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Impax Group plc

(Incorporated in England and Wales under the Companies Act 1985 (as amended) with registered number 3262305)

Establishment of Employee Incentive Arrangement

Notice of Extraordinary General Meeting

Notice of an Extraordinary General Meeting of the Company to be held at 11.20 a.m. on 4 February 2005, or if later, immediately following the conclusion of the extraordinary general meeting convened for 11.15 a.m. at the same location, is set out at the end of this document. A Form of Proxy for the use at the Extraordinary General Meeting should be completed and returned to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham BR3 4TU. To be valid, forms of proxy for use at the Extraordinary General Meeting must be completed and returned so as to reach the Company's Registrars Capita Registrars, The Registry, 34 Beckenham Road, Beckenham BR3 4TU not later than 11.20 a.m. on 2 February 2005. The completion and return of a form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting should you wish to do so.

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EXPECTED TIMETABLE

	<i>2005</i>
Latest time and date for receipt of forms of proxy for use at the EGM	11.20 a.m. 2 February
Extraordinary General Meeting	11.20 a.m. 4 February

PART 1
LETTER FROM THE CHAIRMAN

IMPAX GROUP plc

(Incorporated in England and Wales under the Companies Act 1985 (as amended) with registered number 3262305)

Directors:

J Keith R Falconer (Chairman)
Melville E V Haggard
Nigel D W Taunt
Ian R Simm
David L Kempton
J Simon T Morris

Registered Office:

Broughton House
6-8 Sackville Street
London
W1S 3DG

11 January 2005

To Shareholders and for information purposes only to holders of Loan Stock

Dear Shareholder,

Introduction

I am writing to you to describe proposals for the establishment by the Company of the Impax Group Employee Benefit Trust 2005 ("EBT" or "Incentive Arrangement") for the purposes, *inter alia*, of the grant of awards of Ordinary Shares to employees of the Group. The purpose of establishing the Incentive Arrangement is to motivate and incentivise eligible participants to achieve value for Shareholders.

The approval of Shareholders is sought for the establishment of the Incentive Arrangement by way of the ordinary resolution to be proposed at the Extraordinary General Meeting, notice of which is set out at the end of this document. In addition, a special resolution will be proposed at the Extraordinary General Meeting which will grant to the Directors authorities to allot Ordinary Shares for the purposes of the EBT.

Background to and reasons for the Employee Benefit Trust

It is appropriate that the long-term interests of Shareholders and employees are aligned. Employees should be encouraged to think of themselves as proprietors of the business and the best way to achieve this is through share ownership.

Giving key employees a stake in the business should make it easier to attract and retain good people. A company with settled and well rewarded employees is likely to perform better than one that does not and should increase the wealth of Shareholders more than would otherwise be the case.

Proposed Incentive Arrangement

If the Proposal is approved, the Company will establish the Incentive Arrangement. The Incentive Arrangement will be implemented by means of an employee benefit trust, to be known as the "Impax Group Employee Benefit Trust 2005" or the "EBT". The purpose of the Incentive Arrangement is to motivate and incentivise eligible participants to achieve value for Shareholders. Key employees (including executive directors) will be eligible to participate in the Incentive Arrangement.

The Incentive Arrangement is intended to provide benefits and incentives for employees and their families. In particular, it is intended that under the Incentive Arrangement Ordinary Shares will be used to incentivise the executive team to achieve value for Shareholders in terms of share price improvements and relative share price performance. The Incentive Arrangement is also intended to assist staff retention.

The Company intends to issue new Ordinary Shares at nominal value to the trustee of the EBT for the purpose of making share awards. The trustee of the EBT will fund the purchase of such Ordinary Shares with a loan from a person outside the Group. The new Ordinary Shares will be issued in three tranches. It is expected that the three tranches will be issued to the EBT by September 2005, September 2006 and September 2007.

The Incentive Arrangement provides the opportunity for the key employees to achieve a substantial benefit over the short to medium term reflecting the importance to the Group of their recruitment and retention. The level of the potential benefits

available under the Incentive Arrangement is in excess of normal benefits under standard corporate governance criteria but reflects the Board's view of the potential benefits to the Group of having an experienced executive team to lead the Company through its current stage of development.

The number of new Ordinary Shares to be issued under the Incentive Arrangement will not in aggregate exceed 18.25 million Ordinary Shares. In addition, the number of Ordinary Shares held by the trustee of the EBT will not at any time exceed 29.9% of the issued share capital of the Company.

The Incentive Arrangement provides for awards of Ordinary Shares to be made in respect of the three financial years ending September 2005, September 2006 and September 2007, each with demanding performance criteria:

The First Period: Year ending 30 September 2005

For awards in respect of the financial year ending 30 September 2005, the Company performance target requires that the average mid-market share price increases to at least 9.5 pence per share for the 60 business days following the announcement of the results for that financial year ending 30 September 2005 and that Total Shareholder Return over the year exceeds that of the FTSE All Share Index over the same period.

The Second Period: Year ending 30 September 2006

For awards in respect of the financial year ending 30 September 2006, the Company performance target requires that the average mid-market share price increases to at least 12 pence per share for the 60 business days following the announcement of the results for that financial year and that Total Shareholder Return over the year exceeds that of the FTSE All Share Index over the same period.

The Third Period: Year ending 30 September 2007

For awards in respect of the financial year ending 30 September 2007, the Company performance target requires that the average mid-market share price increases to at least 14 pence per share for the 60 business days following the announcement of the results for that financial year and that Total Shareholder Return over the year exceeds that of the FTSE All Share Index over the same period.

The Directors believe that achieving the criteria in full will be challenging. For the maximum award to be made the Ordinary Share price will have to increase by over 100% from its current price of 6.375 pence (as at the close of business on 10 January 2005).

No Ordinary Shares shall be held under the EBT for the benefit of the family of a specific employee unless the Company share price target and the Company Total Shareholder Return target are satisfied. In addition, the remuneration committee of the Company shall only recommend to the trustee of the EBT that Ordinary Shares are held under the EBT for the benefit of the family of a specific employee if that employee has met demanding targets in relation to his own performance. Such performance targets are to be determined by the remuneration committee of the Company in due course taking into account the employee's position and role in the Company.

Furthermore, generally any Ordinary Shares held under the EBT for the benefit of the family of any employee shall revert to the EBT for distribution to other employees and their families if the employee leaves his employment with the Group within 2 years of the end of the relevant period. For example for Ordinary Shares awarded in respect of the financial year ending 30 September 2005, the employee must remain in employment with the Group until 30 September 2007.

It is proposed that the Company will be granted an option to repurchase at nominal value any of the Ordinary Shares issued to the trustee of the EBT pursuant to the Incentive Arrangement which are not held by the trustee of the EBT for the benefit of the family of a specific employee as a result of the performance targets not being satisfied.

The issue and award of Ordinary Shares under the Incentive Arrangement may impact distributable reserves and may result in a charge to the profit and loss account. Ordinary Shares issued to the EBT may initially be regarded for accounting purposes as not having totally left the Company's control until the employment condition is satisfied and may therefore be treated as a deduction from share capital and reserves. In addition, the allocation of the Ordinary Shares for the benefit of the family of a specific employee will result in a charge to the profit and loss account based on the value of the Ordinary Shares at the date of allocation.

Extraordinary General Meeting

A notice convening an extraordinary general meeting of the Company for the purpose, *inter alia*, of considering a resolution to approve the establishment of the EBT is set out at the end of this document. In addition to the resolution relating to the approval of the establishment of the EBT, special resolutions will be proposed at the Extraordinary General Meeting granting an authority to the Directors pursuant to section 80 Companies Act 1985 to allot up to 18.25 million Ordinary Shares to the trustee of the EBT for the purposes of the Incentive Arrangement and disapplying the statutory pre-emption rights that would otherwise require such Ordinary Shares to be offered *pro rata* to all Shareholders and approving the

agreement pursuant to which the trustee of the EBT will grant to the Company the option to repurchase any Ordinary Shares which the trustee of the EBT does not hold for the benefit of the family of a specific employee as a result of the performance conditions not being satisfied.

Form of Proxy

Enclosed with this document is a form of proxy for use at the Extraordinary General Meeting. Shareholders are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to Capita Registrars, at The Registry, 34 Beckenham Road, Beckenham BR3 4TU, as soon as possible and in any event so as to arrive no later than 11.20 a.m. on 2 February 2005, whether or not they intend to attend the Extraordinary General Meeting. The completion and return of a form of proxy will not prevent a Shareholder from attending the meeting and voting in person, should the Shareholder so wish.

Recommendation

The Directors believe that it is in the best interests of the Company and its Shareholders for the Company to establish the EBT and the Directors to be granted the authorities described in the document so as to permit the award of Ordinary Shares pursuant to the EBT.

Accordingly, the Directors recommend Shareholders to vote in favour of the resolutions set out in the notice convening the Extraordinary General Meeting. In view of our potential interest in the Proposal, Ian Simm, Melville Haggard, Nigel Taunt and I have undertaken to abstain from voting on the resolutions to be proposed at the Extraordinary General Meeting.

Yours faithfully

Keith Falconer
Chairman

PART 2
INCENTIVE ARRANGEMENT

A. Description of the EBT

The EBT will be an offshore employee benefit trust established potentially to benefit the employees of the Company and its subsidiaries from time to time and certain of their relatives ("Beneficiaries"). The trustee will be an independent third party whose obligations and responsibilities will be to hold the trust assets for the benefit of the Beneficiaries but who is likely to take into account recommendations made by the remuneration committee of the Company when determining the allocation of the trust assets.

B. Incentive Arrangement

1. Overview

The Incentive Arrangement provides for potential awards of Ordinary Shares ("shares") under the EBT. The aggregate number of shares to be issued to the trustee of the EBT will not exceed 18.25m which represents approximately 20% of the fully diluted share capital of the Company. In addition, the total number of shares held by the trustee of the EBT will not exceed 29.9% of the issued share capital of the Company.

The holding of shares by the trustee of the EBT for specific Beneficiaries will be at the discretion of the trustee of the EBT, although the trustee of the EBT will take into account recommendations from the remuneration committee of Company.

The Incentive Arrangement covers three consecutive financial years ending 30 September 2005, 30 September 2006 and 30 September 2007. The number of shares issued for each financial year will be assessed by reference to performance criteria reflecting the Company's performance during the relevant financial years.

The criteria to be satisfied in respect of each of the three financial years relate to the increase in the quoted price of the shares and the Total Shareholder Return of the Company.

The remuneration committee of the Company will only recommend to the trustee of the EBT that shares are held for the benefit of the families of particular employees if those employees have met demanding performance targets in relation to their own performance. Such performance targets are to be determined by the Company in due course taking into account the employees' position and role in the Company.

2. Definitions

Terms defined in this document have the same meaning in the Incentive Arrangement documentation. The following definitions also apply to the Incentive Arrangement:

"Change of Control"	arises where there is a general offer to acquire the whole of the issued ordinary share capital of the Company, which is either unconditional or is made on a condition such that if satisfied the person making the offer will have Control of the Company or a general offer to acquire all the shares in the Company which are of the same class as the Shares in either case disregarding any shares owned by it or by any company associated with it. For these purposes, a person shall be deemed to have obtained Control of the Company if he and others acting in concert (as defined by the City Code on Take-overs and Mergers) with him have together obtained Control of it
"Conditions"	the conditions described in paragraph 8 below
"Control"	the meaning set out in Section 840 Income and Corporation Taxes Act 1988
"First Period"	the financial year ending 30 September 2005
"Loan Stock"	the 5.5% Convertible Unsecured Loan Stock 2009 of the Company
"Period"	the First, Second or Third Period, as the context requires

“Second Period”	the financial year ending 30 September 2006
“Subscription Notice”	written notice served by the trustee of the EBT on the Company
“Third Period”	the financial year ending 30 September 2007

3. Awards of shares

In respect of each Period the relevant number of shares will be allotted at nominal value as soon as practicable after receipt by the Company of a Subscription Notice in respect of such Period. The trustee will borrow sufficient money from a person outside the Group to enable them to subscribe for the relevant number of shares. The Company will use all reasonable efforts to ensure that such shares are admitted to trading on AIM.

A Subscription Notice in respect of the First Period may not be served before 5 February 2005 and should be served by 30 April 2005 or such longer period as the Company allows but in any event before 30 September 2005.

A Subscription Notice in respect of the Second Period may not be served before 1 January 2006 and should be served by 31 March 2006 or such longer period as the Company allows but in any event before 30 September 2006.

A Subscription Notice in respect of the Third Period may not be served before 1 January 2007 and should be served by 31 March 2007 or such longer period as the Company allows but in any event before 30 September 2007.

The number of shares to be allotted under the Incentive Arrangement will be subject to such adjustments, if any, as the Board may propose and the auditors of the Company shall confirm as being fair, to reflect the terms of any capital reorganisation, rights issue or other share issue.

The remuneration committee of the Company shall be authorised to make such adjustments to the implementation of the Incentive Arrangement as they may consider appropriate and the auditors of the Company shall confirm as being fair.

4. Share awards in respect of the First Period

The number of shares to be issued in respect of the First Period will be 8.2 million subject to 7 below.

5. Share awards in respect of the Second Period

The number of shares to be issued in respect of the Second Period will be such number as the Company will notify to the EBT in writing subject to 7 below.

6. Share awards in respect of the Third Period

The number of shares to be issued in respect of the Third Period will be such number as the Company will notify to the EBT in writing subject to 7 below.

7. Limit on the number of shares that may be allotted

The total number of shares to be allotted under the Incentive Arrangement in respect of all of the Periods will not exceed 18.25m shares. In addition, the number of shares to be allotted to the trustee of the EBT will be limited so that the total number of shares held by the trustee of the EBT, will not at any time exceed 29.9% of the issued ordinary share capital of the Company.

8. Conditions

The allotment of shares will be subject to receipt of the subscription monies due and the admission of such shares to trading on AIM.

The holding of shares in the EBT will be subject to the satisfaction of Company performance targets. The Company performance targets are:

- In respect of the First Period, the average mid-market share price increases to at least 9.5 pence per share for the 60 business days following the announcement of the results for that financial year ending 30 September 2005 and that Total Shareholder Return over the year exceeds that of the FTSE All Share Index over the same period.

- In respect of the Second Period, the average mid-market share price increases to at least 12 pence per share for the 60 business days following the announcement of the results for that financial year ending 30 September 2006 and that Total Shareholder Return over the year exceeds that of the FTSE All Share Index over the same period.
- In respect of the Third Period, the average mid-market share price increases to at least 14 pence per share for the 60 business days following the announcement of the results for that financial year ending 30 September 2007 and that Total Shareholder Return over the year exceeds that of the FTSE All Share Index over the same period.

The trustee will grant to the Company an option to repurchase any shares issued to it which the trustee of the EBT does not hold for the benefit of the family of a specific employee as a result of these performance targets not being satisfied. It is intended that the Company would exercise this option, unless Shareholders authorise the Company to implement further incentive arrangements.

The allocation of shares under the EBT for the benefit of a family of an employee in respect of any Period will be subject to the satisfaction of individual performance targets to be determined by the remuneration committee of the Company. Individual performance will be determined for each period by the remuneration committee of the Company and may take into account the position and role of the individual in the Company.

Shares allocated under the EBT in respect of a particular Period for the benefit of the family of an employee may revert to the EBT if that employee's employment with the Group terminates within 2 years of the end of that Period (unless there is a Change in Control (see below)). The remuneration committee of the Company will have the power to recommend to the trustee of the EBT to waive this condition if considered appropriate.

9. Change in Control

In the event that there is a Change in Control before the remuneration committee of the Company makes a recommendation to the trustee to hold shares for the benefit of the families of particular employees, the remuneration committee of the Company may in its discretion recommend to the trustee that a certain number of shares should be held for the benefit of the families of particular employees.

If there is a Change in Control after the remuneration committee of the Company makes a recommendation to the trustee of the EBT have decided to hold shares for the benefit of the families of particular employees, the employment condition referred to in 8 above will no longer apply and the only circumstance in which the allocation of shares may be revoked is with the consent of the particular employee and another adult beneficiary of his sub-fund.

10. Other provisions

The provisions (if any) of the Incentive Arrangement relating to:

- (i) the persons to whom, or for whom, securities, cash or other benefits are provided under the Incentive Arrangement (the "participants");
- (ii) limitations on the number or amount of the securities, cash or other benefits subject to the Incentive Arrangement;
- (iii) the basis for determining a participant's entitlement to, and the terms of, securities, cash or other benefit to be provided and for the adjustment thereof (if any) in the event of a capitalisation issue, rights issue or open offer, sub-division or consolidation of shares or reduction of capital or any other variation of capital:

will not be altered to the advantage of participants without the prior approval of Shareholders in general meeting (except for minor amendments to benefit the administration of the Incentive Arrangements, for example to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants in or for the company operating the Incentive Arrangement or any members of its group).

The benefits under the Incentive Arrangement are not pensionable.

PART 3
DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

“Board” or “Directors”	the board of directors of the Company
“EBT”	the Impax Group Employee Benefit Trust 2005
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company being convened for 11.20 a.m. 4 February 2005, or if later, immediately following the conclusion of the extraordinary general meeting convened for 11.15 a.m. on that date at the same location
“Group”	the Company and its subsidiaries
“Impax” or “the Company”	Impax Group plc
“Ordinary Shares”	ordinary shares of one penny each in the share capital of the Company
“Proposal”	the proposals described in Part 1 of this document
“Shareholders”	holders of Ordinary Shares
“Incentive Arrangement”	the EBT
“Total Shareholder Return”	the return in a share (or group of shares) measured by reference to the increase in share price and on the assumption that any dividends received are reinvested into further shares.

NOTICE OF EXTRAORDINARY GENERAL MEETING

IMPAX GROUP plc

Notice is hereby given that an Extraordinary General Meeting of Impax Group plc will be held at Marshall Securities Limited, Crusader House, 145-157 St John Street, London EC1V 4RE at 11.20 a.m. on 4 February 2005, or if later, immediately following the conclusion of the extraordinary general meeting convened for 11.15 a.m. at the same location, for the purposes of considering and, if thought fit, passing the following resolutions, which will be proposed as to the resolution numbered 1 as an ordinary resolution and as to the resolutions numbered 2 and 3 as special resolutions:

ORDINARY RESOLUTION

1. THAT:

(a) the Impax Group Employee Benefit Trust 2005 ("the EBT") the principal features of which are summarised in the circular to Shareholders of the Company dated 11 January 2004 ("the Circular") be and is it is hereby approved;

(b) the Directors of the Company be and are hereby authorised to do all acts and things which they may in their absolute discretion consider necessary, expedient or desirable to effect the establishment of the EBT; and

(c) if, and insofar as, necessary the Articles of Association of the Company be relaxed so that each director may be counted in the quorum and authorised to vote on any matter arising in connection with the EBT, save in respect of his own individual rights of participation (if any) in the EBT, notwithstanding that he is or may be interested in such matter.

SPECIAL RESOLUTIONS

2. THAT:

(a) the Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £182,500 and provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in General Meeting) on 3 February 2010 save that the Directors may make offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offers or agreements notwithstanding such expiry;

(b) the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company pursuant to the authority conferred by paragraph (a) of this Resolution as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to allotments of equity securities made for the purposes of the Incentive Arrangement described in the Circular and provided further that the Directors may make offers or agreements before the expiry of this power which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant thereto as if the power conferred hereby had not expired.

3. THAT the terms of the proposed contract, whereby the Company may become entitled and obliged to purchase from Sanne Trust Company Limited up to 18,250,000 ordinary shares of 1 penny each in the capital of the Company, and a copy of which is produced to the Meeting and initialled for the purposes of identification by the Chairman of the Meeting, be and are hereby approved, and any Director be and is hereby authorised to enter into the contract on behalf of the Company at any time before 3 August 2006 and to fulfil the obligations of the Company thereunder.

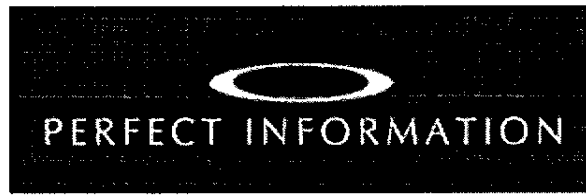
By order of the Board
D M Fowler
Secretary
11 January 2005

Registered Office
Broughton House
6-8 Sackville Street
London
W1S 3DG

Notes:

1. Any member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote in his or her place. A proxy need not be a member of the Company. A form of proxy is enclosed for the use of members. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the above meeting should he or she so decide.

2. To be effective Forms of Proxy must be duly completed and returned so as to reach Capita Registrars at The Registry, 34 Beckenham Road, Beckenham BR3 4TU not less than 48 hours before the time appointed for the holding of the meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders registered in the register of members of the Company as at 6.00 p.m. on the day preceding the meeting, or the adjourned meeting, shall be entitled to attend or vote at the above meeting, or adjourned meeting, in respect of the number of Ordinary Shares registered in their names at that time. Changes to entries on the relevant register after 6.00 p.m. on the day preceding the meeting or adjourned meeting shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.
4. A copy of the draft contract referred to in the resolution numbered 3 above will be available for inspection at the registered office of the Company up to and including 4 February 2005 and at the meeting.



Financial Information • analysis • research

End of Document

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