IMPAX Environmental Markets plc

Half-yearly Financial Report 2023

IMPAX Environmental Markets plc

Contents

*Unaudited

GREEN ECONOMY MARK
LONDON STOCK EXCHANGE

PREMIUM MAIN MARKET
LONDON STOCK EXCHANGE

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

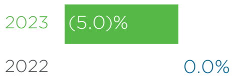
At 30 June 2023 and 31 December 2022

431.6p

Net asset value ("NAV") per ordinary share

(5.0)%

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



410.0p

Ordinary share price

£1,292m

Net assets

PERFORMANCE SUMMARY

For the six months ended 30 June 2023

	% Change[2,3]
NAV total return per ordinary share[1]	3.4%
Share price total return per ordinary share[1]	-1.7%
MSCI ACWI Index	7.8%
FTSE ET100 Index	14.7%

1 These are alternative performance measures
2 Total returns in sterling for the six months to 30 June 2023
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 27.

Chair's Statement

Glen Suarez
Chair

I took over as Chair in May and want firstly to thank John Scott and Vicky Hastings for the services that they provided to Impax Environmental Markets plc ("IEM" or the "Company") and to shareholders over the past ten years, a period during which the Company has grown from £379 million to £1.3 billion assets under management and has established itself as one of the leading companies, if not the leading company, in this sector of the investment trust market.

Although the wider equity markets have performed well in the first six months of 2023 (the "Period"), continued challenges and upheavals in the macroeconomic environment have created a volatile backdrop, generating headwinds for the small- and mid-cap growth companies in which the Company invests. Consequently, while the Company's investment thesis remains strong, and valuations have become increasingly attractive, the Company underperformed its global equities and environmental comparator indices – the MSCI All Country World Index ("MSCI ACWI") and the FTSE Environmental Technology 100 ("FTSE ET100"), respectively – during the Period.

Persistently high inflation has led to interest rate rises beyond those originally priced into markets. This is clouding the outlook for growth, increasing the risk of a 'hard landing' or recession, and encouraging investors to reallocate capital from equities into less risky bonds, where yields have become increasingly attractive. In addition, the failure of Silicon Valley Bank in the US, followed by the collapse of Credit Suisse in Europe, stoked fears of another financial crisis. While these fears proved exaggerated, they have triggered tighter lending standards, which create another risk to economic growth. These events prompted 'risk off' sentiment in markets, leading to significant underperformance of small- and mid-cap markets in the second quarter, contributing to IEM's underperformance over the Period.

Conversely, the sources of positive equity market performance during the Period have been extremely narrowly focused. Much of the rise in equity indices was delivered by a small number of US 'mega-cap' technology names to which IEM is not exposed.

However, growing excitement among investors about the prospects for artificial intelligence has fuelled the meteoric rise of chipmaker Nvidia, one of these tech names, and does create opportunities for IEM which are discussed in the Manager's Report.

Wider market challenges obscured continued positive developments in environmental markets, also discussed in detail below. Policy support has remained resolute despite a challenging macroeconomic environment, with the US Inflation Reduction Act and the EU's Green Deal Industrial Plan poised to drive accelerating growth in the markets in which IEM invests.

It is worth re-stating the investment hypothesis that underpins the Company. There is a clear need for solutions to pressing environmental challenges, to promote resource efficiency and for infrastructure that enables basic needs to be more efficiently and cleanly met. The Board and Manager believe that investing globally in pureplay companies that provide these solutions across a diverse range of end-markets will generate investment outperformance. The current combination of a strong underlying investment hypothesis and a de-rating of the portfolio compared with wider equity markets creates a compelling valuation case, which has been instrumental in the gearing decisions discussed below.

INVESTMENT PERFORMANCE

During the Period, the total return of the NAV per share of the Company was 3.4% and the share price total return was -1.7%. IEM underperformed the MSCI ACWI, its global comparator index, which generated a total return of 7.8%. Similarly, IEM underperformed the FTSE ET100, which rose 14.7% over the Period.

Notwithstanding the disappointing outcome for 2022, the longer term returns for IEM remain very respectable: three-year annualised performance of the share price and NAV are 9.8% and 12.4%, respectively, compared to 9.9% for MSCI ACWI. Over five years, the annualised returns are 10.0% for the share price and 10.4% for the NAV versus 8.9% for MSCI ACWI.

GEARING

The Board and Manager fundamentally believe that gearing represents an attractive feature of investment trusts, which can enhance long-term performance. When originally put in place in 2014, the Board and Manager agreed a tolerance of up to 10% gearing. As mentioned in the 2022 Annual Report, the existing £50.3 million facilities, which have been in place for five years and represent a diminished level of 3.1% net gearing following IEM's growth, come up for renewal

"I have great confidence in the long-term thesis that sustainability pressures create opportunities for companies providing environmental solutions."

in September 2023. In the absence of share issuance, previously flagged capacity constraints have eased. Following extensive discussions, and based in part on a compelling portfolio valuation, the Board has decided to replace the existing facility with long-term structural debt. After the Period end the Company announced the placement of €60 million (~£51.7 million) privately placed notes ("Notes") with a mixture of maturities and interest rates, and a balance of fixed versus floating interest rates. These are set out below.

Principal amount	Maturity	Interest rate
€20m	7 years	Floating: 6M EURIBOR +1.35%
€30m	10 years	Fixed: 4.48%
€10m	12 years	Fixed: 4.63%

In addition to the above, the Board is in advanced discussions with its existing bank, Scotiabank, for an additional £35m floating rate facility. Whilst subject to documentation, this facility, if fully drawn, together with the Notes, would result in approximately 7% gross gearing and a mix of fixed and floating interest rate debt. This is considered appropriate and desirable at current valuation levels and given the uncertain trajectory of interest rates.

PREMIUM AND DISCOUNT CONTROL

The Company's ordinary shares traded at net asset value ("NAV") on 31 December 2022 and a discount to NAV of 5.0% on 30 June 2023, trading between a premium of 1.3% and a discount of 6.1% during the Period.

Equity market volatility has seen discounts on investment trusts continue to widen materially over the first half of 2023. The Board's intention remains for the Company's share price to trade close to NAV in normal market conditions and it will continue to exercise its authority to buy back or issue shares accordingly. A total of 4,835,000 shares were bought back into treasury during the Period, resulting in 6,291,500 shares being held in treasury at 30 June 2023.

DIVIDEND

The Company's net revenue return for the Period was £9.1 million, compared with £7.5 million earned in the same period last year. This increase reflects continued recovery of dividends post pandemic. There were 304.2 million ordinary shares in issue at the start of the year, falling to 299.3 million by the end of the Period, reflecting the 4.8 million shares bought back.

The second interim dividend for the 2022 financial year, of 2.5 pence per ordinary share, was declared on 1 February 2023 and paid on 10 March 2023. It remains the Board's intention to pay out substantially all earnings by way of dividends, the quantum of which is affected both by the level of dividends received by the Company and by the number of shares in issue at the relevant record date.

On 28 July 2023, the Board announced a first interim dividend for this financial year of 1.7 pence per ordinary share, payable on 1 September 2023 to shareholders who appear on the register at 11 August 2023, with an ex-dividend date of 10 August 2023.

THE BOARD

At the Company's AGM in May 2023, I was appointed by the Board as the Company's new Chair, taking over from John Scott. I would like to extend the Board's thanks to John, who not only had served the Company as Chair for nine years, but also remained in post beyond his planned retirement, following the sudden death in 2021 of then Chair-designate Simon Fraser.

Additionally, I would like to extend the Board's gratitude to Vicky Hastings, who also retired at the 2023 AGM. She served for ten years and is replaced by Guy Walker. Guy is the senior independent director at JPMorgan European Growth & Income plc. He was previously Managing Director of UK & European Equities at UBS Asset Management and before that had held various roles at Schroder Investment Management. I look forward to working with Guy and the rest of the Board.

The Board has initiated a search for an additional director with a complementary skill set and experience, which would return the Board to five members.

OUTLOOK

I join the Company at a challenging time for its Manager and, indeed, for all investors, as we move into a new economic paradigm, characterised by higher interest rates, continuing conflict in Ukraine and the at least partial unraveling of globalised supply chains. These factors are injecting uncertainty into global markets, to the particular disadvantage of riskier market segments such as growth equity. Nonetheless, I have great confidence in the long-term thesis that sustainability pressures create opportunities for companies providing environmental solutions. I am also confident in the skills and experience of the Manager in identifying strong companies with attractive valuations that are well-positioned to generate value from those opportunities.

Glen Suarez, Chair
2 August 2023

Manager's Report

Bruce Jenkyn-Jones

Jon Forster

Fotis Chatzimichalakis

The first half of 2023 has presented a difficult market environment in which to invest in small- and mid-cap companies, despite the overall upward direction of equity markets. As was the case in 2022, macroeconomic events have been the predominant driver of stock markets, with inflation, the interest rate environment and banking upheavals, as flagged in the Chair's Statement. Over the Period, IEM's NAV underperformed the MSCI ACWI by 4.4% and the FTSE ET100 by 11.3%.

In relation to its performance against the MSCI ACWI, IEM has a core focus on small- and mid-cap companies, which provide pure and focused exposure to the environmental markets growth story and are less easily accessible to our investors. This market cap bias has worked against us in the Period, with ACWI Small Caps delivering 2.2% and ACWI Mid Caps 1.7%, while MSCI ACWI returned 7.8%.

As a part of this dynamic, the performance of the MSCI ACWI was driven by a small number of 'mega-cap' technology stocks, notably Apple, Nvidia, Microsoft, Amazon and Meta (Facebook), which fall outside of our remit and collectively contributed to a 5% drag to relative performance. Performance of the FTSE ET100 was also dominated by large-cap names such as Tesla, Tokyo Electron and Schneider Electric, all of which have market caps many times larger than our biggest holdings. We continue to believe our market cap bias will deliver strong performance over time.

Notwithstanding the above, we were encouraged by continued solid earnings delivery across the portfolio during the Period, driven by strong pricing power and the easing of the supply chain constraints that were a feature of 2021 and 2022. Our Digital Infrastructure holdings and our construction-exposed holdings in Buildings Energy Efficiency and Water Infrastructure also delivered standout performance. Portfolio valuation is another highlight and both are discussed in our report.

From a broader perspective, we see continued positive momentum around policy. The substantial investment in climate action promised by the US Government's Inflation Reduction Act, which unexpectedly passed last year, will begin to make itself felt in the real economy in the second half of this year. This will underpin strong growth in renewables, electricity transmission infrastructure, electric vehicles and associated manufacturing. This has prompted a significant response from the EU, discussed below.

KEY DEVELOPMENTS AND DRIVERS OF ENVIRONMENTAL MARKETS

Europe's response to the Inflation Reduction Act

The Inflation Reduction Act was not only the largest single government commitment to climate action – with US$369 billion in subsidies and tax breaks for green technologies[1] – it is also heavily skewed towards domestic job creation. Much of its funding is directed either to US consumers, or US-based manufacturing, and it is encouraging multinationals to reorientate their clean technology investment plans towards the US market to take advantage of its provisions.

The European Union has come under considerable pressure from its manufacturing sector and some member states to respond with incentives of its own. In its response, the European Commission unveiled its Green Deal Industrial Plan in February. Its goal is to "enhance the competitiveness of Europe's net-zero industry and support the fast transition to climate neutrality",[2] the European Commission says. The plan aims to simplify regulation and permitting, speed up access to public finance, support green technology skills development and promote global trade in critical raw materials.

The plan does not directly offer new subsidies to support EU-based climate technologies, but it does loosen the rules around the State Aid that member state governments can provide to the private sector. In addition, Commission President Ursula von der Leyen said member states could draw on around €250 billion in the EU's post-pandemic recovery fund to direct towards net-zero industries.[3]

Compared with the Inflation Reduction Act, the EU policy response is more complicated, less focused and is subject to several loopholes and gaps; it may therefore be less potent as a driver of company

1 https://www.energy.gov/lpo/inflation-reduction-act-2022
2 https://ec.europa.eu/commission/presscorner/detail/en/ip_23_510
3 https://ec.europa.eu/commission/presscorner/detail/en/statement_23_521

performance. Nonetheless, it is incrementally positive for environmental markets. We are particularly pleased to see efforts to ease permitting for clean energy infrastructure, which has represented a bottleneck in recent years.

China's drive towards technology independence

Increased geopolitical tensions between China and the West are leading to the reconstitution of global supply chains, including in key environmental technologies. China has long pursued policies aimed at reducing dependence on foreign technology and boosting homegrown innovation. This drive for technological independence and self-sufficiency has intensified in recent years and is supporting the emergence of China-based champions that are displacing multinational giants in supplying the domestic market with high-end clean technologies.

Automation is one sector which benefits from both this drive for technology independence and a push for higher industrial energy efficiency. Here, we as Manager have leveraged the experience of our team on the ground in Hong Kong to make IEM's first investment in a China A-share company. Shenzhen Inovance (Industrial Energy Efficiency, China) is emerging as one of the top players in industrial automation and EV components. It produces inverters, servo motors, industrial robots, EV powertrain components and other products aimed at optimising energy usage for industrial automation equipment and electric vehicles.

This is part of a broader trend towards the emergence of companies in the region that dominate niches in fast-growing areas of the new economy. Their focus on technological innovation and leadership provides high barriers to entry to competitors and can help protect profit margins. We continue to work closely with our Asian team to identify additional attractive investments.

Emerging opportunities in artificial intelligence

Recent leaps forward in the development of generative artificial intelligence ("AI") have triggered intense debate about the implications of this technology. The launch in November 2022 of ChatGPT and the release in February of OpenAI's GPT-4 large language model have drawn attention to the far-reaching implications of a potentially transformative technology.

There is considerable concern about the impact of AI on jobs, society and politics, and even the existential threat it could pose to humankind. Its defenders, on the other hand, argue that it could lead to breakthroughs in medicine or in technologies to tackle climate change. The reality, in the near future at least, is likely to be more prosaic, but impactful nonetheless. Some of the Company's holdings are already deploying AI to help deliver efficiencies in the pursuit of a more sustainable global economy, or are exposed to fast-growing parts of the emerging AI ecosystem.

For example, an immediate implication of rising AI adoption is an increase in the power density of data centres; this makes power management even more important. Monolithic Power Systems (Digital Infrastructure, US) works closely with graphic processing unit manufacturers like Nvidia to deliver superior power management, reduce thermal leaks and enable the deployment of AI from a hardware perspective.

Downstream, IEM has exposure through our investments in the Digital Infrastructure sub-sector to software companies that are translating AI to tangible use-cases in end-markets such as manufacturing, construction, logistics and agriculture. Digital Infrastructure holdings like PTC (US) and Altair Engineering (US) enable efficiencies during the product design stage using generative design, reduce wastage in manufacturing with more automation and enhanced quality inspection and enable connected operating environments with applications like predictive maintenance. Descartes (Canada) uses AI to deliver a more efficient logistics network and optimise fleet route planning, while Trimble (US) enables efficiencies in construction, using generative design and better project planning, and in agriculture, through location-based and data-informed precision agriculture solutions.

ABSOLUTE PERFORMANCE CONTRIBUTORS AND DETRACTORS

Contributors

As noted above, the Digital Infrastructure sector delivered strong performance from industrial software holdings Altair and PTC, both US, on accelerating uptake of software across industrial markets and solid growth in 'sticky' subscription revenues for both companies. In power management chips, Monolithic Power delivered solid earnings from power management solutions across a broadening range of industries, in addition to tailwinds from AI.

There are early signs of recovery in US residential construction, driven by low inventories of new homes, stabilisation of house prices and mortgage rates, and an end to de-stocking in building material supply chains. Across IEM, there is 19% aggregate exposure to construction. Driving recovery from weakness in 2022 were Pentair and Zurn Elkay Water Solutions (both Water Distribution & Infrastructure, US), wood plastic composite decking company Azek (Recycled & Recyclable Products, US) and Lennox (Buildings Energy Efficiency, US). The portfolio is well-diversified across regions and categories, with exposure to residential and non-residential, and new build and refurbishing markets. We see significant potential from this segment, as investors increasingly look to the next construction cycle.

Detractors

In natural ingredients, we saw weakness in consumer-facing markets, with destocking and soft end-market demand. DSM-Firmenich (Sustainable Agriculture, Switzerland) suffered from low volumes and prices for vitamins for animal and human nutrition. Croda (Recycled, Recyclable Products & Biomaterials, UK), was hit by weaker personal care markets and Corbion

(Sustainable Agriculture, Netherlands) faced lower demand for polylactic acid for bioplastics, with a focus in the industry on lower-cost alternatives. We selectively added to these holdings during the Period, given attractive valuations and their compelling long-term substitution stories.

Renewable energy independent power producers faced concerns about the outlook for returns on new projects, given supply chain inflation (especially for wind turbines) and rising interest rates. This led to underperformance, especially of Northland Power (Canada) given its focus on offshore wind with long lead times and complex supply chains, and of EDP Renovaveis (Portugal). We maintain confidence in these names, based on contractual structures which allow for inflation recovery, strong demand for renewable power purchase agreements and management confidence in achievable returns. We added to both holdings during the Period.

PERFORMANCE CONTRIBUTION ANALYSIS

PERFORMANCE RELATIVE TO MSCI ACWI	6 Months Ended 30 June 2023 %
NAV total return	3.4
MSCI ACWI total return	7.8
Relative performance	(4.4)
Analysis of relative performance	
Portfolio total return	4.1
MSCI ACWI total return	7.8
Portfolio underperformance	(3.7)
Borrowing:	
Gearing effect	–
Finance costs	(0.1)
Management fee	(0.4)
Other expenses	(0.1)
Trading costs	(0.1)
Share transactions:	
Buy-backs	0.1
Tax	(0.1)
Total relative NAV performance	(4.4)

PERFORMANCE RELATIVE TO FTSE ET100	6 Months Ended 30 June 2023 %
NAV total return	3.4
FTSE ET100 total return	14.7
Relative performance	(11.3)
Analysis of relative performance	
Portfolio total return	4.1
FTSE ET100 total return	14.7
Portfolio outperformance	(10.6)
Borrowing:	
Gearing effect	–
Finance costs	(0.1)
Management fee	(0.4)
Other expenses	(0.1)
Trading costs	(0.1)
Share transactions:	
Buy-backs	(0.1)
Tax	(0.1)
Total relative NAV performance	(11.3)

PORTFOLIO POSITIONING, ACTIVITY, VALUATION AND RISK

At the end of the Period, the Company held a well-diversified portfolio of 61 listed companies. Consistent with our year end report, we maintained a balance of cyclical and defensive holdings, with an emphasis on quality throughout, with small increases in Asian exposure.

Our activity over the Period focused on two aspects. First, we continued to look for defensive opportunities. We added Dabur (Recycled, Recyclable Products and Biomaterials, India) a leading supplier of natural ingredients into food and personal care markets in India. It produces substitutes for polluting synthetic and fossil fuel-derived products, with strong market share in fast growing markets.

Second, we sought out strong cyclical companies at depressed valuations. We invested in Kingspan (Buildings Energy Efficiency, Ireland) a previous holding we exited in April 2021 based on expensive valuation. We recognise its historical controversy in relation to the Grenfell Tower tragedy in the UK in 2017 but have been reassured by the comprehensive remedial action the company has taken and see a valuation opportunity in the current EU construction downturn. The company has compelling long-term growth prospects from the increasing penetration of high-performance insulation materials, together with recently added opportunities in daylighting, district heating and roofing/ weatherproofing.

During the Period we fully exited Airtac (Industrial Energy Efficiency, Taiwan) at a profit following strong performance.

The portfolio was valued at 19.6 times next 12-months earnings at the end of the Period, with a premium of 21% to MSCI ACWI. Absolute valuation is currently in line with the long-term average and the premium to MSCI ACWI is now below long-term average levels. We find current valuation levels attractive, especially against the backdrop of a steadily strengthening investment hypothesis. Continued earnings delivery will remain key to delivering long-term outperformance.

Looking forward, we have a strong bench of approved names for investment across a range of environmental market segments. We particularly see opportunities for new investments in Asia and in companies exposed to the circular economy.

OUTLOOK

The macroeconomic picture remains challenging, with residual uncertainty regarding the trajectory of inflation. There is potential for interest rates to remain elevated beyond current market expectations, which would create headwinds for the growth-oriented equities where IEM focuses. However, it is likely that we are towards the end of the tightening cycle, and there is considerable potential for an uplift in performance caused by investors rotating back into growth stocks and into the small- and mid-cap companies in which IEM invests.

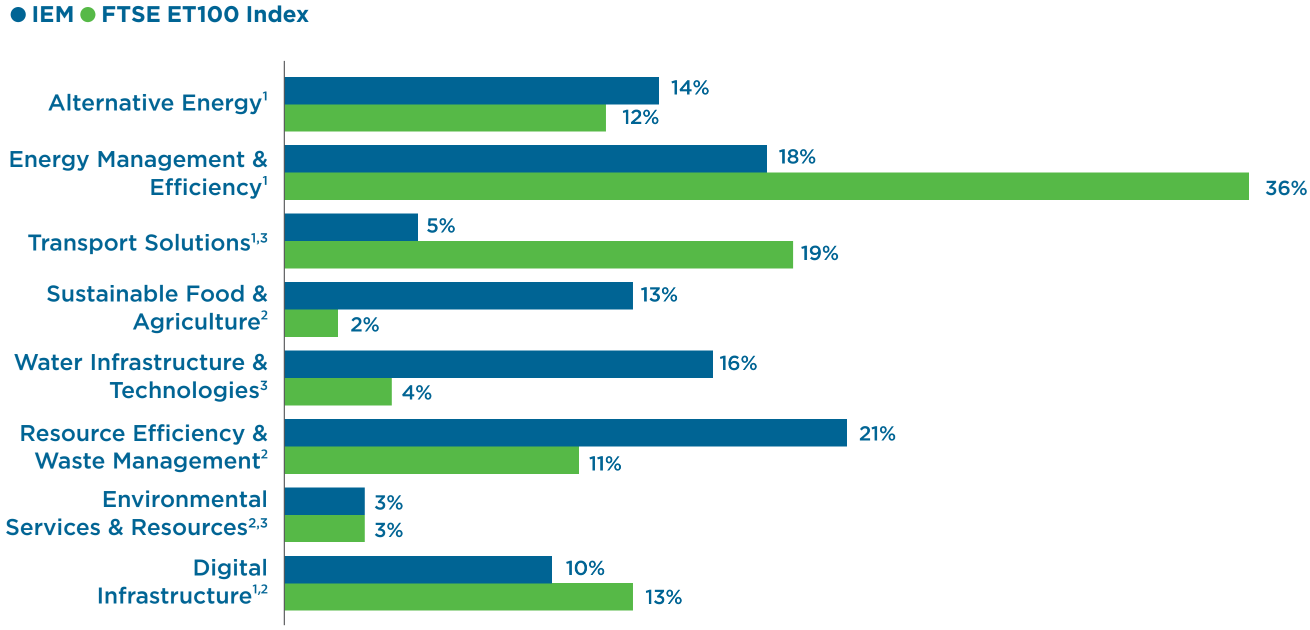
We are also encouraged by continued strong policy support for environmental markets, even against a challenging macroeconomic backdrop. The long-term investment case, based on the ongoing and increasingly urgent need to address environmental challenges, remains firmly intact, with compelling valuations contributing to our support for putting in place long term borrowings and increasing the Company's gearing .

Impax Asset Management (AIFM) Limited
2 August 2023

Structure of the Portfolio

As at 30 June 2023

Breakdown by environmental sector



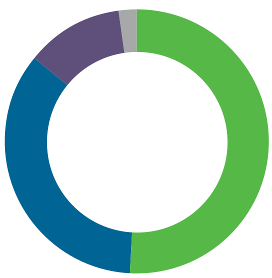
Investment policy classification

1 Alternative Energy and Energy Efficiency

2 Waste Technology and Resource Management

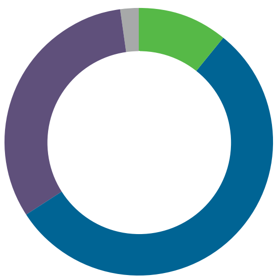
3 Water Treatment and Pollution Control

Breakdown by region



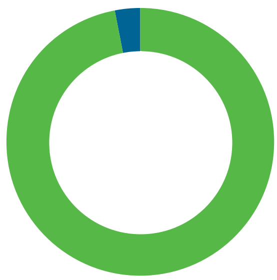
- North America, 51%
- Europe, 35%
- Asia Pacific, 12%
- Rest of World, 2%

Breakdown by market capitalisation



- Large Cap (US$20bn to US$200bn), 11%
- Mid Cap (US$5bn to US$20bn), 55%
- Small Cap (US$0.5bn to US$5bn), 32%
- Micro Cap (less than US$0.5bn), 2%

Breakdown by company profitability



- Profitable, 97%
- Unprofitable, 3%

Ten Largest Holdings

As at 30 June 2023 and 31 December 2022

1

2.7%
of net assets
(2022: 2.8%)

PTC - 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

2.5%
of net assets
(2022: 2.9%)

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 COVID–19 crisis.

3

2.5%
of net assets
(2022: 2.1%)

LITTELFUSE - 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.

4

2.4%
of net assets
(2022: 2.5%)

SPIRAX-SARCO ENGINEERING - United Kingdom
www.spiraxsarco.com

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

5

2.4%
of net assets
(2022: 2.3%)

NORTHLAND POWER - 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.

6

2.4%
of net assets
(2022: 2.4%)

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.

7

2.4%
of net assets
(2022: 2.3%)

CRODA INTERNATIONAL - United Kingdom

www.croda.com

Croda International is the holding company for a group of companies that manufacture a diverse range of chemicals and chemical products, including oleochemicals and industrial chemicals. Croda supplies its items to companies that specialise in the personal care, pharmaceutical, plastics, food processing, nutrition, fire prevention, engineering, and automotive industries.

8

2.3%
of net assets
(2022: 2.6%)

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.

9

2.3%
of net assets
(2022: 2.1%)

DARLING INGREDIENTS - United States

www.darlingii.com

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

10

2.3%
of net assets
(2022: 1.7%)

EDP RENOVAVEIS - Portugal

www.edpr.com

EDPR is a renewable energy company which engages in the development, construction, and operation of wind farms and solar plants. It is a leading renewable energy developer with high quality assets in Europe and the US and with a strong pipeline in Europe and the Americas. EDP ranks fourth globally in terms of ownership of renewables assets. It is a market leader with an excellent operating history for existing plants, an ongoing ability to reduce costs, and has an effective asset rotation strategy that takes advantage of demand for operating assets.

Top Thirty Portfolio Investments

As at 30 June 2023 Company	Sector	Country of main listing	Market value £'000	% of net assets
PTC	Digital Infrastructure	United States	34,360	2.7
Clean Harbors	Resource Efficiency & Waste Management	United States	32,450	2.5
Littelfuse	Transport Solutions	United States	31,970	2.5
Spirax-Sarco Engineering	Energy Management & Efficiency	United Kingdom	31,517	2.4
Northland Power	Alternative Energy	Canada	31,389	2.4
Graphic Packaging	Resource Efficiency & Waste Management	United States	31,195	2.4
Croda International	Resource Efficiency & Waste Management	United Kingdom	30,469	2.4
Brambles	Resource Efficiency & Waste Management	Australia	30,326	2.3
Darling Ingredients	Resource Efficiency & Waste Management	United States	29,453	2.3
EDP Renovaveis	Alternative Energy	Portugal	29,393	2.3
Top ten holdings			312,522	24.2
Stericycle	Resource Efficiency & Waste Management	United States	29,315	2.3
Bucher Industries	Sustainable Food & Agriculture	Switzerland	29,128	2.3
Aalberts Industries	Water Infrastructure & Technologies	Netherlands	28,903	2.2
DSM-Firmenich	Sustainable Food & Agriculture	Switzerland	28,538	2.2
Rayonier	Sustainable Food & Agriculture	United States	27,792	2.2
Pentair	Water Infrastructure & Technologies	United States	27,220	2.1
Eurofins Scientific	Sustainable Food & Agriculture	France	27,056	2.1
Advanced Drainage Systems	Water Infrastructure & Technologies	United States	26,099	2.0
Generac Holdings	Energy Management & Efficiency	United States	25,713	2.0
Lem Holding	Energy Management & Efficiency	Switzerland	25,330	2.0
Top twenty holdings			587,616	45.6
Solaregdge Technologies	Alternative Energy	United States	24,355	1.9
Monolithic Power Systems	Digital Infrastructure	United States	23,974	1.9
Donaldson	Transport Solutions	United States	23,727	1.8
Lennox International	Energy Management & Efficiency	United States	23,384	1.8
Trimble Navigation	Digital Infrastructure	United States	23,329	1.8
Repligen	Resource Efficiency & Waste Management	United States	23,303	1.8
Indraprastha Gas	Alternative Energy	India	23,136	1.8
Altair Engineering	Digital Infrastructure	United States	22,926	1.8
American Water Works	Water Infrastructure & Technologies	United States	22,575	1.7
CIA Saneamento Basico	Water Infrastructure & Technologies	Brazil	22,391	1.7
Top thirty holdings			820,716	63.6
Other quoted holdings			507,398	39.2
Portfolio Total			1,328,114	102.8
Cash			14,627	1.1
Other net liabilities			(50,902)	(3.9)
Total net assets			1,291,839	100.0

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

Environmental Markets

IEM ENVIRONMENTAL IMPACT REPORT

The environmental impacts noted below are the measurable output of IEM's investment objective implemented using Impax's investment process.

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 2022, FOR A £10M INVESTMENT IN THE IEM PORTFOLIO, THE PORTFOLIO'S HOLDINGS CONTRIBUTED TO:[1]

	Total	Equivalent to
Renewable electricity generated	1,580 MWh	440 Households' electricity consumption
Materials recovered/waste treated	300 tonnes	310 Households' waste output
Water provided/saved/treated	240 megalitres	1,780 Households' water consumption

Source: Impax Asset Management

Over the past year Impax Asset Management has reviewed its approach to reporting carbon emissions in order to improve transparency and reflect the latest industry guidance. The Manager will continue to provide detailed information by strategy on the GHG emissions of the companies in which we invest, broken down by Scope 1 & 2 and Scope 3 emissions, as well as the avoided GHG emissions arising from the portfolio companies' products and services. Historically, we have also reported a net tCO_2 emissions impact metric for each strategy, but have decided to discontinue reporting this figure to avoid the risk that it might be misused or misinterpreted. This approach is in line the World Business Council for Sustainable Development Guidance on Avoided Emissions published in March 2023 which states that companies shall always separate Scope 1, 2 and 3 GHG emissions from avoided emissions in external reporting.

IN 2022, THE COMPANIES IN THE IEM PORTFOLIO CONTRIBUTED TO THE AVOIDANCE OF 6,070 TCO2 OF GHG EMISSIONS PER £10M INVESTED:

	Total
Total GHG emissions	4,680 tCO_2
Scope 1 & 2	820 tCO_2
Scope 3	3,860 tCO_2
Avoided GHG emissions	6,070 tCO_2

Avoided GHG emissions equivalent to: **3,900 cars taken off the road**

1 Impact of £10m invested in the strategy for one year. Based on most recently reported annual environmental date for portfolio companies as at 31 December 2022. Impax's impact methodology is based on equity value.

Case study

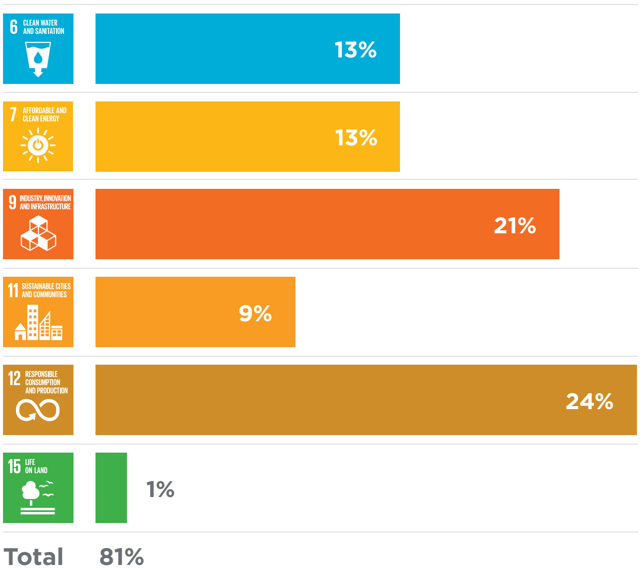
XinYi Solar – China

XinYi Solar is one of the largest solar glass producer in China and globally. The company specialises in the research, development, manufacturing, and service of solar photovoltaic glass, and provides solar power installation investment, construction and operation services. XinYi Solar glass supply meets about one third of the global module demand currently. Based on the company's solar glass production and current power generation of solar farms, the green electricity generated from **XinYi** glass used in these modules helped avoid approximately 25.6 million tCO_2e during 2022.

IEM MAPPED TO UN SUSTAINABILITY GOALS[1]

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 helpful in comparing portfolios' relative impact outcomes. There is an intrinsic link between 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.

IEM HAS 81% REVENUE EXPOSURE TO THE SDGS OVERALL WITH GREATEST LINKAGE TO:



The above bar chart shows the mapping of exposure to SDGs based on revenue exposure to environmental markets as at 31 December 2022 of 81% to UN Sustainable Development Goal's. IEM's greatest linkage is to:

- Goal 12, Responsible Consumption & Production, which relates to holdings in sustainable and efficient agriculture, and recycling and value-added waste processing;
- Goal 9, Industry Innovation & Infrastructure, which relates to holdings in industrial energy efficiency; and
- Goal 6, Clean Water & Sanitation, which relates to holdings in water utilities and infrastructure

1 Source: Data as at 31 December 2022. Figures are based on Impax Asset Management internal data. The UN SDGs encompass 17 goals. For further information, please visit http://www.un.org/sustainabledevelopment/sustainable-development-goals

HOW INNOVATIVE ASIAN FIRMS HAVE CONQUERED NICHE ENVIRONMENTAL SOLUTIONS

The rapid electrification of the car market illustrates global potential for the region's technological leaders

Oscar Yang, Senior Portfolio Manager and Paul Peng, Research Analyst in the Impax Hong Kong Office

Technological innovation has helped propel Asian economic growth since the 1950s, when Japanese companies were pioneering technologies including video tape recorders and high-speed trains. Today, the region accounts for more than two-fifths of the world's research and development, and dominates sectors that underpin the modern global economy, including advanced semiconductors and industrial automation.[1]

Innovative Asian companies have also captured strong positions in key environmental technologies. A look at the global electric vehicle (EV) market illustrates how, with supportive public policy and pre-eminence in related sectors like batteries, they have developed commanding niches within technologies that are poised to accelerate the transition to a more sustainable global economy.

Policy tailwinds behind environmental solutions

We believe a growing focus on technological leadership and climate action among the region's governments combine to support Asian companies whose products can address environmental challenges, not least in the EV space.

Heightened geopolitical tensions have driven a push for more technological independence across major Asian economies. This has catalysed support for indigenous innovation. Semiconductors, upon which many advanced technologies heavily depend, have been a focal point of trade squabbles and state funding. South Korea, which dominates global production of memory chips, has for instance introduced tax incentives and subsidies to help its industry compete in the higher-value non-memory chip space.

National high-tech ambitions extend far beyond semiconductors, including to other technologies that hold the key to environmental solutions. The Chinese government is backing a range of sectors deemed strategically important, including renewable energy equipment and EVs. Five of the largest 11 recipients of state subsidies in 2021, which totalled roughly US$31bn, were EV manufacturers or battery makers.[2]

National climate targets and local air quality concerns meanwhile drive broad policy support for EVs and other environmental solutions. China has pledged that its CO_2 emissions will peak before 2030. India – home to seven of the world's ten most polluting cities in 2022 – aims to reduce its emissions intensity to 45% of 2005 levels by 2030.[3]

The decarbonisation of personal road transport – which accounts for roughly 11% of global man-made CO_2 emissions – is key to achieving both climate targets and cleaner air.[4] Under the IEA's roadmap to net zero by 2050, it estimates that 60% of global new car sales should be electric by 2030.[5]

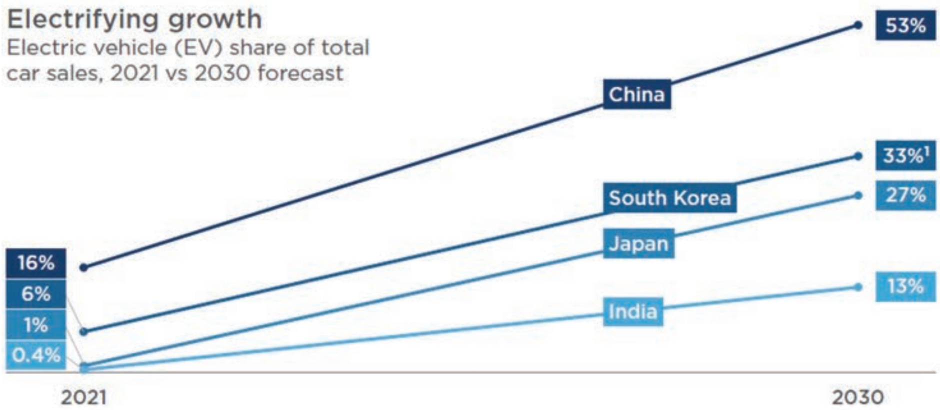
Driving innovation in electric vehicles

The emergence of an Asian EV ecosystem has been a product of leadership in associated technologies, government policy and corporate innovation.

First, pre-eminence in critical EV components has been an advantage. Lithium-ion batteries, which are widely used in consumer electronics, can contribute up to 40% of the cost of making an EV.[6] Asia accounted for 90% of global lithium-ion battery manufacturing in 2021, led by Chinese companies.[7] Leadership in semiconductors also helps: the latest EVs each contain a few thousand chips.

Second, active government intervention in China over the past two decades has fostered the creation of the world's largest EV market. As well as subsidies and tax breaks for battery and EV companies, policies like license plate rationing encourage people to buy EVs. Roughly half of the 6.6 million EVs sold worldwide in 2021 hit the road in China.[8] This is not only a function of market size: as illustrated below, EVs' share of new cars in China (16%) is more than double that of any other major Asian economy and is comparable with France and the UK (19%). Looking ahead, bans on internal combustion engines by 2035 stand to accelerate EV adoption this decade in China, as well in as other key markets including South Korea and Japan. More than half of Chinese new car sales are forecast to be electric by the end of the decade.

1 National Science Board, 2020
2 Nikkei Asia, 22 July 2022: Made in China 2025 plan thrives with subsidies for tech and EV makers
3 AQI, 2023
4 Our World in Data, 2020: Global CO_2 emissions from transport
5 IEA, 2022: An updated roadmap to Net Zero Emissions by 2050
6 König, A. et al., 2021: An Overview of Parameter and Cost for Battery Electric Vehicles. World Electric Vehicle Journal
7 Wood Mackenzie, 2022: Global lithium-ion battery capacity to rise five-fold by 2030
8 IEA, 2022: Electric Vehicles



Source: Impax analysis based on IEA data, 2022.
Projections for 2030 are based on the IEA's Stated Policies Scenario, which takes account of existing policies and measures as well as those under development.
[1]The 2030 estimate for South Korea is a government target.

Third, the fast-growing EV ecosystem has fostered innovation in technologies like advanced driver assistance software or specialist equipment that enhances the energy efficiency of EV drivetrains. Innovation in the EV space is not limited to China or the advanced car-making economies of South Korea and Japan. A new generation of mobility-focused software companies is also emerging in India where local IT talent and expertise has been cultivated, at least partly, by its world-beating technology outsourcing industry.

Our focus on innovative niches

The Asian region boasts a large and growing number of companies that command niches in fast-growing areas of the new economy, including the EV sector, and whose focus on technological innovation and leadership provides high barriers to entry to competitors and can help protect profit margins.

Although China's gradual decoupling from the global economy poses risks for companies and their investors, concerns may be overdone. The critical mass of the domestic market will continue to support Chinese technology leaders. For companies elsewhere in the region, particularly in the Association of Southeast Asian Nations (ASEAN) countries of Malaysia, Vietnam and Indonesia, we believe the possible loss of access to the Chinese market could be offset by the relocation of Western supply chains and the substitution of China-made goods.

With policy support for tackling air pollution and mitigating climate change across major Asian economies, and elsewhere, we believe long-term opportunities will continue to be fostered for innovative companies in the region whose products and services help solve ever more pressing environmental challenges.

Case study

Shenzhen Inovance Technology – China

Shenzhen provides the opportunity to invest in a "local champion" for advanced industrial automation technology in China. The company is a leading domestic supplier of critical components such as servo motors, low voltage invertors and SCARA robots, and has a rapidly growing Electric Vehicle and rail businesses. This represents IEM's first China A share[1] investment.

Investment Opportunity
China's localised manufacturing efforts against the current backdrop of higher geopolitical tensions should benefit Shenzhen. Additionally, the company anticipates profits from economies of scale and has a proven domestic track record in reliability and technological leadership.

Environmental Benefit
Shenzhen's use of enabling technologies, like servo motors, motor control systems and inverters, help manufacturers improve automation efficiency, save energy and reduce overall carbon emissions. Additionally, the company leads most domestic peers in environmental, labour and ethical evaluations.

Impact Achieved
New product development focuses on improving energy efficiency; a new motor drive system which will reduce energy consumption by 20%, as well as inverters for cooling systems which reduce electricity consumption by 25% and a drivetrain system for railway applications which reduces carbon emissions by >200 tons per train per year.[2]

1 A-shares are shares of companies based in mainland China that are listed on either the Shanghai or Shenzhen stock exchanges

2 Shenzhen Inovance 2021 ESG report https://www.inovance.com/owfile/ProdDoc/upload-phase-2/2023/04/27/3ff8ad96-8927-45d0-9c88-367dee21f25b.pdf

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 Chair's Statement on pages 2 and 3 and the Manager's Report on pages 4 to 7 of this Half-yearly Financial Report, provide details of the important events which have occurred during the six months ended 30 June 2023 ("Period") and their impact on the financial statements. The statement on related party transactions and the Directors' Statement of Responsibility (below), the Chair'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 2023 is discussed in the Chair's Statement and the Manager's Report.

Details of the largest ten investments held at the Period end are provided on pages 9 to 10 and the structure of the portfolio at the Period end is analysed on page 8.

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) financing risk – the Company may borrow money for investment purposes and should investment markets fall in value, any borrowing will enhance the level of loss. Capacity constraints on the availability of desirable companies for investment may mean the Company is unable to achieve the level of gearing wanted. Higher interest rates will increase the cost of borrowing for the Company and borrowings may not be available of acceptable types, amounts and/or interest rates;

(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; and

(vi) operational risk - the management of the investment portfolio and other key services have been delegated to third party service providers. Failure by any service provider to carry out its obligations to the Company could have a material adverse effect on the Company's performance or prevent the accurate reporting and monitoring of the Company's financial position.

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.

Specifically, the risks posed by global economic conditions including higher inflation and interest rates, the war in Ukraine and the secondary effects of the COVID-19 pandemic continue to be monitored by the Board. The Manager and other key service providers provide periodic reports to the Board on market impact and operational resilience to these events. The Board is satisfied that the key service providers have the ability to continue their operations efficiently in a remote or virtual working environment, whilst safeguarding their staff.

The Company's Annual Report for the year ended 31 December 2022 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 34 to 38). 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 2022.

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 2023 were £1,292 million, of which £1,328 million was in quoted investments and cash totalled £14.6 million. The total expenses (excluding finance costs and taxation) for the six months ended 30 June 2023 were £5.5 million, while income was £12.6 million.

The Company's current borrowing facilities totalling £50.3 million with Scotiabank expire on 6 September 2023. As announced on 20 July 2023, the Company has agreed, and is committed, to issue €60 million (circa £55 million) of privately placed notes, the details of which are set out in the Chair's Statement on page 5. Funding is expected to be 1 September 2023 and will be used to repay the Scotiabank borrowings.

In addition, as also set out in the Chair's Statement, the Board is in advanced discussions with Scotiabank for new short term facilities of £35 million.

The Directors have considered the above changes in the borrowing facilities, including their timings, when considering going concern. The Directors also considered the impact of higher inflation and interest rates and possible recession as well as the war in Ukraine on the Company's portfolio of investments and that any future prolonged and deep market decline would likely lead to falling values in the Company's investments and/or reduced dividend receipts. However, as explained above, the Company has more than sufficient liquidity available to meet its expected future obligations.

Board of Directors

2 August 2023

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.

Glen Suarez

Chair of the Board of Directors

2 August 2023

Condensed Income Statement
Unaudited

	Notes	Six months ended 30 June 2023 Revenue £'000	Capital £'000	Total £'000	Six months ended 30 June 2022 Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments		–	41,677	41,677	–	(255,299)	(255,299)
Net foreign exchange losses		–	(2,192)	(2,192)	–	(2,355)	(2,355)
Income	4	12,569	–	12,569	11,625	–	11,625
Investment management fees		(1,197)	(3,592)	(4,789)	(1,379)	(4,136)	(5,515)
Other expenses		(754)	–	(754)	(664)	–	(664)
Return/(loss) on ordinary activities before finance costs and taxation		**10,618**	**35,893**	**46,511**	**9,582**	**(261,790)**	**(252,208)**
Finance costs	5	(385)	(1,155)	(1,540)	(189)	(566)	(755)
Return/(loss) on ordinary activities before taxation		**10,233**	**34,738**	**44,971**	**9,393**	**(262,356)**	**(252,963)**
Taxation	6	(1,142)	(295)	(1,437)	(1,930)	579	(1,351)
Return/(loss) on ordinary activities after taxation		**9,091**	**34,443**	**43,534**	**7,463**	**(261,777)**	**(254,314)**
Return/(loss) per ordinary share	7	3.00p	11.36p	14.36p	2.46p	(86.29p)	(83.83p)

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 accompanying notes form part of these financial statements.

Condensed Balance Sheet

Unaudited

	Notes	As at 30 June 2023 £'000	As at 31 December 2022* £'000
Fixed assets			
Investments at fair value through profit or loss	3	1,328,114	1,302,605
Current assets			
Dividends receivable		2,245	512
Sales awaiting settlement		1,669	–
Taxation recoverable		42	90
Other debtors		53	108
Cash and cash equivalents		14,627	26,327
		18,636	**27,037**
Creditors: amounts falling due within one year			
Purchases awaiting settlement		(1,271)	–
Trade and other payables		(2,866)	(1,929)
Bank loans and credit facilities	8	(50,310)	(51,606)
		(54,447)	**(53,535)**
Net current liabilities		**(35,811)**	**(26,498)**
Total assets less current liabilities		**1,292,303**	**1,276,107**
Creditors: amounts falling due after more than one year			
Capital gains tax provision		(464)	(169)
Net assets		**1,291,839**	**1,275,938**
Capital and reserves: equity			
Share capital	9	30,562	30,562
Share premium account		423,098	423,098
Capital redemption reserve		9,877	9,877
Share purchase reserve		121,843	141,872
Capital reserve		691,816	657,373
Revenue reserve		14,643	13,156
Shareholders' funds		**1,291,839**	**1,275,938**
Net assets per ordinary share	10	**431.57p**	**419.49p**

* Audited

Approved by the Board of Directors and authorised for issue on 2 August 2023.

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

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

Unaudited

Six months ended 30 June 2023	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 2023		30,562	423,098	9,877	141,872	657,373	13,156	1,275,938
Dividend paid	11	–	–	–	–	–	(7,604)	(7,604)
Cost of share buybacks	9	–	–	–	(20,029)	–	–	(20,029)
Return for the period		–	–	–	–	34,443	9,091	43,534
Closing equity as at 30 June 2023		**30,562**	**423,098**	**9,877**	**121,843**	**691,816**	**14,643**	**1,291,839**

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**

The accompanying notes form part of these financial statements.

Condensed Statement of Cash Flows

Unaudited

	Notes	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000
Operating activities			
Return/(loss) on ordinary activities before finance costs and taxation*		46,511	(252,208)
Less: Tax deducted at source on income from investments		(1,142)	(1,930)
Foreign exchange non cash flow (gains/losses)		(1,296)	2,689
Adjustment for (gains)/losses on investments		(41,677)	255,299
Increase in other debtors		(1,630)	(1,726)
Increase in other creditors		923	425
Net cash flow from operating activities		**1,689**	**2,549**
Investing activities			
Sale of investments		281,452	116,426
Purchase of investments		(265,682)	(154,532)
Net cash flow used in investing		**15,770**	**(38,106)**
Financing activities			
Equity dividends paid		(7,604)	(4,471)
Payment to revolving credit facility		–	(87)
Finance costs paid		(1,526)	(813)
Net proceeds from issue of new shares	9	–	34,918
Net proceeds of shares sold from treasury	9	–	509
Net cost of share buybacks	9	(20,029)	(7,093)
Net cash flow from financing		**(29,159)**	**22,963**
(Decrease)/increase in cash		**(11,700)**	**(12,594)**
Cash and cash equivalents at start of period		**26,327**	**28,319**
Cash and cash equivalents at end of period		**14,627**	**15,725**

* Cash inflow includes dividend income received during the period to 30 June 2023 of £10,467,000 (30 June 2022: £9,921,000)

Changes in Net Debt Note

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000
Net debt at start of period	(25,279)	(20,794)
(Decrease)/increase in cash and cash equivalents	(11,700)	(12,594)
Foreign exchange movements	1,296	(2,689)
Repayment of revolving credit facility	–	87
Net debt at end of period	**(35,683)**	**(35,990)**

The accompanying notes 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 July 2022.

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 2022. The Annual Report and Accounts for the year ended 31 December 2022 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 2022 in this Half-yearly Financial Report has been extracted from the audited Annual Report and Accounts for the year ended 31 December 2022. The accounting policies in this Half-yearly Financial Report are consistent with those applied in the Annual Report for the year ended 31 December 2022.

Management fees and finance costs are charged 75% to capital in the Condensed Income Statement.

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 higher inflation and interest rates and possible recession and war in Ukraine, are given on pages 16 and 17.

3 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Classification of financial instruments

Securities of companies quoted on regulated stock exchanges and the Company's holdings in unquoted companies have been classified as 'at fair value through profit or loss' and are initially recognised on the trade date and measured at fair value in accordance with sections 11 and 12 of FRS 102. Investments are measured at subsequent reporting dates at fair value by reference to their market bid prices. Any unquoted investments are measured at fair value, which is determined by the Directors in accordance with the International Private Equity and Venture Capital guidelines.

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

The classifications and their descriptions are below:

FRS 102 requires 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 2023				31 December 2022			
	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	1,328,114	–	–	1,328,114	1,302,605	–	–	1,302,605
	1,328,114	**–**	**–**	**1,328,114**	**1,302,605**	**–**	**–**	**1,302,605**

4 INCOME

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000
Dividends from UK listed investments	889	961
Dividends from overseas listed investments	11,311	10,648
Bank interest received	369	16
Total Income	**12,569**	**11,625**

5 FINANCE COSTS

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Interest charges	383	1,149	1,532	187	560	747
Direct finance costs	2	6	8	2	6	8
Total	**385**	**1,155**	**1,540**	**189**	**566**	**755**

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 2023			Six months ended 30 June 2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas taxation	1,142	–	1,142	1,930	–	1,930
Increase/(decrease) on capital gains tax provision	–	295	295	–	(579)	(579)
Taxation	**1,142**	**295**	**1,437**	**1,930**	**(579)**	**1,351**

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 2023 £'000	Six months ended 30 June 2022 £'000
Provision brought forward	169	579
Increase/(decrease) in provision in period	295	(579)
Provision carried forward	**464**	**–**

7 RETURN PER SHARE

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000
Revenue return after taxation (£'000)	9,091	7,463
Capital return after taxation (£'000)	34,443	(261,777)
Total net return after tax (£'000)	**43,534**	**(254,314)**
Weighted average number of ordinary shares	303,095,575	303,362,501

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 The Bank of Nova Scotia, London Branch ("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 loans follows.

		30 June 2023		31 December 2022	
	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	15,728	20,000,000	16,531
			30,728		**31,531**
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%	12,185,017	9,582	12,185,017	10,075
			50,310		**51,606**

8 BANK LOANS AND CREDIT FACILITY CONTINUED

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

Payable less than one year	30 June 2023 £'000	31 December 2022 £'000
Bank loans payable less than one year	30,728	31,531
Revolving credit facility payable less than one year	19,582	20,075
	50,310	**51,606**

9 SHARE CAPITAL

	Six months ended 30 June 2023		Six months ended 30 June 2022	
	Number	£'000	Number	£'000
Issued and fully paid shares of 10p each				
Brought forward	304,167,039	30,416	298,061,439	29,806
New shares issued in period	–	–	7,562,100	756
Shares bought back and held in treasury	(4,835,000)	(484)	(1,694,400)	(169)
Treasury shares issued in period	–	–	112,900	11
Carried forward	**299,332,039**	**29,932**	**304,042,039**	**30,404**
Treasury shares of 10p each				
Brought forward	1,456,500	146	–	–
Shares bought back and held in treasury	4,835,000	484	1,694,400	169
Issued in year	–	–	(112,900)	(11)
Carried forward	**6,291,500**	**630**	**1,581,500**	**158**
Share capital	**305,623,539**	**30,562**	**305,623,539**	**30,562**

During the Period, 4,835,000 ordinary shares (2022: 1,694,400) have been bought back and placed into treasury at a total cost of £20,029,000 after purchase costs of £83,000.

Since the Period end and up to 31 July 2023, being the latest practical date before the publication of this Half-yearly Financial Report, a further 2,820,000 ordinary shares have been bought back and placed into treasury at a total cost of £11,598,000 after purchase costs of £46,000.

10 NET ASSET VALUE PER ORDINARY SHARE

	30 June 2023	31 December 2022
Net asset value (£'000)	£1,291,839	£1,275,938
Ordinary shares in issue (excluding shares held in treasury)	299,332,039	304,167,039
Net assets per ordinary share	**431.57p**	**419.49p**

11 DIVIDENDS

(a) Dividends paid in the period

	2023		2022	
	Rate	£'000	Rate	£'000
Second interim in lieu of final for the previous year	2.50p	7,604	1.50p	4,471

(b) Dividends payable in respect of the period, which is the basis on which the requirements of s1158-1159 of the Corporation Tax Act 2010 are considered

	2023		2022	
	Rate	£'000	Rate	£'000
First interim for the current year[1]	1.70p	5,041	1.50p	4,568

1 The first interim dividend payable is based upon 296,512,039 ordinary shares, which is the number of shares in issue on the 31 July 2023, being the latest practical date before the publication of this Half-yearly Financial Report

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 2023 the fee outstanding to the Manager was £2,397,000 (31 December 2022: £1,601,000).

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 2022 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.

This Half-yearly Financial Report was approved by the Board on 2 August 2023.

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 2023	31 December 2022
Total assets less cash/cash equivalents (£'000)	a	n/a	1,332,123	1,303,315
Net assets (£'000)	b	20	1,291,839	1,275,938
Gearing (net)	(a÷b)-1		**3.1%**	**2.1%**

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 2023	31 December 2022
NAV per ordinary share (p)	a	1	431.6	419.5
Share price (p)	b	1	410.0	419.5
Premium/(discount)	(b-a)÷a		**(5.0)%**	**0.0%**

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 2023 (Unaudited)		Page	Share price	NAV
Opening at 1 January 2023 (p)	a	n/a	419.5	419.5
Closing at 30 June 2023 (p)	b	1	410.0	431.6
Dividend/income adjustment factor[1]	c	n/a	1.0058	1.0051
Adjusted closing (p)	d=b x c	n/a	412.37	433.76
Total return	(d÷a)-1		**(1.7%)**	**3.4%**

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)
Guy Walker

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Half-yearly Financial Report 2023

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