Social and Governance ("ESG") credentials of their products.

This is a real concern for an emerging sector such as ours. Definitions of ESG and sustainable finance are fluid. The popularity of the theme over the last few years has encouraged many to jump onto the bandwagon of ESG. It is a concern drawing regulatory scrutiny, with the US Securities and Exchange Commission proposing to follow the EU with rules on ESG fund labelling. We welcome the increased scrutiny being applied.

We believe that our 20 year record of investing in environmental markets and our unambiguous focus on companies providing the solutions to sustainability challenges set us apart from many of the more recent entrants to the space. We can also point to clear impact against a number of environmental metrics, as we set out on pages 7 and 8.

INVESTMENT PERFORMANCE

During the Period, the total return of the NAV per share saw a decline of 17.0% and the share price total return fell by 26.7% as the premium at which the shares were trading at the end of December unwound. IEM underperformed the

"we are encouraged both by the continuing investment proposition of environmental solutions and the commitment by policymakers to environmental challenges and the need for a green recovery"

MSCI ACWI, its global comparator index, which fell by 11.0% on a total return basis. As discussed above, the Company suffered from a rotation by investors from quality and growth to value stocks. However, our NAV outperformed the FTSE ET100, its environmental benchmark, which fell by 20.6% due to IEM's avoidance of the car maker Tesla and other expensive tech names.

GEARING

As of 30 June 2022, the Company's net gearing was 3.8%, above the 1.6% net gearing as of the end of 2021.

The Manager continues to advise of capacity constraints with our investment bias towards the smaller end of the market; any increase in our capital by way of borrowings results in a concomitant reduction in our ability to issue equity. As discussed below, the Company's shares are now trading close to, but at a small discount to, NAV which precludes further issuance until such time as a premium returns. In the absence of share issuance, expanding our investment capacity via increased gearing remains an option.

PREMIUM AND DISCOUNT CONTROL

The Company's Ordinary Shares traded at a premium to NAV of 10.2% on 31 December 2021 and a discount to NAV of 2.7% on 30 June 2022, having traded in a range of a 14.1% premium to a 6.6% discount during the Period.

The year began with continued investor demand and the issue of shares at a premium to meet that demand. In February 2022 the shares moved from trading at a premium to trading at a discount. Since then, the Board has been using its authority to purchase its own shares when necessary to prevent a material discount from emerging. The Board maintains its intention to keep shares trading close to NAV during normal market conditions. During the Period, 7.6 million new shares were issued, 1.7 million shares were bought back into treasury with 112,900 shares subsequently reissued in March and 400,000 shares reissued since the period end at a premium to NAV, with the result that 1.2 million shares remain in treasury.

DIVIDEND

The Company's net revenue return for the Period was £7.5 million, compared with £5.7 million earned in the same period last year. The increase in net revenue is attributable to the growing size of the Company and the recovery of portfolio companies' earnings post-pandemic.

The Company's dividend policy, as approved by shareholders at the May 2022 AGM, is to declare two dividends each year and to pay out substantially all earnings by way of dividends.

The second interim dividend for the 2021 financial year, of 1.5 pence per Ordinary Share, was declared on 29 December 2021, for shareholders on the register on 7 January 2022, with an ex-dividend date of 6 January 2022. The dividend was paid on 28 January 2022.

On 28 July 2022, the Board announced a first interim dividend for the current financial year of 1.5 pence per Ordinary Share (2021: 1.3 pence per Ordinary Share), payable on 26 August 2022 to shareholders who appear on the register at 5 August 2022, with an ex-dividend date of 4 August 2022.

THE BOARD

Shareholders may recall that my original plan was to retire at the May 2022 AGM, whereupon Simon Fraser was to have taken over from me. Tragically, Simon died last August, in the light of which at the Company's recent AGM shareholders approved my continuing to serve as Chairman for a further year. Recruitment is underway for a Chair designate and for a replacement for non-executive director Vicky Hastings, who will retire at or before the 2023 AGM depending on the needs of the Board.

OUTLOOK

Uncertainty in global markets – from inflation, rising interest rates, geopolitical tensions and disrupted commodity markets – is likely to weigh on the Company's performance in the near-term. Looking further ahead, the Directors and the Manager are encouraged both by the continuing investment proposition of environmental solutions and the commitment by policymakers to 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
1 August 2022

Manager's Report

Jon Forster Bruce Jenkyn–Jones Fotis Chatzimichalakis

Operating in the wider market environment of the first half of 2022 has not been easy for the Company. Escalating inflation data, aggravated by persistent supply chain challenges and Russia's war with Ukraine drove expectations of significant interest rate rises. This in turn led to higher discount rates being applied to longer dated cash-flows in "growth" and "quality" equities where IEM is focused, driving a de-rating of these names and an aggressive rotation into "value" sectors such as conventional energy and financials, where IEM has no exposure. For illustration, MSCI ACWI Growth and MSCI ACWI Quality fell 19.9% and 15.9% respectively during the Period, versus a fall of 2.6% for MSCI ACWI Value. This was the main driver of underperformance of MSCI ACWI benchmark to the Company's NAV.

Solid performance against the FTSE ET100 principally reflected a conscious choice not to own several richly valued technology companies in the comparator index. Similar valuation discipline saw us refrain from investing in any of the multitude of richly valued and often early-stage companies that IPO'd over the last 12 months, which have dramatically underperformed in the current market environment. We would admit in retrospect that we could have been more aggressive in reducing expensive growth holdings, even though these remain conviction holdings for the long term.

The above rotation, together with small and mid-cap underperformance, led to a material de-rating of the portfolio, despite generally solid earnings delivery. In general, portfolio holdings have managed supply chain constraints well and have demonstrated the pricing power that is critical to pass through ongoing inflationary pressures.

KEY DEVELOPMENTS AND DRIVERS OF ENVIRONMENTAL MARKETS

Russia, Ukraine and an accelerated energy transition

Europe has, over the last few decades, become heavily dependent on energy imports from Russia. On the eve of Russia's invasion of Ukraine in February, Russia supplied 41% of the bloc's natural gas, 37% of its imported oil, and 19% of its coal. European reliance on Russian energy imports may have helped persuade President Putin that the West would be unlikely to take decisive action in response to an attack on Ukraine.

If so, it is now clear that Putin miscalculated. The Western economic response has been robust. A major component of that response is a commitment to rapidly reduce energy imports from Russia. That involves both switching to other suppliers of oil and gas as well as an acceleration of plans to decarbonise its economy.

In May, the European Commission unveiled its REPowerEU plan, which sets out how it proposes to meet these two goals. For example, it increases the 2030 target for renewables to 45% from the current 40%, including via mandating solar panels on all new buildings and addressing bottlenecks in permitting of renewable energy projects. It also proposes doubling the rate of heat pump deployment to reduce gas use, and promoting domestic biomethane and renewable hydrogen production. It also proposes increasing its binding energy efficiency target to 13% from 9%.

These measures, which have been approved by the European Parliament and will now need to be approved by member state governments, will require additional investment of €210 billion by 2027; this compares with the €100 billion per year that the EU is currently spending on Russian fossil fuel imports.

The EU's plans are ambitious and have already boosted a number of renewable energy companies within IEM's portfolio. The response from energy efficiency stocks was more muted. We believe that the Commission could have gone further with its energy efficiency goals, and we expect subsequent action in this area to support that sub-sector.

Shifting our attention to the US energy transition, progress is finally being made on the "Build Back Better" bill, with a total spending package of $433bn recently announced, dominated by $369bn for clean energy and climate initiatives. Uncertainty remains on the bill passing both House and Senate, but the support of Joe Manchin, a major headwind to earlier negotiations, leaves us hopeful on prospects for passage of the bill.

Addressing the global food crisis

As well as sending energy prices soaring, conflict in Ukraine has also disrupted global food markets. Russia and Ukraine accounted for 24% of global wheat exports by value, 57% of sunflower seed oil exports and 14% of corn from 2016 to 2020, according to data from UN Comtrade[1]. The war has caused food price inflation globally and threatens tens of millions with food insecurity, malnutrition and even famine, the UN has warned[2].

IEM is exposed to sustainable food and agricultural companies that are working to reduce costs and increase yields with new technologies and approaches. For example, Darling Ingredients (United States, Recycling and Value-Added Waste Processing) converts food waste into value-added products, including animal feed which can replace corn, and Trimble (United States, Sustainable Agriculture), which produces global positioning software used by farmers to reduce inputs like fertilizer and increase yields. Natural ingredients company DSM (Netherlands, Sustainable Agriculture) also has a significant animal feed business, supplying supplements that improve the uptake of nutrition. One of the core markets targeted by Corbion (Netherlands,

[1] https://comtrade.un.org/pb/downloads/2020/VolI2020.pdf
[2] https://news.un.org/en/story/2022/05/1118562

"Over the last 20 years, our investments have been contributing to protecting nature and biodiversity"

Sustainable Agriculture) is shelf-life extension for bakery products, helping to reduce food waste.

An international response to biodiversity loss

Climate change is not the only global environmental challenge we face. Concerns are increasingly being raised about the loss of biodiversity: environmental groups talk of the "twin crises" of nature and climate. IPBES (Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services), the leading intergovernmental body that assesses the state of the natural world, has warned that 1 million of the world's estimated 8 million plant and animal species are at risk of extinction[1].

As well as an ecological disaster, the loss of biodiversity will have profound economic impacts. The World Economic Forum has found that around half of GDP[2] is generated by sectors that depend on the services nature provides, such as food or other raw materials, purification of water and air, and cultural or spiritual benefits.

These concerns are triggering a response from policymakers and the business community. Negotiations are ongoing for a Global Biodiversity Framework under the Convention on Biological Diversity, a sister treaty to the UN climate convention. Business coalitions have formed to lobby for policy action on biodiversity protection, such as Business for Nature, and the Natural Capital Declaration, aimed at financial institutions. This year, the Taskforce for Nature-related Financial Disclosure launched its risk management and disclosure framework to encourage organisations to report and act on nature-related risks, mirroring an earlier initiative on climate.

Over the last 20 years, our investments have been contributing to protecting nature and biodiversity. Biodiversity is systematically included in our investment framework in two ways: through our ESG analysis, we assess all companies' impact on the local environment and biodiversity, and in addition, we seek investment opportunities that are contributing to solutions that address biodiversity problems. Many of our sustainable food and agriculture holdings make a direct contribution to reducing the impact of agriculture on nature. Our pollution control investments that help mitigate greenhouse gas emissions also provide indirect benefits, given the links between climate change and biodiversity.

Accelerating M&A activity

Over the last 20 years, mergers and acquisitions ("M&A") activity has been an important driver of the Company's performance, with large industrial and financial buyers willing to pay rich valuations to acquire companies with leading technology and proven business models.

Historically activity came in waves, including the rapid consolidation of water treatment technologies during the early to mid 2000s and of the waste management sector in the period prior to the Global Financial Crisis.

In recent years, M&A activity has been more muted; IEM's holdings have tended to be the acquirers rather than the targets of acquisition.

There are some early signals that this is beginning to change. In May, Switch (US, Cloud Computing), which operates high-efficiency data centres, was acquired by a private equity firm in an US$11 billion deal which valued the company at a 15% premium to its market price. Another private equity deal, targeting pallet pooling company Brambles (Australia, Waste Technology Equipment), collapsed in May due to market volatility. Resurgent M&A activity indicates that industrial and financial buyers also see value and attractive growth in environmental markets, with this theme expected to continue going forward.

ABSOLUTE PERFORMANCE CONTRIBUTORS AND DETRACTORS

Contributors

Renewable energy holdings delivered strong performance in the Period, reflecting an accelerating growth outlook prompted by Russia's invasion of Ukraine (discussed above). Renewable IPP holdings were a particular highlight, including Terna Energy (Greece), Ormat Technologies (US) Northland Power (Canada) and EDP Renovaveis (Portugal), reflecting their defensive appeal, strong demand for renewable power generation assets and in select cases, exposure to high spot power prices.

Companies with positive exposure to commodity price inflation also delivered strong performance, including Salmar (Norway, Sustainable Aquaculture), as did companies with a stronger "value" orientation including, Sabesp (Brazil, Water Utility) and Graphic Packaging (US, Food Safety & Packaging).

Finally, M&A activity, discussed above, made a contribution to performance, especially via data centre holding Switch (US, Cloud Computing).

Detractors

The rotation discussed above led to material de-rating of expensive "quality growth" names across a range of environmental markets in the Period, impacting Nibe (Sweden, Buildings Energy Efficiency), Spirax (UK, Industrial Energy Efficiency), Generac (US, Power Storage & UPS), and natural ingredients holdings Croda (UK) and DSM (Netherlands). Opportunities are emerging to add to these names following their substantial de-rating.

Rising interest rates and an increasing risk of recession led to weak performance of cyclical markets and in particular holdings with exposure to construction activity, including Water Infrastructure and Treatment holdings Aalberts (Netherlands) and Pentair (US), and Herc (US, Resource Circularity and Efficiency), which provides equipment rental services into construction markets.

[1] https://ipbes.net/global-assessment
[2] https://www.weforum.org/press/2020/01/half-of-world-s-gdp-moderately-or-highly-dependent-on-nature-says-new-report/

PERFORMANCE CONTRIBUTION ANALYSIS

PERFORMANCE RELATIVE TO MSCI ACWI	6 MONTHS ENDED 30-JUN-22 %
NAV total return	(17.0)
MSCI ACWI total return	(11.0)
Relative performance	(6.0)
Analysis of Relative Performance	
Portfolio total return	(16.0)
MSCI ACWI total return	(11.0)
Portfolio underperformance	(5.0)
Borrowing:	
Gearing effect	(0.4)
Finance costs	(0.1)
Management fee	(0.4)
Other expenses	–
Trading Costs	(0.1)
Share transactions:	
Issues	0.1
Buy-backs	–
Tax	(0.1)
Total	**(6.0)**

PERFORMANCE RELATIVE TO FTSE ET100	6 MONTHS ENDED 30-JUN-22 %
NAV total return	(17.0)
FTSE ET100 total return	(20.6)
Relative performance	3.6
Analysis of Relative Performance	
Portfolio total return	(16.0)
FTSE ET100 total return	(20.6)
Portfolio outperformance	4.6
Borrowing:	
Gearing effect	(0.4)
Finance costs	(0.1)
Management fee	(0.4)
Other expenses	–
Trading Costs	(0.1)
Share transactions:	
Issues	0.1
Buy-backs	–
Tax	(0.1)
Total	**3.6**

PORTFOLIO POSITIONING, VALUATION AND RISK

At the end of the Period, the Company held a well-diversified portfolio of 60 listed holdings, together with one active unlisted holding representing just 5 basis points of NAV. Detail of portfolio holdings is provided on page 17, together with sector and regional positioning on page 13.

New investments were made into Azek (US, Recycled, Recyclable Products & Biomaterials) and Zurn Water Solutions (US, Water Distribution & Infrastructure). Azek is a leading player in the US wood-plastic composite decking market. This material is gaining share against traditional wood decking, driven by better durability and lower maintenance (and with an attendant lower environmental footprint). As a strong player in a highly consolidated market, Azek stands to benefit from this structural growth over the long term. Zurn provides water infrastructure solutions into highly regulated residential, non-residential and institutional markets and recently expanded into water treatment markets via a merger with Elkay Manufacturing and replaced Xylem (US, Water Distribution & Infrastructure), which was exited following persistent supply chain and execution issues.

Other exits comprised Beijing Enterprises Water (Hong Kong, Water Utility) and IPG Photonics (US, Industrial Energy Efficiency), which were sold as part of a portfolio consolidation process back towards a target of 60 holdings.

Regarding valuation, as discussed above, the portfolio experienced a material de-rating during the Period, with the prospective twelve months price earnings ratio falling from 24.6x at the 2021 year-end to 18.0x at the end of the Period. Valuation is now back in line with the historical long-term average multiple, offering upside across the portfolio to our base case or intrinsic target prices. Consensus earnings growth expectations remain above MSCI ACWI and portfolio companies have mostly delivered on their earnings.

OUTLOOK

In the near term, the macro and equity market outlook will remain fragile and uncertain until visibility improves in taming inflation, with elevated risks of a hard landing or recession, further aggravated by potential weaponisation of gas flow by Russia in the run up to winter in the EU. Against this challenging backdrop, we take comfort from the quality, balance and diversification of the portfolio, and from the combination of earnings delivery with a substantially de-rated valuation which is bringing compelling opportunities to add to core holdings.

Longer-term, the Managers' conviction in the drivers of environmental markets remain intact despite the invasion of Ukraine by Russia, higher inflation data and supply chain disruptions. In recent months these markets have been bolstered by global policy measures, build-back-greener initiatives, planned sector adaptation roadmaps, consumer behaviour, fast-moving technological advances and the ever-growing financial cost of extreme climate events. European dependence on Russian gas has likewise reawakened energy security concerns, which should accelerate the net zero transition. We believe this bodes well for the long-term growth and performance of IEM.

Impax Asset Management (AIFM) Limited

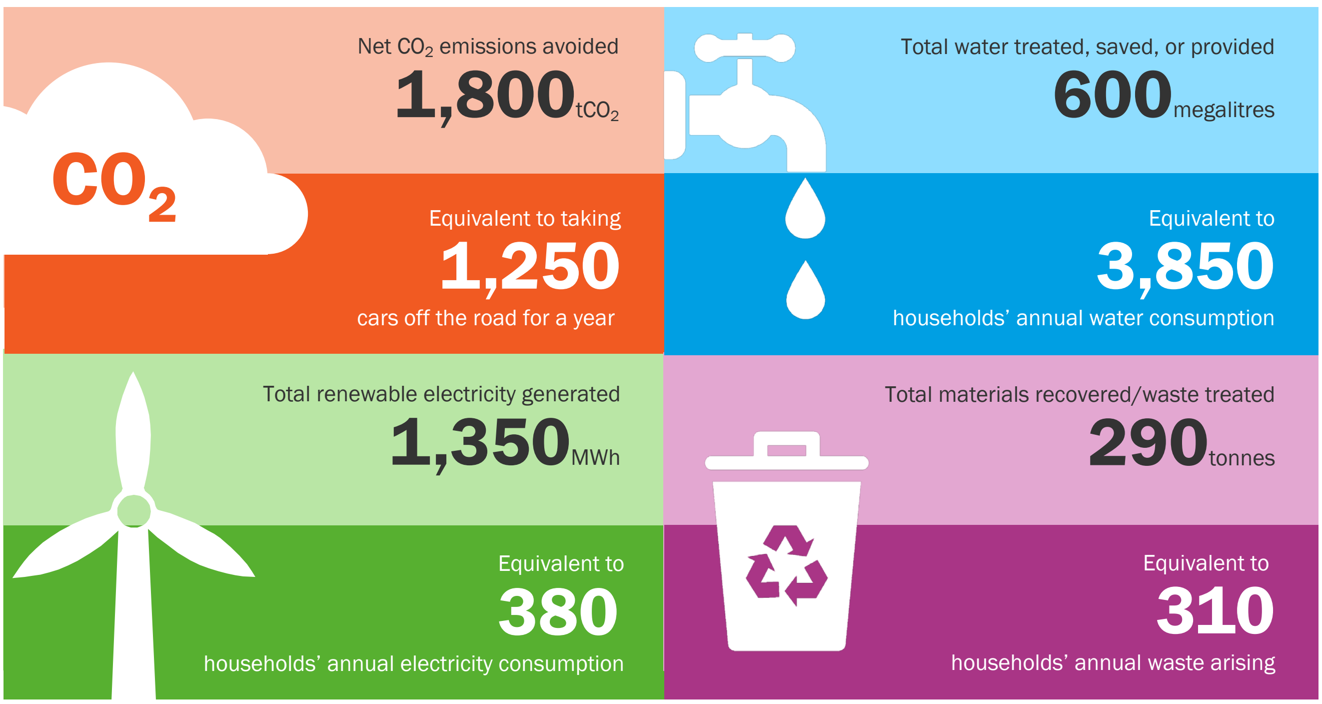
1 August 2022

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 new energy, clean and efficient transport, sustainable food, water, circular economy and smart environment markets.

At 30 June 2022, 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 the most recent portfolio company disclosures available.

IN 2021, A £10M INVESTMENT IN IEM SUPPORTED[1]:



Source: Impax Asset Management.

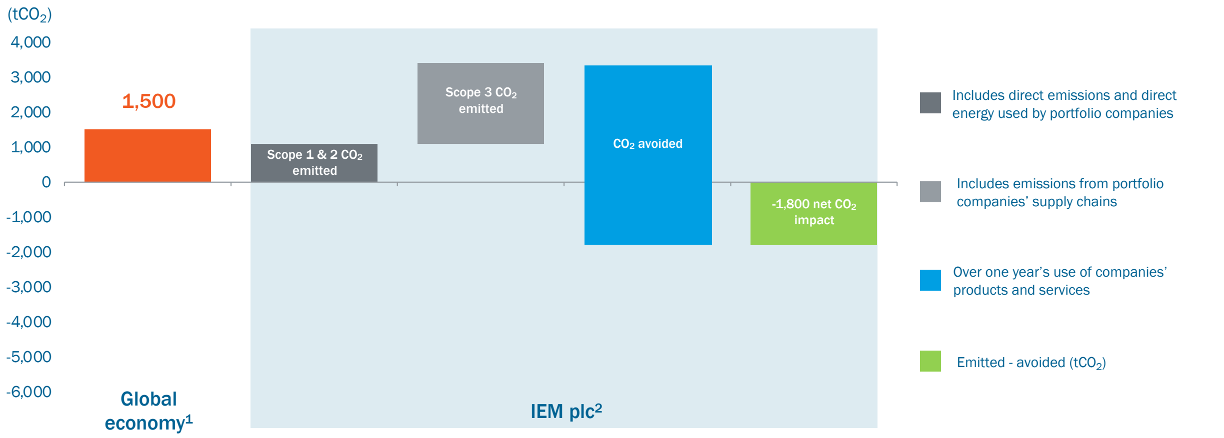
These figures refer to the past. Past performance is not a reliable indicator of future results. Impact of £10m invested in the strategy for one year. Based on most recently reported annual environmental data for holdings in the portfolio as at 31 December 2021. Impax's impact methodology is based on equity value.

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 additional context, this year we have enhanced this reporting by separating out Scope 1, 2 and 3 emissions, as explained in the chart on the following page.

As an example, Austrian alternative textile manufacturer Lenzing created 3.1 million tCO_2 emissions (including Scope 3 emissions) through its operations producing man-made cellulose fibres from renewable raw wood and corporate activities in 2021. Quantifying emissions avoided by the displacement of synthetic or cotton fibres by wood-based cellulose per ton of fabric results in 13 million tCO_2, resulting in a net avoidance of 9.8 million tCO_2. In addition this method of highly compostable fibre production is also significantly less water and chemical intensive.

IEM demonstrates substantial net carbon benefits through the use of portfolio companies' products and services, assuming just one year of use when considering Scope 1, 2 and 3 emissions, and emissions avoided.

IEM SUPPORTS THE REDUCTION OF 1,800 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 1,800 tCO_2 per £10m invested. As context, Impax estimates that the global economy delivers emissions of approximately 1,500 tCO_2 . It is the energy efficiency and emission abatement solutions delivered by IEM portfolio companies which are part of enabling the global economy to reduce emissions to net zero overall.

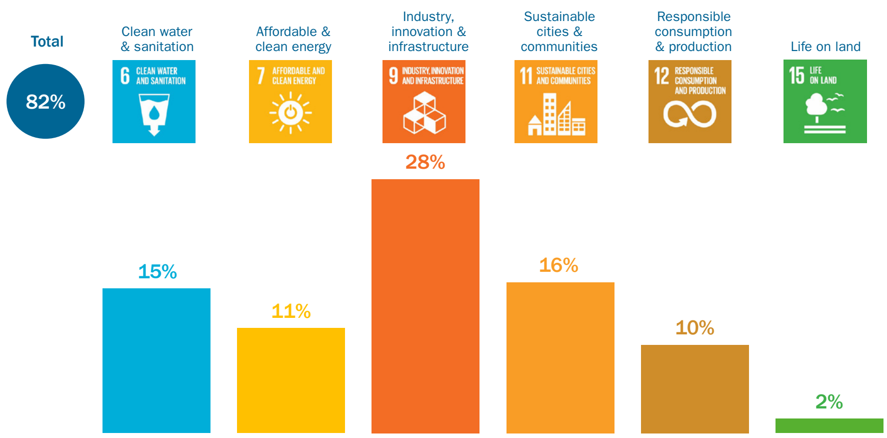
IEM MAPPED TO UN SUSTAINABILITY GOALS[3]

The UN's Sustainable Development Goals ("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. There is an intrinsic link between the intentionality of the IEM investment process's focus on environmental markets and the delivery of environmental benefit, which is central for investors seeking to understand returns on their investment, beyond the financial outcome.

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 11, Sustainable Cities and Communities, which relates to holdings in pollution control solutions, recycling and waste management; and
- Goal 6, Clean Water and Sanitation, which relates to holdings in water utilities and infrastructure.



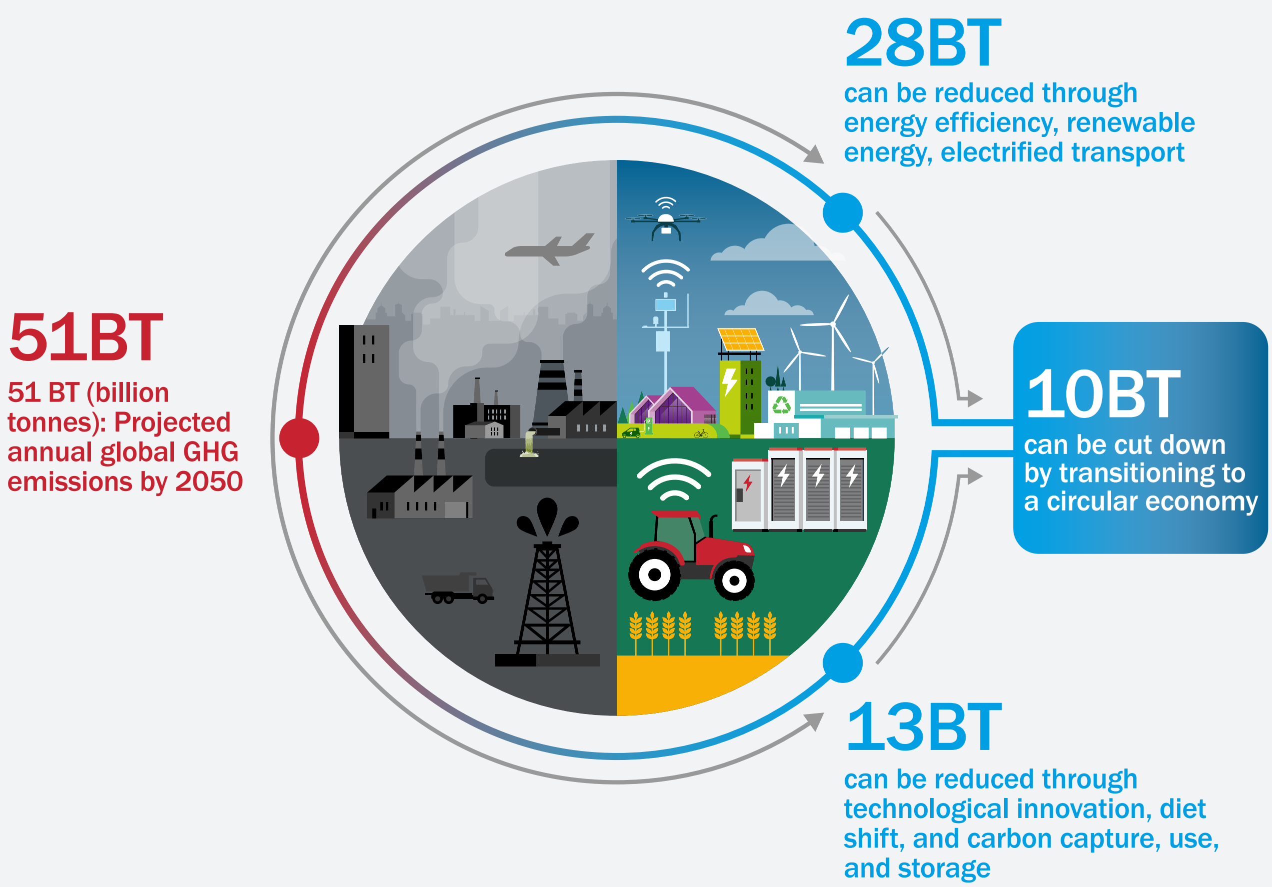
These figures refer to the past. Past performance is not a reliable indicator of future results.

1. Source: Most recently available global GHG emissions (https://ourworldindata.org/co2-and-other-greenhouse-gas-emissions, https://edgar.jrc.ec.europa.eu/report_2021), adjusted to 2021 using the IEA CO_2 emissions growth rate 2018-2021 (https://www.iea.org/reports/global-energy-review-co2-emissions-in-2021-2). Global AUM as at 2021 as provided by FSB (https://www.fsb.org/2021/12/global-monitoring-report-on-non-bank-financial-intermediation-2021).
2. Impax Asset Management, 31 December 2021. Impax's impact methodology is based on equity value.
3. Source: Data as at 31 December 2021. Figures are based on Impax internal data.

A CIRCULAR ECONOMY:
OPPORTUNITIES IN THE EMERGING SHARING ECONOMY AND HOW EQUIPMENT RENTAL CAN CONTRIBUTE TO A MORE SUSTAINABLE, CIRCULAR ECONOMIC MODEL

To address pressing environmental issues like biodiversity loss and plastic pollution, it is vital that we shift away from the linear "take, make and waste" model. We must move towards a more circular economy. As well as maximising recycling and recovery rates, this involves keeping products and materials in use for as long as possible and, ideally, preventing waste through better design and new business models.

Circular models can cut 20% of projected emissions by 2050



Source: Ellen MacArthur Foundation, 2021

IEM invests in all three areas shown in the diagram above which are solutions for the transition from the projected 51 billion tonnes of global GHG emissions by 2050, to a net-zero global economy. Energy efficiency, renewable energy, efficient transport, technological innovation, food and a circular economy are part of IEM's investment framework.

A circular economy and making the most from existing resources is central to this transformation. Sectors like packaging can significantly contribute to greater circularity. By extending the shelf life of food, improved packaging can reduce food waste and so help curtail agriculture-related deforestation, biodiversity loss and emissions. Technological solutions that help eliminate wasteful practices in resource-intensive sectors like construction, such as computer-aided design software, can also materially advance resource efficiency.

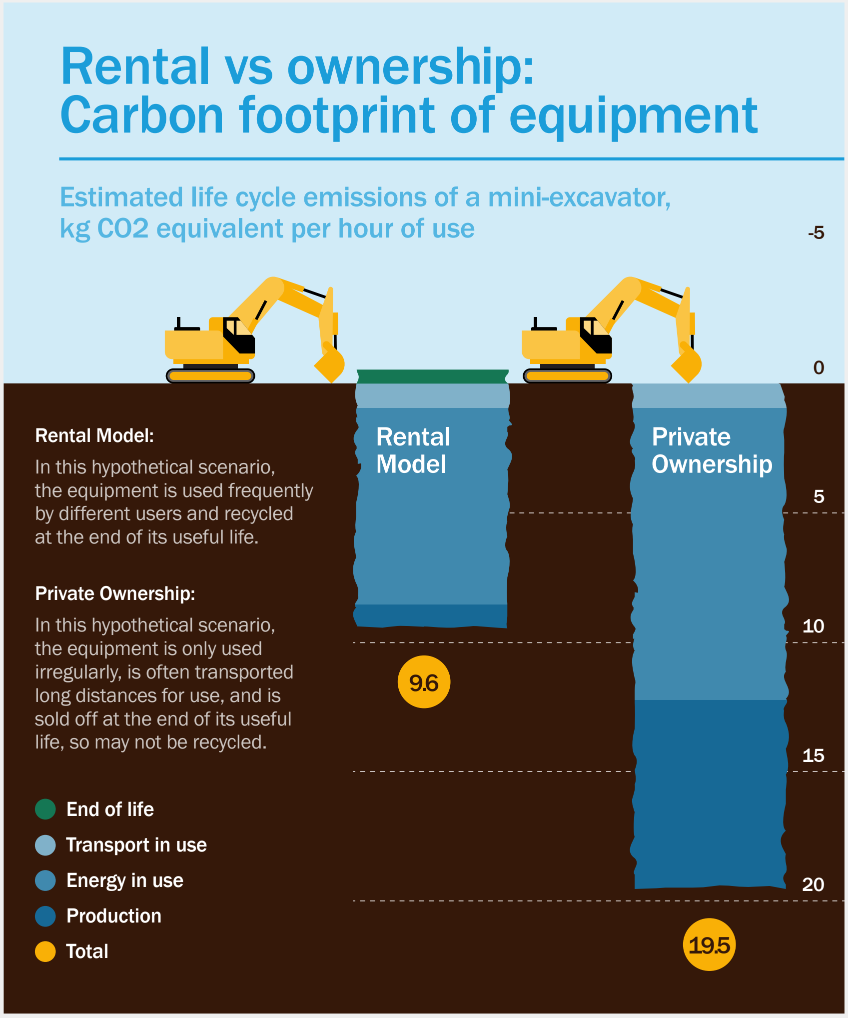
The emerging sharing economy, in which a growing breadth of products are formally rented out, meanwhile offers great potential for maximising the productive use of the global asset base.

Successful, profitable business models aligned with a more circular economy have emerged in certain niches. One area of the global economy where the Manager perceives opportunities for investors and for advancing circularity is in equipment rental.

Large equipment, vast efficiencies

At face value, it might seem counterintuitive to share the conviction that companies leasing out polluting plant machinery play an important role in the transition to a more sustainable economy. But it is precisely because the likes of diggers and telehandlers are so capital and resource intensive that rental models can deliver large sustainability benefits.

Life cycle analysis of the carbon emissions of industrial equipment indicates that rental models can reduce overall emissions by between 30% and 50%.[1]



Source: European Rental Association and Climate Neutral Group, 2019[2]

[1] European Rental Association and Climate Neutral Group, 2019: Carbon Footprint of Construction Equipment

[2] For full details of the calculations underpinning these scenarios, refer to the research report, https://lectura.press/media-storage/reports/basic/construction_equipment_during_climate_crisis.pdf?pwm=6395

Rental models can reduce emissions in three ways. Firstly, rental companies can minimise the time when plant is sat idle by offering access to equipment appropriate to the task, and only for when it is needed. Maximising the utility of equipment means the overall asset base can be smaller, so reducing emissions generated in their production (which form a material proportion of life cycle emissions).

Secondly, professional rental companies can achieve enhanced operational efficiencies in a few ways. Dense branch networks allow equipment to be rented locally, reducing travel to projects, and investment in telematics can deliver data-led optimisation of operations. Properly maintaining equipment will also minimise downtime and operational emissions. It also extends the working lives of assets, thereby delaying the need for resource-intensive replacements.

Thirdly, large industrial rental businesses (unlike their smaller competitors) have enough capital to invest in innovative new technologies. They will therefore be crucial to scaling up lower emission products and providing affordable access to them over time.

Case Studies

Herc – North America

Herc provides equipment rental services in key markets, including construction, industrial and manufacturing, civil infrastructure, automotive, energy, and emergency response.

Investment Opportunity
The rental market is benefitting from the secular shift in the economy from ownership to renting. Herc is the oldest rental equipment company still in existence, and the third largest industrial rental equipment company in North America with 3% market share, and a presence in the USA and Canada. The company expects the rental market to grow at 4% per annum for the next few years.

Environmental Benefit
Highly aligned to the resource efficiency, enhancing productivity and addressing climate change opportunities, the company's rental equipment minimises idle time, brings enhanced efficiencies including reduced transportation, and uses the latest technologies in lower emissions products.

Impact Achieved
Where equipment is used in a rental scenario compared to direct ownership with lower utilisation, there is an average carbon saving of 46% per hour of usage.[3] It is estimated that Herc's fleet of rental equipment avoids 950,000 tCO_2e in a year.

Brambles – Australia

Brambles provides global pallet and plastic container pooling services.

Investment Opportunity
Brambles focuses on the outsourced management of reusable pallets, crates and containers. It has a defensive revenue profile with four main business segments – American pallets, European pallets, Asia-Pacific pallets and a corporate division. The global leader in the pallet pooling business, it has over 850 service centres and dominant market share in most global markets. Its customer base is stable and diversified, with scope for further penetration in pallet outsourcing.

Environmental Benefit
Brambles' pallets are collected, cleaned, repaired and reused. Its circular business model facilitates the share and reuse of the world's largest pool of reusable pallets and containers. New pallets are also made from wood sourced from certified sustainable plantations.

Impact Achieved
The use of the company's products helped avoid approximately 2.4 million tonnes of CO_2 emissions, 1.4 million tons of waste,3,160 megalitres of water, 3.1 million cubic metres of wood and 3.2 million trees as published in their latest report.[4]

[3] (https://erarental.org/wp-content/uploads/2020/12/Carbon-Footprint-of-Construction-Equipment-report.pdf
[4] https://www.brambles.com/Content/cms/sustainability-2021/documents/Brambles_Sustainability_Review_2021.pdf

The Investment Process

The Manager, Impax Asset Management ("IAM"), believes that Environmental and Resource Efficiency Markets offer investors a compelling long-term opportunity to tap into superior growth.

The Manager seeks out mis-priced companies that are set to benefit from the long-term trends of rising global populations and wealth, changing demographics, urbanisation, increasing consumption, and the resultant increases in resource demand. Investment is focused on a small number of deeply researched global equities across alternative energy, energy management and efficiency, transport solutions, sustainable food and agriculture, water infrastructure and technologies, resource efficiency and waste management, environmental services and resources, and digital infrastructure related markets.

For IEM, the Manager uses a four-step investment process:

1. Idea Generation – Identifying interesting companies
The first stage is a quantitative assessment of a company's revenue. Inclusion in the investment universe is contingent upon **the resource efficiency and environmental markets business comprising >50% of the company's revenue**.

IAM has been developing a proprietary universe of environmental stocks since early 1999, with ideas sourced both through internal research of sector and geographical developments as well as via a wide and deep network of contacts.

2. Fundamental analysis
Once a company is identified as being of potential interest, IAM researches the company's financial performance and earnings and undertakes in-depth ESG analysis. Analysts prepare a summary paper covering the key qualitative and quantitative issues for peer review before being introduced to the "A-List" of investable stocks.

3. Portfolio Construction
The co-portfolio managers are responsible for the construction of the portfolio. The managers are free to buy positions on Impax's approved "A-list" of stocks, subject to risk and ESG constraints. They are supported by a seasoned team of investment professionals who bring additional sector, financial and region-specific knowledge to portfolio construction.

The most attractive stocks are identified by the research intensive, bottom-up, stock selection process which focuses on upside to target price. The bottom-up process is then complemented by a top-down macro-economic overlay to ensure that research is also focussed on the most promising regions and sectors. In addition, a top-down environmental markets sub-sector review is conducted.

4. Portfolio Management and Stewardship
Each company within the portfolio is continually monitored within the context of a live "valuation range" which incorporates worst and best-case assumptions. Sell discipline is based on company valuations, portfolio risk metrics, the macro outlook and engagement outcomes.

Stewardship through active ESG engagement and proxy voting are important parts of the investment process. They enable effective monitoring of IEM's investee companies and aim to further enhance the structures, processes, and disclosures of investee companies. The Annual Report provides more detail of the stewardship activities undertaken in the portfolio each year.

ESG Analysis

ESG analysis is an integral part of the investment process at the company level which enables a deeper and broader understanding of investee companies, their corporate structures, oversight mechanisms, risk management capabilities, processes, and transparency.

IAM seeks to understand the character of the companies through ESG analysis, and the insights gained are then utilised to establish the priorities for engagement with investee companies. The analysis is based on a materiality approach, focusing on corporate governance structures, the most material environmental and/or social risks for a company, and any controversies that a company has faced.

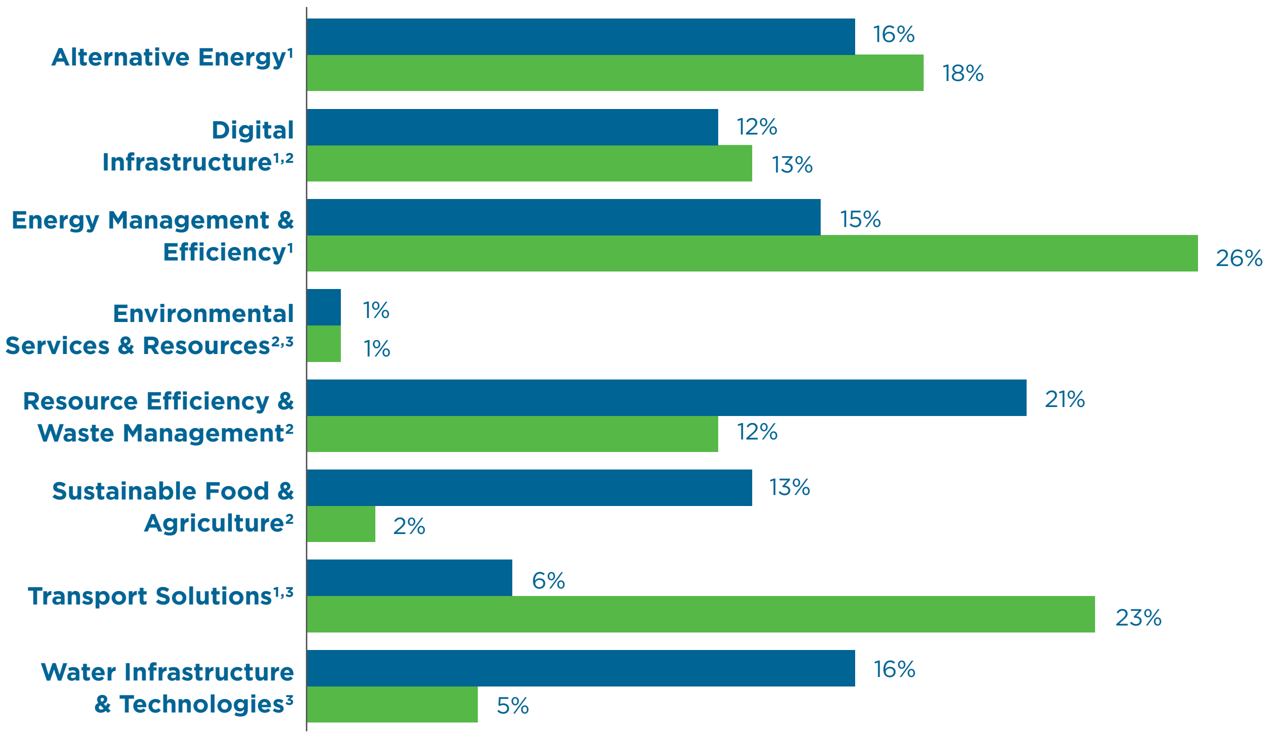
All companies must meet financial and ESG criteria before entering IAM's list of investable companies.

Structure of the Portfolio

As at 30 June 2022

Breakdown by environmental markets classification system

● IEM ● FTSE ET100 Index



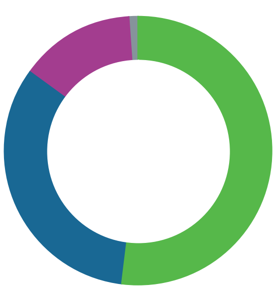
Investment policy classification

1. Alternative Energy and Energy Efficiency.

2. Waste Technology and Resource Management.

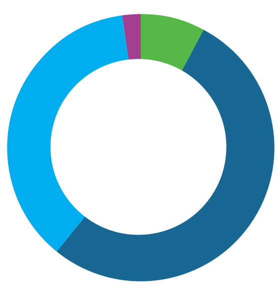
3. Water Treatment and Pollution Control.

Breakdown by region



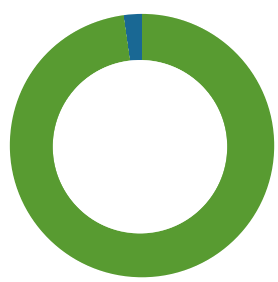
- North America, 52%
- Europe, 33%
- Asia Pacific, 14%
- Rest of World, 1%

Breakdown by market capitalisation



- Large Cap (US$20bn to US$200bn), 8%
- Mid Cap (US$5bn to US$20bn), 53%
- Small Cap (US$0.5bn to US$5bn), 37%
- Micro Cap (less than US$0.5bn), 2%

Breakdown by company profitability



- Profitable, 98%
- Unprofitable, 2%

Environmental Markets Classification

As at 30 June 2022

OUR NEW CLASSIFICATION OF ENVIRONMENTAL MARKETS (FROM 1 JANUARY 2022)

New Energy

Alternative Energy

- Developers & Independent Power Producers
- Biofuels
- Hydrogen
- Solar
- Wind

Energy Management & Efficiency

- Smart Grids
- Industrial, Consumer & Buildings Efficiency
- Power Storage & Uninterruptible Power Supply
- Lighting

Clean and Efficient Transport

Transport Solutions

- Aviation
- Shipping
- Railways
- E-bikes & Bicycles
- Buses & Coaches
- Road Vehicles & Devices
- Pollution Reduction
- Shared Mobility

Sustainable Food

Sustainable Food & Agriculture

- Organic & Alternative
- Technology & Logistics
- Safety & Packaging
- Agri- & Aquaculture
- Forestry

Water

Water Infrastructure & Technologies

- Distribution & Infrastructure
- Treatment
- Efficiency
- Utilities

Circular Economy

Resource Efficiency & Waste Management

- General & Hazardous
- Recycled, Recyclable Products & Biomaterials
- Resource Circularity & Efficiency
- Technologies

Smart Environment

Environmental Services & Resources

- R&D & Consultancies
- Finance & Investment
- Testing & Monitoring
- Pollution Control
- Environmental Resources

Digital Infrastructure

- Efficient IT
- Cloud Computing
- Digital Collaboration Solutions

Two new groups, Clean and Efficient Transport and Smart Environment, have been introduced. Additionally, the Waste/Resource Recovery group is now called Circular Economy. The Manager believes this more accurately represents how the Impax investment team and investors are thinking and talking about Environmental Markets and the developments within it.

Ten Largest Holdings

As at 30 June 2022 and 31 December 2021

1

2.8%
of net assets
(2021: 2.2%)

ORMAT TECHNOLOGIES - United States

www.ormat.com

Ormat designs, builds and supplies power generating equipment using geothermal and recovered energy, whereby thermal energy is recaptured and redeployed. Geothermal is an environmentally friendly means of generating energy, which is immune from most weather effects and thus a strong compliment to wind and solar. Renewable energy developers and independent power producers tend not to be affected by short-term oil price volatility. Their value instead comes from long-term infrastructure projects planned years in advance. In addition, in many regions, when there is a decline in power demand, renewable energy providers are not affected as they have priority status in the delivery of power, when compared to fossil generation.

2

2.7%
of net assets
(2021: 2.8%)

CLEAN HARBORS INC - 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 COVID–19 crisis.

3

2.7%
of net assets
(2021: 2.1%)

BRAMBLES - Australia

www.brambles.com

Brambles is a global support services group which provides pallet and plastic container recycling and pooling services. Pallets, used broadly in shipping and supply chains around the world, are collected, cleaned, repaired and reused by Brambles, aligning well with the concept of a "circular economy". The company also enables pallet and container pooling, which increases efficiency and decreases pallet waste. When required, Brambles makes new pallets from wood sourced from certified sustainable plantations. As the leader in the industry, Brambles' client base is stable and diversified, with many in food and daily necessities.

4

2.6%
of net assets
(2021: 2.7%)

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.

5

2.6%
of net assets
(2021: 2.6%)

AMERICAN WATER WORKS CO INC - 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.

6

2.5%
of net assets
(2021: 2.1%)

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.

7

2.4%
of net assets
(2021: 1.8%)

NORTHLAND POWER INC - Canada www.northlandpower.com

Northland owns, or has economic interests in, power generation facilities in Canada, the United States and Germany. Its assets produce electricity from renewable energy sources – such as solar, wind and biomass – and natural gas. The company maintains an active development and construction program for additional new power generation opportunities and is now the fourth largest developer of offshore wind globally. Northland has a strong project development track record as well as a solid future pipeline, which should drive growth.

8

2.4%
of net assets
(2021: 1.8%)

LITTELFUSE INC - United States www.littelfuse.com

Littelfuse sells fuses, and other circuit protection devices, for use in the automotive, electronics and general industrial markets. There is significant growth in electrical circuits across the global economy – greater protection, control and sensing within circuits can enhance efficiency. To meet net zero ambitions in the coming three decades, more and more products will have to run off electricity and thus the demand for Littelfuse's circuit protection, sensor and connector goods should increase.

9

2.4%
of net assets
(2021: 1.8%)

EUROFINS SCIENTIFIC - France www.eurofins.com

Eurofins Scientific is a life sciences company that is a world leader in food testing, with related business lines in feed and environmental testing, as well as agroscience and pharma. Eurofins Scientific's business model taps into strong growth in the demand for testing globally, particularly as regulations continue to tighten to address climate change, pollution and evolving healthcare challenges. Eurofins can deliver increasingly sophisticated and differentiated solutions to a variety of end markets. This mid-sized European company has a presence in 44 countries and has grown significantly through acquisitions, focusing on long term value creation.

10

2.3%
of net assets
(2021: 1.8%)

GRAPHIC PACKAGING - United States www.graphicpkg.com

Graphic Packaging is a provider of paperboard, and integrated paperboard, packaging to multinational beverage and consumer products companies. It is increasingly contributing to the displacement of single-use plastic packaging and tableware, via its fibre-based packaging products. Some of its packaging inputs are drawn from over 50% recycled material. Graphic is poised to benefit as the US packaging sector consolidates, which is improving industry returns. Graphic will benefit in the long term from trends away from singe use plastic packaging and towards the greater use of recyclable materials.

Top Thirty Portfolio Investments

AS AT 30 JUNE 2022 COMPANY	SECTOR	COUNTRY OF MAIN LISTING	MARKET VALUE £'000	% OF NET ASSETS
Ormat Technologies	Alternative Energy	United States	34,939	2.8
Clean Harbors	Resource Efficiency & Waste Management	United States	33,989	2.7
Brambles	Resource Efficiency & Waste Management	Australia	33,362	2.7
PTC	Digital Infrastructure	United States	32,963	2.6
American Water Works	Water Infrastructure & Technologies	United States	32,035	2.6
Generac Holdings	Energy Management & Efficiency	United States	31,342	2.5
Northland Power	Alternative Energy	Canada	30,452	2.4
Littelfuse	Transport Solutions	United States	29,963	2.4
Eurofins Scientific	Sustainable Food & Agriculture	France	29,540	2.4
Graphic Packaging	Resource Efficiency & Waste Management	United States	29,091	2.3
Top ten holdings			**317,676**	**25.4**
Airtac International	Energy Management & Efficiency	Taiwan	28,857	2.3
Croda International	Resource Efficiency & Waste Management	United Kingdom	28,559	2.3
Bucher Industries	Sustainable Food & Agriculture	Switzerland	28,023	2.2
Descartes Systems	Digital Infrastructure	Canada	27,556	2.2
EDP Renovaveis	Alternative Energy	Portugal	27,217	2.2
Spirax-Sarco Engineering	Energy Management & Efficiency	United Kingdom	26,181	2.1
Darling Ingredients	Resource Efficiency & Waste Management	United States	25,932	2.1
Xinyi Solar Holdings	Alternative Energy	China	25,464	2.0
Trimble	Digital Infrastructure	United States	25,012	2.0
Pentair	Water Infrastructure & Technologies	United States	24,650	2.0
Top twenty holdings			**585,127**	**46.8**
Koninklijke DSM	Sustainable Food & Agriculture	Netherlands	24,187	1.9
Indraprastha Gas	Alternative Energy	India	23,724	1.9
Advantech	Energy Management & Efficiency	Taiwan	23,534	1.9
Monolithic Power System	Digital Infrastructure	United States	23,529	1.9
Donaldson Co.	Transport Solutions	United States	23,313	1.9
Aalberts	Water Infrastructure & Technologies	Netherlands	23,168	1.9
Solaredge Technologies	Alternative Energy	United States	22,850	1.8
Salmar	Sustainable Food & Agriculture	Norway	22,345	1.8
Rayonier	Sustainable Food & Agriculture	United States	21,886	1.8
Repligen	Resource Efficiency & Waste Management	United States	21,776	1.7
Top thirty holdings			**815,439**	**65.3**
Other quoted holdings			474,890	37.9
Total quoted holdings			**1,290,329**	**103.2**
Unquoted holdings -Ensyn	Renewable and Alternative Energy	United States	647*	0.1
Portfolio Total			**1,290,976**	**103.3**
Cash			15,725	1.3
Other net liabilities			(57,514)	(4.6)
Total net assets			**1,249,187**	**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 and 3 and the Manager's Report on pages 4 to 6 of this Half-yearly Financial Report, provide details of the important events which have occurred during the six months ended 30 June 2022 ("Period") and their impact on the financial statements. The statement on related party transactions and the Directors' Statement of Responsibility (below), 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 2022 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 15 to 16 and the structure of the portfolio at the Period end is analysed on page 13.

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 change in the level of discount or premium at which the Company's shares might trade; and

(iv) 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, unauthorized physical access to buildings could lead to damage or loss of equipment.

Emerging risks are considered by the Board at its quarterly meetings and by the Audit Committee as part of its risk management and internal control review. Failure to identify emerging risks may cause reactive actions rather than being proactive and the Company could be forced to change its structure, objective or strategy and, in worst case, could cause the Company to become unviable or otherwise fail.

The market and operational risks posed by the war in Ukraine and the secondary effects of the COVID-19 pandemic, and the ongoing economic impact of these events continue to be monitored by the Board. The Manager and other key service providers provide periodic reports to the Board on operational resilience in light of the pandemic and exposure, if any, to Russia and Belarus. 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 holds no Russian, Belarusian or Ukrainian listed or domiciled stocks.

The Company's Annual Report for the year ended 31 December 2021 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 25 to 28). 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.

In the view of the Board the principal risks and uncertainties facing the business are broadly the same as those in the published annual report and financial statements for the year ended 31 December 2021 although many are at a more elevated level.

RELATED PARTY TRANSACTIONS

Details of the investment management arrangements are 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.

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 2022 were £1,249.2 million, of which £1,290.3 million was in quoted investments and cash totalled £15.7 million. The main liability of the Company is its borrowings of £51.7 million which is covered 25 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 2022 were £6.2 million, while income was £11.6 million.

The Directors have considered the impact of the macroeconomic backdrop, such as rising inflation, higher interest rates and a possible recession. The war in Ukraine and the secondary effects of the COVID-19 pandemic have exacerbated these market-related risks. However, as explained above, the Company has remained resilient in the current extreme market conditions and has more than sufficient liquidity available to meet its expected future obligations.

Board of Directors

1 August 2022

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

1 August 2022

Condensed Income Statement

Unaudited

		SIX MONTHS ENDED 30 JUNE 2022			SIX MONTHS ENDED 30 JUNE 2021		
	NOTES	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
(Losses)/gains on investments		–	(255,299)	(255,299)	–	147,848	147,848
Net foreign exchange (losses)/gains		–	(2,355)	(2,355)	–	166	166
Income	4	11,625	–	11,625	8,945	–	8,945
Investment management fees		(1,379)	(4,136)	(5,515)	(1,121)	(3,365)	(4,486)
Other expenses		(664)	–	(664)	(709)	–	(709)
Return on ordinary activities before finance costs and taxation		**9,582**	**(261,790)**	**(252,208)**	**7,115**	**144,649**	**151,764**
Finance costs	5	(189)	(566)	(755)	(182)	(544)	(726)
Return on ordinary activities before taxation		**9,393**	**(262,356)**	**(252,963)**	**6,933**	**144,105**	**151,038**
Taxation	6	(1,930)	579	(1,351)	(1,276)	(107)	(1,383)
Return on ordinary activities after taxation		**7,463**	**(261,777)**	**(254,314)**	**5,657**	**143,998**	**149,655**
Return per Ordinary Share	**7**	**2.46p**	**(86.29p)**	**(83.83p)**	**2.04p**	**52.05p**	**54.09p**

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".

The notes on pages 24 to 28 form part of these financial statements.

Condensed Balance Sheet

Unaudited

	NOTES	AS AT 30 JUNE 2022 £'000	AS AT 31 DECEMBER 2021* £'000
Fixed assets			
Investments at fair value through profit or loss	3	1,290,976	1,503,750
Current assets			
Dividends receivable		1,962	274
Sales awaiting settlement		3,218	–
Taxation recoverable		32	23
Other debtors		29	–
Cash and cash equivalents		15,725	28,319
		20,966	**28,616**
Creditors: amounts falling due within one year			
Purchases awaiting settlement		(7,637)	–
Trade and other payables		(3,403)	(3,036)
		(11,040)	**(3,036)**
Net current assets		**9,926**	**25,580**
Total assets less current liabilities		**1,300,902**	**1,529,330**
Creditors: amounts falling due after more than one year			
Capital gains tax provision		–	(579)
Bank loans and revolving credit facility	8	(51,715)	(49,113)
Net assets		**1,249,187**	**1,479,638**
Capital and reserves: equity			
Share capital	9	30,562	29,806
Share premium account		422,481	388,262
Capital redemption reserve		9,877	9,877
Share purchase reserve		141,214	147,855
Capital reserve		633,138	894,915
Revenue reserve		11,915	8,923
Shareholders' funds		**1,249,187**	**1,479,638**
Net assets per Ordinary Share	**10**	**410.86p**	**496.42p**

*Audited

Approved by the Board of Directors and authorised for issue on 1 August 2022.

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

The notes on pages 24 to 28 form part of these financial statements.

Condensed Statement of Changes in Equity

Unaudited

SIX MONTHS ENDED 30 JUNE 2022	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 2022		**29,806**	**388,262**	**9,877**	**147,855**	**894,915**	**8,923**	**1,479,638**
Dividend paid	11	–	–	–	–	–	(4,471)	(4,471)
Net proceeds from issue of new shares	9	756	34,162	–	–	–	–	34,918
Net proceeds of shares sold from treasury	9	–	57	–	452	–	–	509
Cost of share buybacks	9	–	–	–	(7,093)	–	–	(7,093)
Return for the period		–	–	–	–	(261,777)	7,463	(254,314)
Closing equity as at 30 June 2022		**30,562**	**422,481**	**9,877**	**141,214**	**633,138**	**11,915**	**1,249,187**

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**

The notes on pages 24 to 28 form part of these financial statements.

Condensed Statement of Cash Flows

Unaudited

	NOTES	SIX MONTHS ENDED 30 JUNE 2022 £'000	SIX MONTHS ENDED 30 JUNE 2021 £'000
Operating activities			
(Loss)/return on ordinary activities before finance costs and taxation*		(252,208)	151,764
Less: Tax deducted at source on income from investments		(1,930)	(1,325)
Foreign exchange non cash flow losses/(gains)		2,689	(259)
Adjustment for losses/(gains) on investments		255,299	(147,848)
Increase in other debtors		(1,726)	(1,217)
Increase/(decrease) in other creditors		425	(199)
Net cash flow from operating activities		**2,549**	**916**
Investing activities			
Sale of investments		116,426	188,510
Purchase of investments		(154,532)	(266,713)
Net cash flow used in investing		**(38,106)**	**(78,203)**
Financing activities			
Equity dividends paid	11	(4,471)	(2,734)
Payment to revolving credit facility		(87)	–
Finance costs paid		(813)	(730)
Net proceeds from issue of new shares	9	34,918	81,893
Net proceeds of shares sold from treasury	9	509	–
Net cost of share buybacks	9	(7,093)	–
Net cash flow from financing		**22,963**	**78,429**
(Decrease)/increase in cash		**(12,594)**	**1,142**
Cash and cash equivalents at start of period		**28,319**	**30,037**
Cash and cash equivalents at end of period		**15,725**	**31,179**

* Cash inflow includes dividend income received during the period to 30 June 2022 of £9,921,000 (30 June 2021: £7,640,000).

Changes in Net Debt Note

	SIX MONTHS ENDED 30 JUNE 2022 £'000	SIX MONTHS ENDED 30 JUNE 2021 £'000
Net debt at start of period	(20,794)	(18,871)
(Decrease)/increase in cash and cash equivalents	(12,594)	1,142
Foreign exchange movements	(2,689)	259
Repayment of revolving credit facility	87	–
Net debt at end of period	**(35,990)**	**(17,470)**

The notes on pages 24 to 28 form part of these financial statements.

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 2021. The Annual Report and Accounts for the year ended 31 December 2021 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 2021 in this Half-yearly Financial Report has been extracted from the audited Annual Report and Accounts for the year ended 31 December 2021. The accounting policies in this Half-yearly Financial Report are consistent with those applied in the Annual Report for the year ended 31 December 2021.

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 and war in Ukraine, are given on pages 18 and 19.

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 2022				31 DECEMBER 2021			
	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	1,290,329	–	–	1,290,329	1,503,168	–	–	1,503,168
– Unquoted	–	–	647	647	–	–	582	582
	1,290,329	**–**	**647**	**1,290,976**	**1,503,168**	**–**	**582**	**1,503,750**

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 holdings in Ensyn at a price of US$7.50 per share as at 30 June 2022 (31 December 2021: US$7.50 per share).

4 INCOME

	SIX MONTHS ENDED 30 JUNE 2022 £'000	SIX MONTHS ENDED 30 JUNE 2021 £'000
Dividends from UK listed investments	961	629
Dividends from overseas listed investments	10,648	8,316
Bank interest received	16	–
Total Income	**11,625**	**8,945**

5 FINANCE COSTS

	SIX MONTHS ENDED 30 JUNE 2022			SIX MONTHS ENDED 30 JUNE 2021		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Interest charges	187	560	747	180	539	719
Direct finance costs	2	6	8	2	5	7
Total	**189**	**566**	**755**	**182**	**544**	**726**

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 2022			SIX MONTHS ENDED 30 JUNE 2021		
	REVENUE £'000	CAPITAL £'000	TOTAL £'000	REVENUE £'000	CAPITAL £'000	TOTAL £'000
Overseas taxation	1,930	–	1,930	1,276	–	1,276
(Decrease)/increase on capital gains tax provision	–	(579)	(579)	–	107	107
Taxation	**1,930**	**(579)**	**1,351**	**1,276**	**107**	**1,383**

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 2022	SIX MONTHS ENDED 30 JUNE 2021
Provision brought forward	579	1,092
Capital gains tax paid	–	(49)
(Decrease)/increase in provision in period	(579)	107
Provision carried forward	**–**	**1,150**

7 RETURN PER SHARE

	SIX MONTHS ENDED 30 JUNE 2022	SIX MONTHS ENDED 30 JUNE 2021
Revenue return after taxation (£'000)	7,463	5,657
Capital return after taxation (£'000)	(261,777)	143,998
Total net return after tax (£'000)	**(254,314)**	**149,655**
Weighted average number of Ordinary Shares	303,362,501	276,654,235

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 drawn down in two currencies, US$12.5 million and £10 million, throughout the period. The facility expires on 6 September 2023.

A summary of the Company's borrowings follows.

		30 JUNE 2022		31 DECEMBER 2021	
	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	16,424	20,000,000	14,777
			31,424		**29,777**
RCF – FLOATING RATE					
Sterling	Six month SOFR+1.7%	10,000,000	10,000	10,000,000	10,000
Non-sterling	Six month SONIA+1.7%	12,530,229	10,291	12,637,000	9,336
Total			**51,715**		**49,113**

8 BANK LOANS AND CREDIT FACILITY (CONTINUED)

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

PAYABLE AFTER MORE THAN ONE YEAR	30 JUNE 2022 £'000	31 DECEMBER 2021 £'000
Bank loans payable after more than one year	31,424	29,777
Revolving credit facility payable after more than one year	20,291	19,336
	51,715	**49,113**

9 SHARE CAPITAL

	SIX MONTHS ENDED 30 JUNE 2022		SIX MONTHS ENDED 30 JUNE 2021	
	NUMBER	£'000	NUMBER	£'000
Issued and fully paid shares of 10p each				
Brought forward	298,061,439	29,806	265,877,138	26,588
New shares issued in period	7,562,100	756	18,093,850	1,809
Shares bought back and held in treasury	(1,694,400)	(169)	–	–
Treasury shares issued in period	112,900	11	–	–
Carried forward	**304,042,039**	**30,404**	**283,970,988**	**28,397**
Treasury shares of 10p each				
Brought forward	–	–	–	–
Shares bought back and held in treasury	1,694,400	169	–	–
Issued in year	(112,900)	(11)	–	–
Carried forward	**1,581,500**	**158**	**–**	**–**
Share capital	**305,623,539**	**30,562**	**283,970,988**	**28,397**

The Company received aggregate gross proceeds of £35,126,000 (2021: £82,426,000) from the issue of new Ordinary Shares and net proceeds of £34,918,000 (2021: £81,893,000) after issue costs of £208,000 (2021: £533,000). In addition, 1,694,400 Ordinary Shares (2021: nil) have been bought back at a cost of £7,093,000 and held in treasury. Of these, 112,900 have subsequently been re-issued for net proceeds of £509,000.

Since the period end, a further 400,000 Ordinary Shares have been re-issued for net proceeds of £1,132,000.

10 NET ASSET VALUE PER ORDINARY SHARE

	30 JUNE 2022	31 DECEMBER 2021
Net asset value (£'000)	£1,249,187	1,479,638
Ordinary Shares in issue (excluding shares held in treasury)	304,042,039	298,061,439
Net assets per Ordinary Share	**410.86p**	**496.42p**

11 DIVIDENDS

A second interim - in lieu of final - dividend for the year ended 31 December 2021 of 1.5p per Ordinary Share was paid on 28 January 2022 (2020: 1.0p).

On the 28 July 2022 the Board announced a first interim dividend of 1.5p per Ordinary Share, payable on the 26 August 2022 to shareholders on the register at the close of business on the 5 August 2022, with an ex-dividend date of 4 August 2022.

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 2022 the fee outstanding to the Manager was £3,104,000 (31 December 2021: £2,730,000).

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 2021 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 1 August 2022.

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 2022	31 DECEMBER 2021
Total assets less cash/cash equivalents (£'000)	a	n/a	1,296,217	1,504,047
Net assets (£'000)	b	1	1,249,187	1,479,638
Gearing (net)	**(a÷b)-1**		**3.8%**	**1.6%**

PREMIUM / (DISCOUNT)

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

		PAGE	30 JUNE 2022	31 DECEMBER 2021
NAV per Ordinary Share (p)	a	1	410.9	496.4
Share price (p)	b	1	400.0	547.0
Premium / (Discount)	**(b-a) ÷a**		**(2.7)%**	**10.2%**

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 2022 (UNAUDITED)		PAGE	SHARE PRICE	NAV
Opening at 1 January 2022 (p)	a	n/a	547.0	496.4
Closing at 30 June 2022 (p)	b	1	400.0	410.9
Dividend/income adjustment factor[1]	c	n/a	1.002	1.003
Adjusted closing (p) (d = b x c)	d	n/a	400.9	412.0
Total return	**(d÷a)-1**		**(26.7)%**	**(17.0)%**

[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

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Stephanie Eastment (Audit Committee Chair)
Aine Kelly (Senior Independent Director)
Vicky Hastings
Nicholas Hurd

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