



ANNUAL REPORT 2009



Foreword

Dear Shareholders

This year our company has crossed the landmark figure of R1 billion in sales, ending the year on R1,262 billion. This means that sales are up 26,9% on last year.

2009 was an eventful year. A new government in South Africa had to deal with the ramifications of a worldwide recession. We at Cipla faced the same challenges. Despite all the challenges, IMS statistics show that Cipla grew to become the fourth largest pharmaceutical company by value in South Africa. We outstripped the market and our major competitors in growth and EV index. Barring unforeseen setbacks and eventualities we are confident we can end 2010 on the same high note.

South Africa needs more and more access to affordable medicines and Cipla is in the enviable position to deliver just that.

An explosion of chronic diseases continues and Cipla's pipeline and portfolio of chronic medicines will treat more and more patients.

In the area of healthcare, governments around the world preach on behalf of their own national needs by promoting indigenous industry. Our government should take the initiative and support our local industry and especially our company who has invested hundreds of millions of Rands in looking after the health of the nation.

The future is promising, God willing. We are ready to take advantage from the collaborations and agreements we have signed during 2009. We welcome our new partners Biomab (who specialise in monoclonal antibody and biosimilar medication) to our country, and we continue to thank our very very special partners Cipla India, for the wonderful loyalty and friendship we have experienced over many years. I continue to emphasise the bond that binds us in our thinking and caring for what we do in our respective countries.

Lastly, we believe our first responsibility is to the doctors, pharmacists, nurses and patients and all others who use our products and services. We are responsible to our employees who work with us; we are responsible to the communities in which we live and work; and we are responsible to our shareholders. When we operate according to this value system our shareholders will realise a very fair return.

Thank you



Jerome Smith
CEO



Vision and mission

Vision

To heal South Africa and to become the biggest and the most admired pharmaceutical company in South Africa.

Mission

Cipla commits itself to endeavour to satisfy our customers' needs in every manner possible: through excellent service, by developing and marketing an effective, safe and quality product and by offering our product at a price affordable to all patients. We further commit ourselves to contributing to continued medical education and research into new drug delivery systems in the belief that this contribution will improve technical know-how and ultimately benefit all patients in South Africa.

We intend to be the employer of choice in the pharmaceutical sector developing our most valuable asset, human capital, irrespective of race, colour or creed so that they may realise their full potential and ambitions. We pledge personal respect, fair compensation and a clean and safe working environment. It is our wish that we be recognised as innovators in the field of pharmaceutical marketing rather than just followers, be the investors' pick and achieve sustainable, above average returns for the investor. It is our dream that through our policy of dedication and commitment we will create an environment whereby Cipla will come to be recognised as the preferred partner in medicine.

Contents

Foreword	inside front cover
Vision and mission	1
Cipla at a glance	2
Group financial highlights	3
Group structure	4
Value added statement	5
Chairman's report	6
CEO's report	8
CFO's report	10
Directorate	12
Operational reviews:	
Cipla Medpro	14
Cipla Medpro Manufacturing	16
Sustainability report	18
Corporate governance	24
Annual financial statements	
Directors' responsibility statement	28
Company Secretary's report	29
Independent Auditor's report	30
Directors' report	31
Statements of financial position	34
Statements of comprehensive income	35
Statements of changes in equity	36
Statements of cash flow	37
Notes to the financial statements	38
Annexure A – interest in subsidiary companies	94
Analysis of shareholders	96
Share trading statistics	97
Notice of annual general meeting	98
Terms and abbreviations	102
Form of proxy	attached
Corporate information	inside back cover
Shareholders' diary	inside back cover



Cipla at a glance

Listed on the JSE, CMSA is South Africa's fourth largest pharmaceutical company by Rand value (Source: IMS, January 2010). CMSA is 18,2% owned by empowerment consortium Sweet Sensation 67 (Pty) Limited which is represented on the main board by two non-executive directors. CMSA comprises two divisions:



Cipla Medpro

A leading supplier of an extensive range of pharmaceutical, healthcare and veterinary products headquartered in Cape Town. Within the pharmaceutical sector, Cipla Medpro is the fourth largest and fastest growing pharmaceutical company according to IMS (this excludes its veterinary or agrichemical sales, sales to the state, export or OTC sales to mass market). In late 2009, the company was awarded the Frost & Sullivan "South African Generic Pharmaceuticals Company of the Year" award.

Cipla Medpro has a strong relationship and supply agreement with leading Indian pharmaceutical company Cipla India. This allows the group unlimited access to Cipla India's extensive pipeline of products and dossiers across a broad range of therapeutic categories.

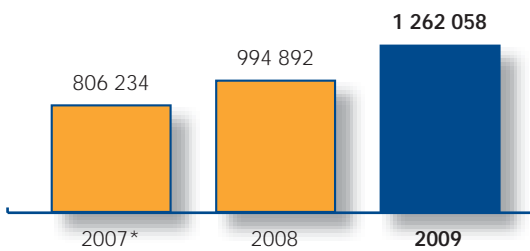


Cipla Medpro Manufacturing

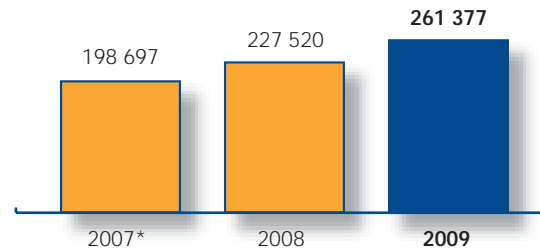
A uniquely-designed, sophisticated MCC-approved pharmaceutical manufacturing facility based in Durban, KwaZulu-Natal. Being one of the first local manufacturers to attain international PIC/S standards, CMM (in addition to manufacturing some of the group's own products) also offers local and multinational pharmaceutical companies high volume manufacturing solutions in line with MCC cGMP standards. CMM is also one of only two facilities in South Africa offering manufacturing capability for effervescent formulations.

Group financial highlights

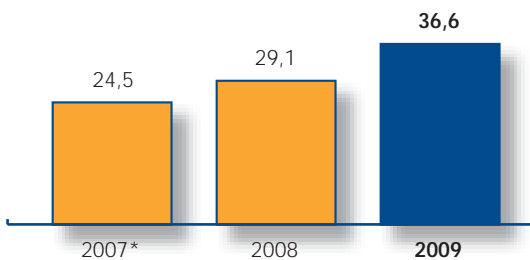
Revenue (R'000)



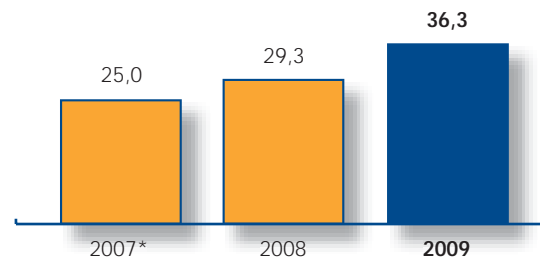
Profit before finance costs and income tax (R'000)



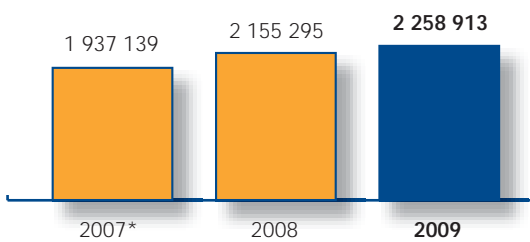
Headline earnings per share (cents)



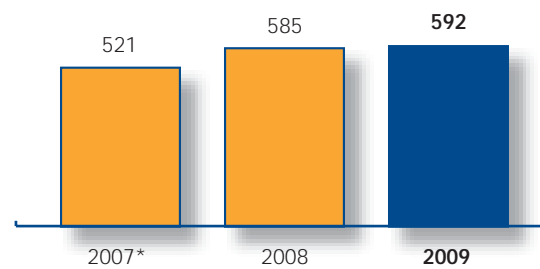
Earnings per share (cents)



Total assets (R'000)

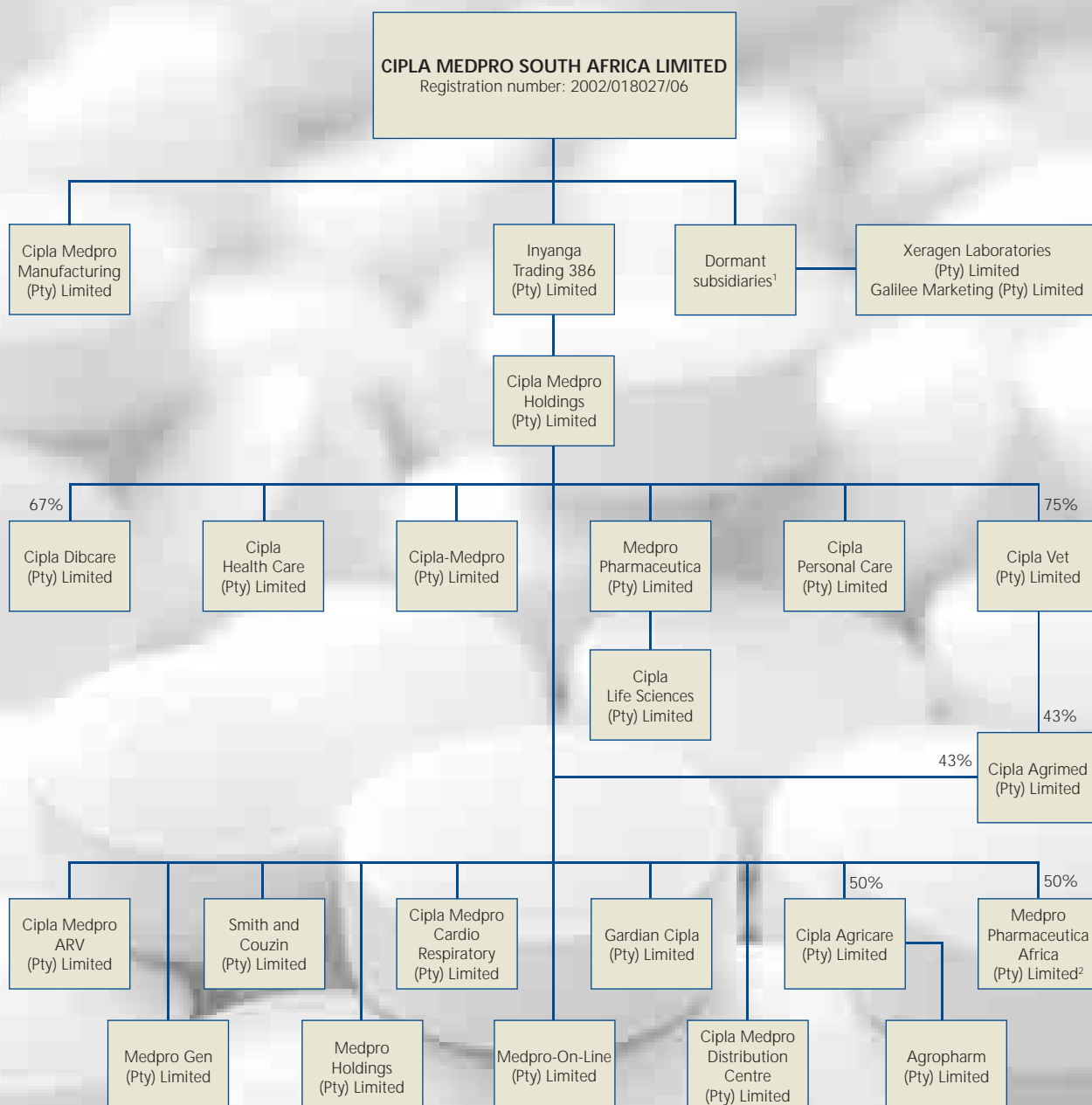


Employee head count



* Excludes discontinued operations.

Group structure



¹ During the year, the following dormant companies were deregistered:

- Adroit Pharmaceuticals (Pty) Limited
- Zedchem (Pty) Limited
- Kamillen Pharmaceuticals (Pty) Limited
- Kamillen Products (Botswana) (Pty) Limited

Universal Pharmaceuticals (Pty) Limited was liquidated.

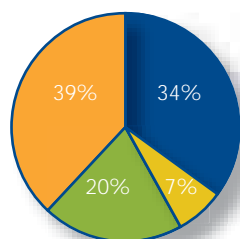
² Acquired 50% of Medpro Pharmaceutica Africa (Pty) Limited on 1 January 2009.

Value added statement for the years ended 31 December

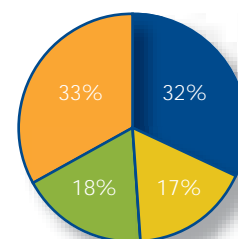
	Note	GROUP 2009 R'000	GROUP 2008 R'000
Revenue		1 262 058	994 892
Other operating income		6 426	7 256
Less: purchased materials and services		(849 395)	(639 544)
Value added from operations		419 089	362 604
Finance income		5 354	30 024
Total value created		424 443	392 628
Value distribution			
Employees (including directors)*		143 342	124 266
Providers of capital		30 409	66 272
Finance costs		28 227	64 897
Non-controlling interests		2 182	1 375
Monetary exchanges with government	1	83 355	72 793
Reinvested in the group		167 337	129 297
Depreciation and recurring amortisation		11 280	6 405
Deferred taxation		(3 847)	(5 787)
Retained in the group		159 904	128 679
Total value distribution		424 443	392 628
Value added statistics			
Number of full-time employees at year end		592	585
Revenue per employee		2 132	1 701
Value added per employee		708	620
Value created per employee		717	671
Note:			
1. Monetary exchanges with government			
Current taxes (including STC)		80 265	68 380
Customs and excise duties		3 090	4 413
Gross contribution to central and local governments		83 355	72 793
Additional collections on behalf of government			
Employees' taxes		39 026	25 870
Net value added tax paid		42 351	6 080
		81 377	31 950

* Restated for the year ending 31 December 2008 to include directors' emoluments paid by Cipla Medpro.

Value distribution 2009



Value distribution 2008



- Employees
- Capital providers
- Government
- Retained for growth

Chairman's report



2009 was an extremely positive year for the CMSA group and the board of directors is pleased to present a very satisfying set of annual results. Group revenues increased 26,9%

to R1 262,1 million (2008: R994,9 million) and PBIT increased 14,9% to R261,4 million (2008: R227,5 million). Headline earnings increased 25,7% to R160,9 million (2008: R128,0 million) and HEPS increased 25,8% to 36,6 cents (2008: 29,1 cents).

These results are significantly more pleasing having been achieved in spite of trying circumstances such as the Adcock bid process which diverted the board and management's attention for some time, and a weak exchange rate in the first half of the year. Yet despite the above, Cipla Medpro remained the fastest growing pharmaceutical company with the highest EV of 116,1 of the top 30 companies and passed the R1 billion mark in sales during 2009, a very exciting milestone and achievement for the group. This was capped a month later when the company was awarded the Frost & Sullivan 2009 "South African Generic Pharmaceuticals Company of the Year" award.

Cipla Medpro remains the group's revenue driver and it is through this business' strong growth and ever increasing market shares in new and existing therapeutic categories that the group retains its position as the fourth largest South African pharmaceutical company.

Although it reported a loss before finance costs and income tax of R35,6 million, the turnaround strategy for Cipla Medpro Manufacturing is on track. Manufacturing output

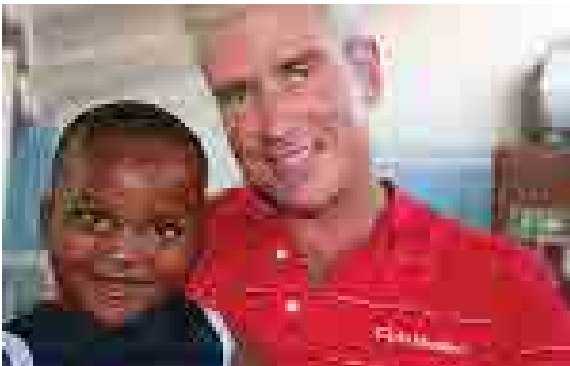
during the year under review was increased through the securing of three third-party manufacturing contracts as well as producing some of the group's own products. Manufacturing requirements from state tenders won by Cipla Medpro will generate further revenues for this division during 2010/2011.

The board remained stable throughout the year with all committees meeting regularly and functioning efficiently. Executive directors, Jerome Smith (CEO) and Chris Aucamp (CFO), have reaffirmed their commitment to the group by extending their contracts to the end of 2015 and the board extends its appreciation to both gentlemen for their commitment and sound day-to-day leadership of the group. The renewal of their contracts also ensures strong continuity for the next five years, which will enable all long-term plans for the business to be bedded down.

Due to a decision to pursue personal interests, non-executive director Dr Gil Mahlati resigned from the board during November 2009. The board extends its appreciation and acknowledgement to Dr Mahlati for his contribution to the group. In March 2010, in line with its commitment to good corporate governance, the board appointed Sandile Zungu and Johan du Preez as independent non-executive directors. Johan du Preez brings with him a wealth of experience in the pharmaceutical sector, while Sandile Zungu brings significant business acumen. On behalf of my fellow directors, I welcome both gentlemen to the board and look forward to working with them.

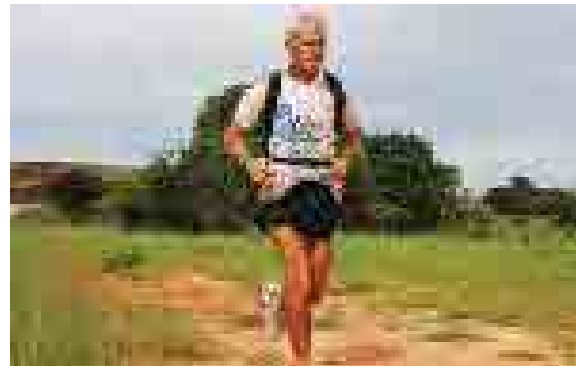
In addition to the Audit and Risk Committee (chaired by Mpho Mosweu) and Remuneration Committee (to be chaired by Johan du Preez), the board has formed a new Nominations Committee (chaired by myself) to deal with nominations and new board appointments.

Empowerment consortium Sweet Sensation 67 (Pty) Limited retains their 82 million shareholding (18,2%) in CMSA and is represented at board level by Bongani Caga and Nthabiseng Mokone. The board and management within CMSA remain focused on empowerment and we are currently more than 30% black-owned.



CSI is another important focus area for the group and a number of initiatives were undertaken during 2009. From our ongoing support of Operation Smile SA through the Cipla Miles for Smiles Foundation, to a celebrity fundraiser evening held for the Peninsula School Feeding Scheme that raised enough to provide meals for some 835 learners at four Western Cape schools every day during 2010, to our Cipla Adelaide Tambo Healthcare Bursary for university pharmacy students, to our sponsorship of charity golf days, to the provision of a mobile library unit for a primary school or wheelchairs for a TB clinic, the management and staff of CMSA identified numerous ways to "make it better" for many less fortunate through a variety of channels.

Looking ahead, we expect 2010 to be another year of strong growth for the CMSA group. Our close association with Cipla India and the exceptional pipeline of dossiers and products we enjoy promises further exciting product launches this year. The animal health business' revenues are growing well, the young agrichemicals division is well positioned and our export division is ready to trade in a number of African countries as soon as regulatory approvals are obtained.



No dividends were declared for 2009 as all profits generated by the group continue to be used to repay debt and fund growth opportunities. I am, however, pleased to report that the board has approved a dividend policy for the 2010 financial year. A dividend yield of between 1,8% and 2,0%, split between an interim and final dividend, has been approved. Thus it is anticipated that an interim dividend for the six months ended 30 June 2010 will be paid to shareholders.

I take this opportunity to extend my appreciation to my fellow directors for their strong commitment and hard work over the past year. Their support, dedication and valuable contribution is greatly appreciated.

A handwritten signature in black ink, appearing to read 'PCS Luthuli'.

PCS Luthuli

Chairman

CEO's report



It gives me great pleasure to present the 2009 results. The year under review had its fair share of challenges, such as the unsuccessful bid by Adcock and the adverse market conditions

brought on by the global recession, yet our growth continued. The Cipla Medpro division once again delivered the goods accounting for 100% of the group's profits with revenues for the year of R1 233,3 million. As with 2008, this division continued to grow faster than the TPM with an EV of 116,1 for the year. As early as February 2009, Cipla Medpro had increased its ranking to the fourth largest pharmaceutical company by value. Naturally, we have our sights set on third place.

During the year under review, we endeavoured as far as possible to stick to the formula we know and do best, that is launch, market, sell and manufacture an extensive range of products targeting numerous therapeutic categories, many of them chronic medicines, at affordable prices. And as we planned, it worked. We passed our milestone of R1 billion in sales and launched four first-to-market generic medicines with a total potential Rand value of R170 million. We also started manufacturing some of our own OTC products for both the local market and export while moving into the agrichemicals sector and growing our animal health businesses significantly. And we also made good progress in expanding our footprint into a number of African countries.

The generics industry in South Africa continues to grow. By the end of 2009, the local generic medicines unit market share was just over 56%. As the cost of living increases that

figure, in all likelihood, will rise. Coupled with the ever-increasing number of people suffering from chronic illnesses, from respiratory to HIV/AIDS and diabetes, the solution in providing effective and ongoing treatment lies in generic medicines.

Thanks to our strong partnership with Cipla India, the largest standalone generic company in the world and number one pharmaceutical company in India by value, we are poised to be a significantly greater provider of those medicines to the local market. Dossiers flow continuously from Cipla India and currently some 210 dossiers await registration at the MCC.

In January 2010, Forbes India magazine ran an article entitled *"5 People Who Will Save The World"*. Named alongside German Chancellor Angela Merkel, US President Barack Obama, Renault-Nissan CEO Carlos Ghosn and management guru CK Prahalad, was Dr Yusuf Hamied, Chairman of Cipla India.

Dr Hamied was acknowledged for his longstanding battle against the big pharmaceutical companies of the world who he claims are holding over three billion people in the third world to ransom by using their monopoly status to charge higher prices. A man of strong conviction, in 2000 Dr Hamied and Cipla India offered HIV treatments to Africa for less than USD1 a day, a massive reduction on the USD10 000 to USD15 000 western companies were charging per annum. He followed that up by supplying a drug that prevents HIV transmission from mother to child free of cost to Africa.

The turnaround strategy for the Durban-based CMM facility is on track to deliver results. Whilst this division posted a loss before finance costs and income tax of R35,6 million (2008: R15,3 million), we are confident that this position will improve in due course. The facility is currently manufacturing six products for Cipla Medpro, three third-party contracts with local and multinational companies were secured in 2009 and a further R80 million in revenue has been earmarked from the RT289 tender work won by Cipla Medpro over the next two years. In addition, once regulatory approvals are obtained in Africa, additional products will be manufactured by CMM.



Due to strategic reasons, the launch of our oncology division has been delayed until later in the year or early 2011. We currently have 20 molecules (36 dosage strengths) registered, targeting a host of cancers (including breast, lung and colon). Biosimilar medicines are believed by many globally to be the future of medicine and this presents a very exciting opportunity for us. Last year we launched South Africa's first biosimilar insulin and recently we have concluded a significant collaboration with Biomab, the dedicated monoclonal antibody, biotech and biosimilars division of the Chinese pharmaceutical company Desano.

The year ahead is promising for the CMSA group. Further product launches are planned, some extremely significant, whilst we will continue to grow our existing brands, many of which are market leaders in their categories. The OTC products division is enjoying strong growth as more and

more people look to self-medicate in the face of high living costs, and we expect revenues from this sector to increase significantly off the back of strong consumer marketing campaigns and greater product distribution through mass market stores and pharmacy chains. We will also soon be expanding into the sports supplementation market.

JS Smith
CEO

CFO's report



The group has demonstrated strong growth over the past financial year, and has succeeded in achieving headline earnings of R160,9 million (2008: R128,0 million),

an increase of 25,7%. This translates into an increase of 25,8% to 36,6 cents (2008: 29,1 cents) at the HEPS level, based on 440,1 million (2008: 439,8 million) weighted average number of shares in issue for the 2009 financial year (before the effects of dilutive share options).

The reconciliation to headline earnings includes the following amounts, all net of tax:

- Loss on the disposal of property, plant and equipment of R1,0 million (2008: R0,1 million); and
- 2008 also included a gain on the disposal of intangible assets of R0,9 million and a loss on the disposal of discontinued operations of R0,1 million (2009: Rnil).

EPS improved by 23,9% to 36,3 cents (2008: 29,3 cents). When the pre-tax costs of R13,6 million incurred due to the Adcock bid process are excluded, and after adjusting for the full effect of the interest rate swaps during the year, normalised EPS is up 28,1% to 38,7 cents (2008: 30,2 cents). Normalised HEPS for the year increased 29,7% to 38,9 cents (2008: 30,0 cents).

Revenues grew by 26,9% to R1 262,1 million (2008: R994,9 million). Gross profit increased by 25,7% to R620,4 million (2008: R493,3 million), even though the gross profit margin declined slightly to 49,2% (2008: 49,6%).

However, there has been an improvement from 46,4% at 30 June 2009 due to the strengthening of the ZAR in the second half of 2009, the full effect of the SEP increase and better forward exchange rate hedging. Cipla Medpro achieved a gross margin of 50,7% (2008: 52,1% and 30 June 2009: 48,4%).

PBIT for the year is R261,4 million (2008: R227,5 million), an increase of 14,9%. The operating profit includes the costs incurred during the Adcock process of R13,6 million (2008: Rnil) and foreign exchange adjustments of R22,5 million (2008: R21,4 million), inclusive of the revaluation losses on hedging instruments. These foreign exchange adjustments, as well as staff bonuses and increased sales and marketing expenses in the second half of the year, resulted in the group PBIT margin contracting slightly in the second half of 2009 (20,4%) when compared to the first six months (21,1%). The overall PBIT margin for the year is 20,7% (2008: 22,9%).

The net finance costs decreased to R22,9 million (2008: R34,9 million) mainly due to the movement on interest rate swaps of R5,0 million, a reduction in the preference share interest charge of R13,7 million and the capitalisation of certain borrowing costs, offset by an increase of R7,4 million in interest on the overdraft facility. Finance income, which includes swap settlements of R1,9 million (2008: R10,6 million), reduced to R5,4 million (2008: R30,0 million) mainly due to interest income on positive bank balances decreasing by R8,6 million when compared to the prior year. However, interest cover has improved from 3,5 to 9,3 times.

After an improvement in the effective tax rate to 32,0% (2008: 32,5%), profit after tax for the year of R162,1 million (2008: R130,1 million) was achieved. The main factors resulting in the effective tax rate being higher than the



statutory tax rate are:

- Non-deductible preference share interest of R21,0 million (2008: R34,7 million);
- Non-deductible IFRS 2 expenses of R6,1 million (2008: R4,6 million); and
- STC of R2,1 million (2008: R3,5 million).

When the effects of cash on hand are excluded, interest-bearing borrowings increased to R417,4 million (2008: R315,2 million). At 31 December 2009, the group was overdrawn to the extent of R60,1 million, compared to a net cash surplus of R31,7 million at 31 December 2008, primarily due to the factory upgrade and working capital requirements. Debtors days has improved to 66 days (2008: 70 days and 30 June 2009: 75 days), while creditors days has stabilised at 174 days (2008: 206 days and 30 June 2009: 187 days). Inventory days has increased marginally to 106 days (2008: 101 days and 30 June 2009: 97 days).

Cash flows generated from operating activities are R10,2 million (2008: R142,5 million). This decrease is mainly due to the decrease in trade and other payables of R140,6 million to a normalised level of R236,2 million (2008: R376,8 million), while R118,6 million (2008: R170,4 million) was invested mainly in the upgraded facility and the acquisition of intangible assets. A net R16,6 million was generated through financing activities (2008: R100,1 million was utilised to settle debt). During the 2009 year, an additional R60,5 million of debt financing was raised through instalment sale agreements and additional loan facilities, while R50,2 million was utilised to settle a portion of the preference shares.

I would like to thank my fellow directors and employees for their contributions and continued support throughout the year.

C Aucamp

CFO

Directorate

Sibusiso Luthuli

Non-executive chairman (independent)
 CA (SA)

S'bu Luthuli has chaired the board since 2003 and has recently accepted the appointment as CEO of the Eskom Pension and Provident Fund. Prior to this he was the CEO of Ithala Limited, and before that, he was with the Specialised Property and Asset Finance division of Nedbank. He is also a non-executive director of Telkom SA Limited, and has served on various other board and audit committees.

Jerome Smith

CEO

Group CEO since September 2007, Jerome Smith has spent his career in the pharmaceutical industry. In 1992, he founded the business Medpro Pharmaceutica/Cipla Medpro, one of the first generic medicines businesses in South Africa. With a strong belief that healthcare is a right, not a privilege, and determined to ensure the provision of world class, affordable medicines in South Africa, he strategically aligned the business with Indian pharmaceutical giant Cipla India. He has led Cipla Medpro to its current standing as South Africa's fourth largest and fastest growing pharmaceutical company.

Chris Aucamp

CFO

CA (SA)

Chris Aucamp has been Financial Director of Cipla Medpro for 14 years, prior to which he worked for SARS for two years and then in commerce as a financial director of a FMCG company. Appointed as group CFO in October 2007, he has extensive knowledge of the pharmaceutical industry and oversees all the day-to-day financial affairs of both the Cipla Medpro and CMM divisions. Chris was an integral member of the team that oversaw the capital raising and acquisition of Cipla Medpro by Enaleni Pharmaceuticals Limited in 2005.

Bongani Caga

Non-executive director

LLB; LLM (Masters) International Business Law

Bongani Caga is a director of Umnombo Consulting as well as Sweet Sensation 67 (Pty) Limited, which is our BEE consortium. He is also a deputy chairman of Sunspace, the company that manufactured the Sumbandila Satellite on behalf of the Department of Science and Technology. He is a former legal executive with New Africa Mining Fund, which was a Private Equity Mining Fund, capitalised at R560 million. Before joining the Fund, Bongani was an Investment Banker in the Corporate Finance division of Standard Corporate and Merchant bank (SCMB). At SCMB his career highlight was being part of the advisory team to government on the listing of Telkom on the JSE and New York Stock exchanges. Previously, he worked as a legal analyst with the Special Investigations Unit and the Truth and Reconciliation Commission in East London. Bongani was awarded a Nelson Mandela Scholarship to study for a Masters degree in International Business Law, with Leiden University in the Netherlands.

Mpho Mosweu

Non-executive director (independent)

CA (SA); MBL

Mpho Mosweu is head of the Techno Industries Business Unit at the Industrial Development Corporation. She is involved in various audit committees and has significant commercial experience, which together with her technical and governance acumen, adds significant value to the board of CMSA.

Nthabiseng Mokone

Non-executive director
CA (SA)

Nthabiseng Mokone is currently head of Amabubesi Health Services and its Private Equity fund. As head of Amabubesi Health Services, she is responsible for strategy formulation and execution and for overseeing the execution of the transactions relating to Healthcare. She has spent time in deal origination, structuring, capital raising and execution and continues to provide executive support to the directors of Amabubesi. In her role, she has participated in some of the major deals done by Amabubesi and continues to add value to the investee companies by representing Amabubesi at their respective boards. She moved to ABC South Africa, a subsidiary of African Banking Corporation Holdings Limited, where she held the position of group head accountant, from Pioneer Foods' Sacko Milling in Krugersdorp. Her career started in 1996 when she joined Transtel, a division of Transnet, and in 2002 moved to Transnet Group Finance to start Training Outside Public Practice until 2003. Some of her representations include Medipost, Kawari and Silverbridge Holdings.

Sandile Zungu

Non-executive director (independent)
BSc (Mechanical Engineering); MBA

Sandile Zungu is the executive chairman and founder of Zungu Investments Company (Zico) which has diversified holdings in various sectors including Financial Services, Media, Resources and Gaming. He has a wealth of corporate experience and was previously the chairman of Barnard Jacobs Mellet Holdings. He is currently chairman of the Africa Vanguard group of companies (part of Zico) as well as non-executive director of Grindrod Limited, Supercare Cleaning Services, G4S Cash Management Services and Outdoor Network. He also serves as the Presidential Advisory on the BBBEE Advisory Council, the board of trustees of the International Marketing Council, the Advisory Board of the University of Cape Town (UCT) Graduate School of Business and on the management committee of Business Unity SA. In addition to a BSc degree and a MBA from the UCT Graduate School of Business, Sandile also has a certification in Global Leadership from the Harvard Business School in Boston, USA.

Johan du Preez

Non-executive director (independent)
MPharm; MBA

Johan du Preez is the founder and managing director of SAAD Investment Holdings, an investment company primarily focusing on establishing new financial services entities. He has been involved in various industries locally and in the USA, including Pharmaceutical Retail, Medical Insurance and Risk Management, Investment Management, Life Insurance and Financing. Johan brings extensive corporate experience to the CMSA board, having previously held the positions of CEO of ADATO Capital, Glacier by Sanlam (previously called Innofin) and Sanlam Health. He has a MPharm from the University of Pretoria, as well as a MBA from the National University in San Diego, California.

Operational review: Cipla Medpro

Accounting for 100% of the group's profits with revenues of R1 233,3 million (2008: R937,4 million) and PBIT of R307,4 million (2008: R254,1 million), 2009 saw positive results for this business despite adverse market conditions. Cipla Medpro retained its standing as the fastest growing pharmaceutical company in South Africa and the fourth largest by value.

For the fourth consecutive year, the company's growth by Rand value of 31,9% between January and December 2009 exceeded that of the TPM, which grew at 13,6% according to IMS. The company's EV was 116,1, the highest of the top 30 pharmaceutical companies. The company's TPM share by Rand value at December 2009 was 4,5% and by Units, 5,9%.

The top ten Cipla Medpro products by value, some as old as ten years, continue to grow in Unit market share, which is very rewarding given our strategy of building brands. With a strong consumer marketing focus being applied to our OTC product ranges, this fast growing division recorded very pleasing sales during 2009. We expect this trend to continue due to mass market listings in retailers, strong advertising and marketing campaigns and a growing tendency amongst consumers towards self-medication.

2009 saw a number of significant product launches including:

- Cipla-Oseltamivir, an antiviral influenza medication listed on the World Health Organisation's Prequalified Products list; and
- Ciplatrim, a weight loss medication launched in partnership with leading weight management business, Weigh-Less.

The relationship with Cipla India continues to deliver research and development on newer generics, the launch of first-to-market patent expired molecules and OTC medicines. Dossiers regularly flow from Cipla India helping to bolster our already significant pipeline of products for the future.

In the last quarter of 2009, Cipla Medpro was awarded first-time state tenders for the following products: AlkaFizz, Gastrolyte and Acitop. The company also obtained tenders under RT297 for the supply of insulin needles and RT290 oncology tender for the provision of cytoplastin.

While the group was already exporting to Namibia, Botswana, Lesotho and Swaziland, during 2009 the African Trade division commenced obtaining regulatory approvals in various countries, including Kenya, Zambia, Uganda, Nigeria and Ireland. Dossiers have been submitted, key trading partners have been appointed in each country and this division is ready to commence trading as soon as dossiers are registered. This division focuses on the large emerging middle class market

Cipla Medpro growth versus TPM growth

	Cipla Medpro growth Rands (%)	Market growth Rands (%)	Cipla Medpro growth Units (%)	Market growth Units (%)
January to December 2006	38,5	11,0	15,8	9,8
January to December 2007	27,8	14,6	11,1	8,9
January to December 2008	30,8	12,4	10,7	4,6
January to December 2009	31,9	13,6	14,2	4,6



looking for high quality, cost effective OTC products, such as Gelacid and AlkaFizz, which are produced in the group's Durban manufacturing facility. These new markets will increase production demand within the manufacturing facility.

While small contributors to total revenues, the six-year old animal health businesses continued to demonstrate pleasing growth. The Cipla Vet business (targeting the small and companion animal markets) increased its market share across many lines and showed total revenue growth of 24,3%. This business already boasts leading products in the joint care, dermatology, equine and small animal anthelmintic segments. Fiprotec, Cipla Vet's flea and tick product, is poised for significant future growth now that it has established itself in the R81 million South African flea and tick market during 2009. Pegamax once again retained its leading position in the local equine deworming market. With a strong pipeline of products from Cipla India, new registrations anticipated in 2010 as well as growth in those products launched during 2009, this business is set for further significant growth in the future.

The Cipla Agrimed division (targeting the livestock and production animal markets) recorded a 51,8% growth in revenue and like the Cipla Vet business, a number of its brands occupy top ten positions in their categories. Both businesses have strong, experienced management teams in place whose indepth knowledge of the animal health business



will result in the continued strong revenue and market share growth.

Cipla Agricare, the fledgling agrichemicals business, has not achieved its targets and objectives and came under price pressure during 2009. Nevertheless, the Cipla Medpro team remains convinced of the opportunities that exist in this market.

Looking forward, we are optimistic that Cipla Medpro can become the third largest pharmaceutical company in a relatively short time. Implementation of strategies to achieve this goal are being rolled out. A number of new product launches are scheduled for 2010, two of which are registrations achieved during 2009.

A significant collaboration agreement has been concluded with Biomab/Desano of China which will open up the doors to their extensive range of biosimilars, biotechnology and monoclonal antibodies.

Cipla Medpro will also add an oncology division to its already comprehensive medicines portfolio in 2010/2011. Commencing with 20 molecules targeting a host of cancers, including breast, colon and lung, three of the leading causes of cancer-related deaths globally, as well as ovarian and pancreatic cancers, it is likely that Cipla Medpro will boast a comprehensive and affordable portfolio locally.

Operational review: Cipla Medpro Manufacturing

As expected, this division posted a loss of R35,6 million before finance costs and income tax (2008: R15,3 million). The main reason for the increased loss in 2009 was due to the cancellation of the Reckitt Benckiser contract at the end of 2008. Nevertheless, the facility made good progress during the year and the effects of the turnaround strategy are beginning to be evident.

Already one of South Africa's largest manufacturing plants and approved by the MCC, CMM successfully completed a major upgrade to international PIC/S standards during 2009.

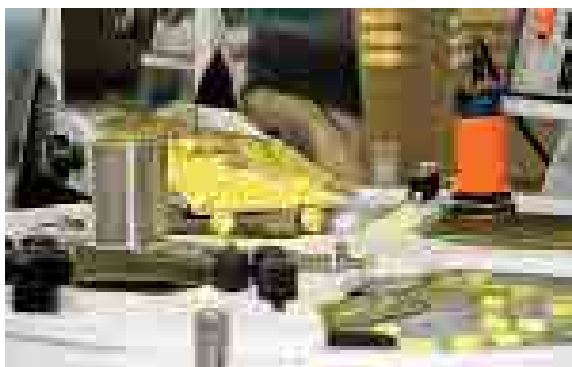
The facility is currently producing some of the group's own products – Laxette, Pynmed, AlkaFizz, Gastrolyte, Efavirenz and Abflex, and additional products will be introduced during 2010.

Being one of the first local manufacturers to attain PIC/S standards enables the group to offer local and multinational pharmaceutical companies high volume manufacturing solutions in line with MCC cGMP and PIC/S standards. CMM is also one of only two facilities in South Africa offering manufacturing capability for effervescent formulations.

Three third-party manufacturing contracts with local and multinational companies were secured during 2009. Initial orders were conservative, however, we are optimistic that volumes will increase as the relationships grow. Additional contract manufacturing negotiations are ongoing and will deliver results.

Manufacturing requirements for products awarded in the state tenders for 2010/2011 will generate approximately R80 million in revenues for this division too.

CMM employs 286 staff on site for whom training is paramount. The HR and QA departments ensure ongoing cGMP training and development across all departments and levels in addition to the day-to-day recruitment and industrial relations duties. A key organisational objective is to achieve a diverse workforce broadly representative of our population, and to provide an inclusive environment that encourages staff development through mentorship, training and self directed learning programmes. The HR department utilises people development systems which use practical and effective methodology and incorporates the best new practice.





The facility is uniquely designed in that there is physical segregation between stores, primary and secondary processing areas. This minimises the risk of contamination and ensures material flow is uni-directional so as to negate the possibility of error. All incoming materials are received in accordance with cGMP principles and are housed in different warehouses, i.e. primary, secondary, etc. All warehouses, including the finished goods store, are temperature and humidity controlled in accordance with the required material storage conditions.

CMM currently has four dispensaries, each with laminar air flow units designed to protect the operator and product from exposure during dispensing activities, three granulation suites equipped with a range of granulators and driers, one blending room for mixing powders and granules, compression and encapsulation departments equipped with technologically advanced European machines which are optimised to reduce changeover times and coating suites with state of the art coaters. Our two high-tech coaters are capable of coating large batch sizes in optimum time and coating capabilities include solvent, aqueous and sugar coating.



From an engineering perspective, a fully validated, computerised maintenance system is in place to ensure that all preventive maintenance and calibrations are done in a systematic, electronic and optimal format, thus significantly reducing the potential for human error. This capability is unique in the local pharmaceutical manufacturing environment.

Automation of packaging operations is currently receiving attention and will be the next phase in our continuous improvement programme for both the primary and secondary packaging areas. CMM's unique modular design significantly differentiates this facility from other contract manufacturers and affords each processing and packing cubicle a dedicated Air Handling Unit, resulting in a great deal of flexibility which translates into fast turnaround times.

A full engineering support team is on site to maintain the equipment and ensure continuous machine operation and minimise downtimes through an extensive preventive maintenance programme, while a highly skilled team of qualified professionals across all areas and departments ensure that quality assurance, quality systems, technology transfer and manufacturing processes are maintained to international standards.



Sustainability report

Employees

CMSA employs approximately 650 staff – 56% are employed within its Cipla Medpro sales and distribution business and the balance at the Cipla Medpro Manufacturing facility.

The group seeks to be an employer of choice within the pharmaceutical sector and the HR and management teams are dedicated to attracting and retaining the best talent and providing employees with a working environment conducive to career growth and advancement.

Skills development

Training requirements and programmes within the rapidly growing group are extensive, diverse and continual. The training department, based at the group's head office in Cape Town, consistently evaluates training and skills development requirements across all staff levels and divisions within the group and implements suitable programmes which are then monitored, and post-training support is provided when required.

The training department works closely with the HR department when addressing skills development needs – from ensuring the almost 300 Durban-based manufacturing staff, from pharmacists to cleaners, receive ongoing cGMP training in accordance with regulatory requirements, to inducting new recruits at all levels, to constantly keeping the medical and product knowledge of the 175-strong national sales force current.

Distribution Centre training – Cape Town

In 2009, 28 Cape Town-based Distribution Centre staff underwent a Good Wholesaling Practice course which incorporated ethics and professional practice, pharmaceutical supply chain management, cold chain management and occupational health and safety. Following that exam, the top five employees were enrolled in the 18-month Pharmacist's Assistant Basic course. Upon completion the company will then enrol these staff members in the post-basic level course.

Both of the above programmes are ongoing. The next Distribution Centre skills programme in Good Wholesaling Practice and preliminary exam will take place in December

2010, with the qualifying group of the top five candidates embarking on the Pharmacist's Assistant Basic course. The courses cover the required unit standards and uses outcomes-based assessments to evaluate competency, skills and knowledge.

CMM training – Durban

The group's Durban-based pharmaceutical manufacturing facility operates under stringent MCC cGMP guidelines as well as being one of the first in South Africa to meet international PIC/S standards and guidelines.

For the staff on-site training is paramount. The HR and QA departments ensure that there is continual cGMP training, development and assessments across all departments and levels, in accordance with an approved training plan for the company and each individual, whilst HR handles the day-to-day recruitment and industrial relations duties.

In 2009/2010, the company admitted 15 employees to the Pharmacist Assistant Learnership programme, with a completion date in December 2010.

Further education

Financial aid was provided to ten employees at the CMM plant and to nine employees at the Cape Town-based division during 2009/2010, to allow employees to further their studies through study assistance loans provided by the group.

Cipla Adelaide Tambo Healthcare Bursary

By the end of 2009, two black pharmacy students were able to complete their Bachelor of Science degrees in Pharmacy at the University of KwaZulu-Natal as a result of CMSA funding provided in the form of a bursary, whilst a third pharmacy student is due to finish mid-2010.

The first student has recently completed his one-year internship at the Durban manufacturing facility, the second began her internship in January 2010, and the third will commence his internship during the second half of 2010. The internship programme allows the students to gain exposure in all facets of a pharmaceutical business. Two new students will be enrolled in the bursary scheme during 2010 with a further three expected to start in 2011.

Employee health services

All of CMH's staff are members of a compulsory medical aid scheme and this is now being introduced to CMM employees. CMH staff have recently joined a pension fund, while CMM staff have remained on their provident fund.

At CMM, all employees in direct contact with product have undergone medical assessments in 2010. Employees now have access to an on-site clinic staffed by a doctor and nursing sister, once a week. Awareness programmes will be introduced to ensure the general wellness of all employees, which include:

- An Occupational Health Management Programme
 - Hazardous exposure identification and management, i.e. noise and audiograms; and
 - Certifying employees fit to work, i.e. driver medicals.
- Compensation for Occupational Injuries and Diseases Act, 1993
 - Workman's Compensation covers IOD and Occupational Diseases; and
 - COIDA Claims Management, i.e. IODs.
- Incapacity Management (i.e. labour relations legislation)
 - Absenteeism and productivity assessments;
 - Rehabilitation back-to-work programmes;
 - Ill health retirement assessment; and
 - Substance abuse management.
- Occupational Health Education
 - i.e. Noise induced hearing loss.

Human rights

The company is committed to ensure that all employees operate in a work environment that is compliant with all relevant charters and labour regulations. To support this culture the relevant policies have been introduced to ensure compliance.

Safety, health and environment

CMM is committed to developing and maintaining a work environment that is safe and risk free.

- External audits both from potential and current customers have been conducted, with no significant findings. Our SHE department has implemented a SHE internal audit plan since 2008 which certifies legal compliance. All findings are noted, corrected and audited to ensure the recommendations of the findings have been implemented.
- All employees are encouraged to report all incidents on site. Incidents are tracked on a monthly basis and are investigated and reported to the health and safety committee.
- All employees and contractors complete induction training which includes safety, health and environmental aspects.
- Health and safety representatives on each shift, and in each department, have been recognised and receive ongoing and up-to-date training. In addition, the induction procedure requires that all employees attend SHE induction, thereby ensuring awareness and compliance with the SHE policy at the outset.
- Regular safety meetings are held and potential risks are identified and action plans put in place to correct and prevent the reoccurrence thereof.
- Regular, unplanned evacuation drills at the plant are conducted to evaluate adherence to the evacuation policy as well as to identify opportunities for improvement.
- All employees are currently monitored in a medical surveillance programme, which is conducted at least once a year.

Sustainability report continued

Environment

- Pollution – all efforts are made to ensure that no uncontrolled products or chemicals pollute the environment. Emergency procedures and spills kits are available on site. All persons handling chemicals have been trained in chemical or product spill procedures.
- Waste management – all waste is sent to designated sites and is tracked on a monthly basis. Currently waste is comprised of general waste (non-hazardous), microbiological waste (hazardous), chemical waste from the lab (hazardous) and product waste (hazardous) which is sent for safe disposal. The waste service provider has been audited and will continue to be audited on an annual basis. Currently paper and cardboard is being recycled but this process has not been formally implemented yet. Paper, cardboard and plastic recycling will be a priority in 2010.
- Conservation of resources – a carbon footprinting exercise is currently being undertaken and will be completed by June 2010. In addition, power factor correction is in the process of being implemented throughout and currently two electric boilers are in use on site, with the plan to only use one and save on electrical consumption. Monthly inspections are done on all utility lines to ensure optimal efficiency of the energy services.



Code of ethics

A code of ethics policy has been introduced to create an awareness of the company's values and standards. The company supports an environment in which personal growth is supported and encouraged. Performance excellence is promoted to balance current competencies with the present and future needs of the company and in support of the individual's aspirations, and is in line with the company's Employment Equity policy and strategy.

Training and development initiatives are generally funded by the company. Needs are identified through the performance management system and one-on-one development discussions with their managers.

Categories of training and development required include:

- Adult Basic Education initiatives to support Affirmative Action and Employment Equity;
- Accelerated training and fast-tracking;
- Mentorship programmes and processes;
- Training and development for succession;
- Diversity;
- Specialised skills;
- Supervisory/managerial;
- Company specific skills/knowledge/values; and
- Interpersonal skills and other performance improvement skills.

Stakeholder engagements and communication

CMSA is committed to regular, relevant and consistent communication with all its stakeholders, including the communities in which it operates, its customers, suppliers, unions, shareholders, regulatory bodies and employees.

Stakeholder	Engagement and communication method
Employees	<ul style="list-style-type: none"> • Regular, routine meetings across all divisions and regions. • Notice boards visibly placed in all offices and departments, company-wide SMSs are distributed regularly and a staff newsletter is circulated to disperse relevant work, policy, procedure or corporate information, as well as the social aspects within the work environment. • Executive and middle management strategy meetings are held regularly. • Staff attend regular training workshops. • An annual sales meeting is held in Cape Town at the beginning of each year to deliver new strategies, goals, targets and objectives for each division.
Investors and healthcare analysts	<ul style="list-style-type: none"> • Bi-annual presentations are held for investors and healthcare analysts at the release of the annual and interim results as required by the JSE. • The company operates two websites containing investor related information. • SENS announcements pertaining to corporate activity are released in terms of the JSE requirements. • Site visits to CMM are arranged periodically for investors.
Shareholders	<ul style="list-style-type: none"> • Adverts are placed in the English and Afrikaans media on the day results are released. • Annual and interim results are uploaded to the CMSA website after release on SENS. • Shareholders may contact the CEO and CFO for disclosable information when the company is not in a closed period. • Annual and interim results booklets and the annual report are distributed to all investors. • SENS announcements are released whenever the company needs to convey information relating to directors' share dealings or statutory corporate activity. • A requisite AGM is held in Cape Town.
Corporate bankers and funders	<ul style="list-style-type: none"> • The CFO and Company Secretary work closely with the corporate bankers regarding the group's performance, its finance requirements in the short and long-term, and foreign exchange dealings.
Customers (consumers/patients, healthcare providers, doctors, pharmacists, national and provincial departments of health, medical aid societies)	<ul style="list-style-type: none"> • A large national sales force details many of the customer groups. • Numerous advertising and marketing initiatives are undertaken within specified pharmaceutical industry parameters. • Representatives and marketing staff regularly attend industry conferences and congresses. • Customer care call lines and a customer care e-mail address are available and advertised on product packaging; Cipla Medpro medical department staff with significant expertise deal with product and ailment queries from consumers and medical professionals. • Relevant corporate or product-related news is communicated via press releases and group websites. • CME functions are arranged and facilitated for medical practitioners/pharmacists in order to promote industry learning and continuing education amongst practitioners.

Sustainability report continued

Stakeholder	Engagement and communication method
Pharmaceutical industry	<ul style="list-style-type: none"> Representation on industry bodies, such as NAPM.
Regulatory bodies	<ul style="list-style-type: none"> Regular site inspections and correspondence with regulatory bodies occur.
Trade unions	<ul style="list-style-type: none"> Employees within the bargaining unit have the opportunity to join a union of their choice. Currently we do not have a recognised union on site, despite employees contributing to two different unions.
Bargaining councils	<ul style="list-style-type: none"> The company has elected not to affiliate to a bargaining council at this time.
Suppliers	<ul style="list-style-type: none"> Skilled procurement departments are in place at both Cipla Medpro and CMM to negotiate with and work closely with suppliers regarding raw and packaging material requirements. Supplier audits are conducted periodically. The BEE status of suppliers is ascertained in line with CMSA's BEE policy.
Partners	<ul style="list-style-type: none"> Senior staff from both divisions work closely with Cipla India. Site visits in South Africa and India are regularly arranged. Best practice, advice and knowledge is shared freely. Dedicated technology transfer teams work closely with all partners to facilitate the smooth introduction of new products into the manufacturing facility.





Transformation

CMSA is committed to BBBEE and to that end seeks to drive empowerment within its operations, and externally such as via procurement. The company strives to:

- Be an equal opportunity employer, giving preference to and increase the number of employees from previously disadvantaged communities;
- Foster a culture of equity for all employees and awareness of diversity; and
- Empower employees through incentive schemes and upliftment projects, such as numeracy and literacy training for CMM staff.

BEE ownership is currently in excess of 30% and the current board includes five black directors, which ensures 62,5% representation. The board also comprises 25% black female directors. Currently 274 of the 286 CMM staff (more than 95%) are HDI individuals.

Corporate Social Investment

The board and management of CMSA acknowledge their responsibility towards the community in which it operates and a number of CSI initiatives were undertaken during 2009. In addition to the Cipla Adelaide Tambo Healthcare Bursary scheme and Cipla Medpro's ongoing Diamond Smile sponsorship of Operation Smile SA, Cipla Medpro last year held a fundraising dinner/celebrity auction in benefit of the Peninsula School Feeding Scheme. This was the second year such an event had been arranged. 2008's event raised enough money to sponsor meals for children at two schools for the year. The 2009 event raised enough funds to continue providing meals every day for 2010 to the two existing schools as well as for learners at another two schools.

At the end of 2009 and into 2010, the company once again underwrote the costs of the third Cipla Miles for Smiles Challenge, where this time well known chef and extreme adventurer David Grier became the first to kayak solo from Mozambique to Madagascar, thereafter running approximately 2 500 km up the length of the island. Again the challenge and subsequent fundraising drive which will continue through much of 2010, was to raise funds to enable Operation Smile SA to facilitate the much needed surgical missions in rural areas to correct children's cleft lips and/or palates.



Corporate governance

CMSA subscribes to a culture of openness, integrity and accountability in terms of its corporate governance philosophy. To that end it strives to continuously monitor, assess and improve all operational and corporate practices in order to best comply with the principles and practices of the King III Report.

The board is of the view that, save for items specifically disclosed hereunder, the company has complied with the principles of King II during the year under review. The company is currently reviewing and updating, where appropriate, all documents and policies to ensure we are in compliance with the guidelines of King III, which became effective from 1 March 2010.

Board of directors

The board of directors comprises six non-executive directors (four of which are independent) and two executive directors. The roles of Chairman and CEO are separate in accordance with best practice principles. Independent non-executive director S'bu Luthuli chairs the board. During November 2009, Dr Mahlali resigned and in March 2010, two independent non-executive director appointments were made, viz. Messrs du Preez and Zungu. In accordance with the requirements of the King III Report, the board has satisfied itself that each independent director does not have any business interests or other relationship that could interfere materially with their capacity to act in an independent manner. The names and brief curriculum vitas of the directors are set out on pages 12 and 13 of this report.

The board of CMSA has been established to retain full and effective control over the company and its subsidiaries. Its functions in accordance with a formal board charter and its responsibilities include, inter alia:

- Giving strategic direction to the company;
- Ensuring that procedures and practices are in place to protect the company's assets and reputation;

- Monitoring and evaluating the implementation of strategies, policies, management performance and business plans;
- Ensuring that the company complies with relevant laws, regulations and codes of best practice;
- Assessing its performance and effectiveness, as a whole, and of the individual directors;
- Ensuring that the company has a succession plan for its executive directors; and
- Familiarising itself with issues of concern to stakeholders.

All directors have unrestricted access to all company information, records, documents and property. Directors receive detailed information packs on all operating subsidiaries and group affairs to facilitate effective preparation and decision making. Non-executive directors have full access to management and the Company Secretary, and may seek independent professional advice at the company's expense.

Directors must at all times observe the legal requirements in respect of the declaration of interests and do everything reasonably possible to avoid a conflict of interest in the execution of their duties. Any possible conflict of interest must at all times be declared upfront and the director concerned may not participate in a discussion, or vote, on the subject matter. Directors must observe the provisions of the buying or selling of their shares in respect of any relevant rules, legislative or regulatory procedures. Directors are prohibited from any share dealings in closed periods and are required to obtain clearance from the CEO, CFO or Company Secretary prior to trading in the company's shares; directors are obliged to provide the CFO with all information required by the company to comply with its disclosure duties in terms of the Listings Requirements of the JSE by no later than 24 hours after the share dealing.

Attendance at board and committee meetings for the 2009 year is set out below:

Directors	Status	Board ¹	Audit and Risk	Remuneration
Chris Aucamp	CFO	8	3	1
Bongani Caga	Non-executive	8	3	n/a
Johan du Preez ²	Independent non-executive	n/a	n/a	n/a
S'bu Luthuli	Independent non-executive Chairman	8	n/a	1
Dr Gil Mahlati ³	Independent non-executive	8	n/a	1
Nthabiseng Mokone	Non-executive	8	n/a	n/a
Mpho Mosweu	Independent non-executive	6	3	n/a
Jerome Smith	CEO	4	n/a	n/a
Sandile Zungu ²	Independent non-executive	n/a	n/a	n/a
Number of meetings held during 2009		8	3	1

1 This includes additional special board meetings that were required during 2009.

2 Appointed on 16 March 2010.

3 Resigned on 20 November 2009.

Executive directors attend Audit and Risk Committee and Remuneration Committee meetings by invitation only. Due to health reasons Jerome Smith was unable to attend all the meetings during the 2009 financial year.

Company Secretary

The Company Secretary attends board and committee meetings at the invitation of the board, and is responsible for preparing the agenda and packs in advance of the board and committee meetings, and for accurately recording the minutes of these meetings. In addition, the Company Secretary acts as a central advisor to the board, providing guidance to directors and committees on matters concerning corporate governance, updates on legal and statutory amendments and on the effective execution of their responsibilities and fiduciary duties. When required, the Company Secretary will involve the Sponsor and other experts to ensure the directors have the required information to discharge their responsibilities.

Board Committees

In order to better equip the board to discharge its collective responsibilities, board committees are in operation.

These committees report back to the main board, which acknowledges its ultimate collective accountability and responsibility for the performance and affairs of the company. These committees are Audit and Risk, Remuneration and a newly formed Nominations Committee (this committee did not hold any meetings during the 2009 year).

During 2009, a temporary independent subcommittee was constituted with the specific mandate of assisting the board in evaluating and responding to the Adcock bid process. This committee was chaired by Dr Gil Mahlati, and held ten meetings during the 2009 financial year. In addition, this committee included two suitably qualified independent external consultants.

Corporate governance continued

Audit and Risk Committee

The Audit and Risk Committee consists of two members, both of whom are non-executive directors, and are appropriately qualified for their roles on the committee. The committee functions in accordance with its terms of reference as approved by the board. The committee is chaired by Mpho Mosweu and meets at appropriate times during the year to assist the board with all matters relating to external reporting and risk management including:

- Reviewing publicly released financial information;
- Establishing processes for monitoring the effectiveness of internal controls and safeguarding of assets;
- Developing risk management strategies;
- Appointment and monitoring of independent external auditors, approving their fees and setting principles for utilising the external auditors for non-audit services;
- Compliance with statutory and regulatory services; and
- Review of the group's insurance portfolio and foreign exchange risk management policies.

The external and internal auditors have unrestricted access to the Chairperson of the committee and report to the committee at each meeting in accordance with established principles. The CFO and Company Secretary attend meetings of the committee by invitation only and were in attendance at all meetings of the committee held during the year under review. In addition, the external and internal auditors attend the meetings by invitation.

In order to comply with the King III Report and the proposed new Companies Act, the board has resolved to restructure the committee in order to comprise three independent non-executive directors. Mpho Mosweu will continue to chair the committee, but Bongani Caga will step down and Sandile Zungu and Johan du Preez will join the committee in 2010.

With appropriate input from the Audit and Risk Committee, the board regularly reviews the effectiveness of the company's

risk management and internal control systems. These systems are designed to ensure the accuracy of financial reporting and to safeguard the company's assets. The systems include documented organisation structures and operating policies and procedures. The board's risk management strategy includes matters relating to enterprise risk, including strategic, operational, financial and compliance risks.

Internal audit

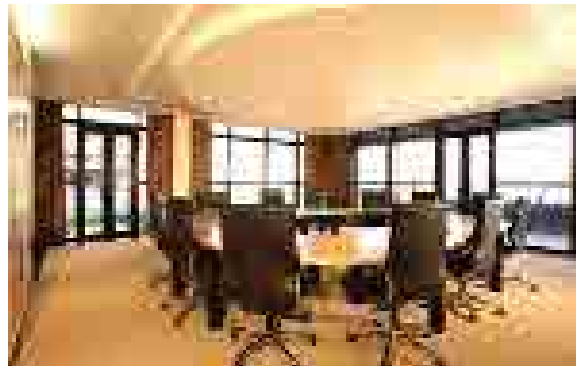
Working together with the group's external auditors, Mazars, the group Internal Audit Manager reports into the Audit and Risk Committee to assist the company in further formalising and managing its risk management process. An external firm of auditors, RAFT Consulting, assists the group Internal Audit Manager in discharging her responsibilities to the Audit and Risk Committee.

Remuneration Committee

The Remuneration Committee consists of two members, both of whom are non-executive directors. The committee functions in accordance with a formal charter approved by the board. During 2009, the committee was chaired by Dr Gil Mahlati who resigned late in the year. His position as Remuneration Committee Chairman has been replaced by Johan du Preez. S'bu Luthuli will remain as the second member of the committee.

The committee meets at appropriate times during the year to assist the board with all matters relating to the reward and retention of directors and senior executives in the group including:

- Appraisal of the performance of executive directors;
- Determining the conditions of employment, service agreements and basic remuneration for executives;
- Developing appropriate short and long-term incentives for executives;
- Recommending fees for non-executive directors;
- Setting the policy for the company's share option scheme; and
- Monitoring executive succession planning.



Nominations Committee

This newly formed committee was established to ensure that the board is suitably constituted taking into account skills requirements, experience and diversity required to lead the group forward, as well as to assume responsibility to shareholders for the strategic direction of the CMSA group. A key requirement is to ensure that the majority of the board members are non-executive directors, and that the majority of these members are independent.

The Nominations Committee is chaired by S'bu Luthuli and has as its responsibilities:

- To identify and recommend suitable candidates as non-executive board and/or committee members; and
- To ensure succession plans and strategies for the group CEO and key senior executives within the business.

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the group annual financial statements and the annual financial statements of Cipla Medpro South Africa Limited, comprising the statements of financial position at 31 December 2009, and the statements of comprehensive income, the statements of changes in equity and statements of cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

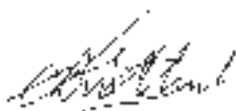
The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe these businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group annual financial statements and the annual financial statements of Cipla Medpro South Africa Limited are fairly presented in accordance with the applicable financial reporting framework.

Approval of the group annual financial statements and the annual financial statements of Cipla Medpro South Africa Limited

The group annual financial statements and annual financial statements of Cipla Medpro South Africa Limited, as identified in the first paragraph, for the year ended 31 December 2009, set out on pages 31 to 95, were approved by the board of directors on 15 April 2010 and signed on their behalf by:



PCS Luthuli
Chairman


Durban
15 April 2010



JS Smith
CEO

Company Secretary's report

I, Mark Daly, Company Secretary of Cipla Medpro South Africa Limited, certify that, to the best of my knowledge and belief, all returns as are required of a public company have, in respect of the year ended 31 December 2009, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.



MW Daly
Company Secretary

Durban
15 April 2010

Independent Auditor's report to the members of Cipla Medpro South Africa Limited

Report on the annual financial statements

We have audited the group annual financial statements and the annual financial statements of Cipla Medpro South Africa Limited, which comprise the consolidated and separate statements of financial position at 31 December 2009, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flow for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 31 to 95.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility


Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of Cipla Medpro South Africa Limited at 31 December 2009, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



Mazars

Registered Auditor

Partner: Conrad Burger

Registered Auditor

Mazars House
Rialto Road
Grand Moorings Precinct
Century City
7441

15 April 2010

Directors' report

The directors have pleasure in presenting their report which forms part of the audited annual financial statements of Cipla Medpro South Africa Limited and the consolidated financial statements of the group for the year ended 31 December 2009.

The directors are pleased to announce a satisfactory set of annual results for 2009. The year in review saw good progress in both divisions, with Cipla Medpro growth continuing to outperform that of the Total Private Market.

Nature of business

Cipla Medpro South Africa Limited is one of the leading pharmaceutical companies in South Africa. The group engages in the manufacture, marketing and supply of pharmaceutical products.

Financial results and review of operations

The financial results of the group for the year ended 31 December 2009 are set out in the attached financial statements.

The review of operations for the year is fully covered in the Chairman's, CEO's and CFO's reports.

Acquisitions and disposals of businesses

During January 2009, the group acquired a 50% controlling interest in Medpro Pharmaceutica Africa (Pty) Limited. Details of this acquisition are set out in note 24 of the financial statements. This acquisition has been accounted for under IFRS 3 Business Combinations and IAS 38 Intangible Assets.

Subsidiary companies

Details of the subsidiary companies are set out in note 19 and Annexure A of the financial statements.

Capital expenditure

The upgrade of Cipla Medpro Manufacturing's 4 000 square metre Mobeni site and pharmaceutical manufacturing facility is substantially complete having commenced during January 2007. The R311 million upgrade has seen Cipla Medpro Manufacturing become one of the first PIC/S compliant facilities in South Africa, matching the highest standards for pharmaceutical manufacturers in the world.

Dividends

No dividend has been declared during the year and none has been recommended (2008: Rnil). At 31 December 2009, the dividend policy was that all earnings generated by the group be used to repay debt and fund growth opportunities. However, on 19 March 2010, the company announced that a dividend policy for the 2010 financial year (with a dividend yield of between 1,8% and 2,0%, split between an interim and final dividend) had been approved by the board. It is therefore anticipated that an interim dividend for the six months ending 30 June 2010 will be paid to shareholders.

Share capital

The authorised share capital of the company comprises 500 000 000 ordinary shares of 0,1 cent each and the issued share capital of the company is R449 856 (consisting of 449 856 116 ordinary shares of 0,1 cent each) (2008: R443 266 consisting of 443 265 635 ordinary shares of 0,1 cent each).

At the AGM of the company held on 22 July 2009, the requisite majority of Cipla Medpro South Africa Limited shareholders approved an ordinary resolution placing the control of 10% of the authorised but unissued share capital of the company under the authority of the directors. In accordance with such general authority the company issued 6 590 481 ordinary shares to the CMSA Share Option Trust, equating to approximately 1,5% of the company's issued share capital at 31 December 2009. The shares were issued at an average price of R3,29 per share, representing the 30-day volume weighted average market price of the company's shares preceding the May 2008 and June 2009 option grant dates. These shares were listed on the JSE on 27 November 2009 and rank *pari passu* with the existing ordinary shares of the company.

The following shareholders own more than 5% of the issued share capital of the company:

- Sweet Sensation 67 (Pty) Limited is the owner of 82 000 000 ordinary shares in the company, equivalent to 18,2% of the issued share capital;
- The Government Employees Pension Fund owns 37 580 267 ordinary shares in the company, equivalent to 8,4% of the issued share capital; and
- Liberty Life Association of Africa Limited owns 33 795 198 ordinary shares in the company, equivalent to 7,5% of the issued share capital.

The unissued share capital is under the control of the directors of the company until the next AGM of shareholders. Further details of the authorised and issued share capital of the company are given in note 11 of the annual financial statements.

Directors' report continued

DIRECTORS

Directors' interests in the issued shares of the company

The total direct and indirect interests declared by the directors in the issued share capital of the company were as follows:

Director	Beneficial direct '000	Beneficial indirect '000	Non- beneficial indirect '000	Total '000	Percentage held
31 December 2009					
C Aucamp	–	750	–	750	0,17
MB Caga	–	180	–	180	0,04
PCS Luthuli	1 689	1 998	–	3 687	0,82
JS Smith	–	16 822	–	16 822	3,74
	1 689	19 750	–	21 439	4,77
31 December 2008					
C Aucamp	–	750	–	750	0,17
MB Caga*	–	180	–	180	0,04
PCS Luthuli	1 689	1 998	–	3 687	0,83
JS Smith	–	17 679	–	17 679	3,99
	1 689	20 607	–	22 296	5,03

* The shareholding of MB Caga has been restated as it was incorrectly disclosed at 31 December 2008.

At the date of approval of the annual financial statements, the directors of the company were as follows:

Executive directors

JS Smith (CEO)

C Aucamp (CFO)

Non-executive directors

PCS Luthuli (Chairman)

MB Caga

JvD du Preez – appointed 16 March 2010

ND Mokone

MT Mosweu

SMD Zungu – appointed 16 March 2010

Director resignation

Dr GS Mahlathi – resigned 20 November 2009

Each of the executive directors has a fixed term contract expiring on 31 December 2015 from Cipla Medpro South Africa Limited, containing terms considered to be standard for such contracts. These contracts include restraint of trade provisions for which no payment was made.

An executive director is required to retire from the board at the age of 60, whilst a non-executive director is required to retire at the age of 70.

Refer to note 20 for detailed disclosure of directors' emoluments for the year.

The directors of the company have not had any material beneficial interest whether direct or indirect in transactions that were effected by the company during the current and immediately preceding financial year and which remain in any respect outstanding or unperformed, except as disclosed in note 19 of the annual financial statements.

Special resolutions

At the AGM held in July 2009, shareholders approved, via special resolution, for the company and/or its subsidiaries by way of a general approval contemplated in sections 85 (2) and 85 (3) of the Companies Act, to acquire the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the Articles of Association of the company, the provisions of the Companies Act and the JSE Listings Requirements, and the provisos as listed in the notice of meeting dated 17 June 2009 included in the 2008 group annual report.

Going concern

The directors consider that the company and the group have adequate resources to continue operating for the foreseeable future. It is therefore appropriate to adopt the going concern basis in preparing the company and group annual financial statements. The directors are satisfied that the group is in a sound financial position and has access to adequate borrowing facilities to meet its foreseeable cash requirements.

Auditors

The auditors of the company are Mazars.

Company Secretary

The business and postal addresses of the Company Secretary, which are also the registered addresses of the company, are as reflected below:

Registered office

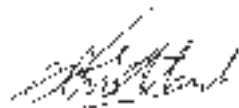
1474 South Coast Road
Mobeni
4052

Postal address

PO Box 32003
Mobeni
4060

Subsequent events

The directors are not aware of any matter or circumstance which is material to the financial affairs of the company and the group, which has occurred between 31 December 2009 and the date of approval of the annual financial statements, that has not been otherwise dealt with in the company and group annual financial statements.



PCS Luthuli

Chairman

Durban
15 April 2010



JS Smith

CEO

Statements of financial position as at 31 December

	Notes	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	389 012	287 174	316 599	239 841
Intangible assets	4	1 428 577	1 402 745	1 427	1 427
Investments in subsidiaries	5	–	–	831 185	834 154
Other investments	6	4	4	–	–
Loans receivable	7	–	–	23 304	7 959
Deferred tax	8	18 695	7 100	16 879	6 614
Total non-current assets		1 836 288	1 697 023	1 189 394	1 089 995
Current assets					
Inventory	9	181 673	190 542	12 213	4 500
Income tax receivable		1 137	1 135	1 117	1 117
Trade and other receivables, including derivatives	10	230 970	222 839	39 078	68 460
Loans receivable	7	5 162	3 505	2 162	345
Cash and cash equivalents	23.4	3 683	40 251	160	170
Total current assets		422 625	458 272	54 730	74 592
Total assets		2 258 913	2 155 295	1 244 124	1 164 587
EQUITY					
Issued share capital	11	450	443	450	443
Share premium	11	1 040 924	1 019 296	1 040 924	1 019 296
Treasury shares	11	(23 304)	(7 970)	–	–
Retained earnings		558 475	392 515	(12 225)	8 627
Total equity attributable to equity holders of the parent		1 576 545	1 404 284	1 029 149	1 028 366
Non-controlling interest	11	3 822	1 640	–	–
Total equity		1 580 367	1 405 924	1 029 149	1 028 366
LIABILITIES					
Non-current liabilities					
Loans and borrowings	12	346 376	344 470	27 106	–
Accrued operating leases		2 403	554	2 072	–
Amounts due to subsidiaries	5	–	–	113 312	90 038
Deferred tax	8	9 542	1 794	–	–
Total non-current liabilities		358 321	346 818	142 490	90 038
Current liabilities					
Bank overdrafts	23.4	63 826	8 542	50 028	8 542
Loans and borrowings	12	8 430	1 926	7 968	1 926
Income tax payable		11 793	15 298	–	–
Trade and other payables, including derivatives	13	236 176	376 787	14 489	35 715
Total current liabilities		320 225	402 553	72 485	46 183
Total liabilities		678 546	749 371	214 975	136 221
Total equity and liabilities		2 258 913	2 155 295	1 244 124	1 164 587

Statements of comprehensive income for the years ended 31 December

	Notes	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
Revenue		1 262 058	994 892	49 210	58 191
Cost of sales		(641 700)	(501 553)	(53 480)	(53 011)
Gross profit		620 358	493 339	(4 270)	5 180
Other income		6 426	7 256	13 882	13 619
Selling and distribution expenses		(224 200)	(164 712)	(11 266)	(7 839)
Administrative expenses		(93 687)	(81 267)	(27 585)	(20 760)
Other expenses		(47 520)	(27 096)	(6 527)	(5 813)
Profit (loss) before finance costs and income tax	14	261 377	227 520	(35 766)	(15 613)
Net finance costs and finance income	15	(22 873)	(34 873)	(1 407)	2 135
Finance costs		(28 227)	(64 897)	(5 801)	(813)
Finance income		5 354	30 024	4 394	2 948
Profit (loss) before income tax		238 504	192 647	(37 173)	(13 478)
Income tax expense	16	(76 418)	(62 593)	10 265	2 556
Profit (loss) for the year		162 086	130 054	(26 908)	(10 922)
Profit (loss) attributable to:					
Equity holders of the parent		159 904	128 679	(26 908)	(10 922)
Non-controlling interest		2 182	1 375	–	–
Profit (loss) for the year		162 086	130 054	(26 908)	(10 922)
Other comprehensive income for the year (net of income tax)		–	–	–	–
Total comprehensive income (loss) for the year		162 086	130 054	(26 908)	(10 922)
Total comprehensive income (loss) attributable to:					
Equity holders of the parent		159 904	128 679	(26 908)	(10 922)
Non-controlling interest		2 182	1 375	–	–
Total comprehensive income (loss) for the year		162 086	130 054	(26 908)	(10 922)
Earnings per share:					
Basic earnings per share (cents)	17	36,3	29,3		
Diluted earnings per share (cents)	17	36,3	29,2		

Statements of changes in equity for the years ended 31 December

	Notes	Attributable to equity holders of the parent					Non-controlling interest	Total equity
		Share capital	Share premium	Treasury shares	Retained earnings	Total		
		R'000	R'000	R'000	R'000	R'000	R'000	R'000
GROUP								
Balance at 1 January 2008		443	1 019 296	(8 707)	259 190	1 270 222	152	1 270 374
Total comprehensive income for the year		–	–	–	128 679	128 679	1 375	130 054
Shares issued from the CMSA								
Share Option Trust		–	–	737	–	737	–	737
IFRS 2 Share-based Payments	22	–	–	–	4 646	4 646	–	4 646
Acquisition of non-controlling interest		–	–	–	–	–	113	113
Balance at 31 December 2008		443	1 019 296	(7 970)	392 515	1 404 284	1 640	1 405 924
Total comprehensive income for the year		–	–	–	159 904	159 904	2 182	162 086
Issue of share capital	11	7	21 654	–	–	21 661	–	21 661
Share issue expenses	11	–	(26)	–	–	(26)	–	(26)
Shares issued from the CMSA								
Share Option Trust		–	–	6 327	–	6 327	–	6 327
Shares acquired by the CMSA								
Share Option Trust		–	–	(21 661)	–	(21 661)	–	(21 661)
IFRS 2 Share-based Payments	22	–	–	–	6 056	6 056	–	6 056
Balance at 31 December 2009		450	1 040 924	(23 304)	558 475	1 576 545	3 822	1 580 367
COMPANY								
Balance at 1 January 2008		443	1 019 296	–	14 903	1 034 642	–	1 034 642
Total comprehensive loss for the year		–	–	–	(10 922)	(10 922)	–	(10 922)
IFRS 2 Share-based Payments	22	–	–	–	4 646	4 646	–	4 646
Balance at 31 December 2008		443	1 019 296	–	8 627	1 028 366	–	1 028 366
Total comprehensive loss for the year		–	–	–	(26 908)	(26 908)	–	(26 908)
Issue of share capital	11	7	21 654	–	–	21 661	–	21 661
Share issue expenses	11	–	(26)	–	–	(26)	–	(26)
IFRS 2 Share-based Payments	22	–	–	–	6 056	6 056	–	6 056
Balance at 31 December 2009		450	1 040 924	–	(12 225)	1 029 149	–	1 029 149

Statements of cash flow for the years ended 31 December

	Notes	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
Cash flows from operating activities					
Cash generated (utilised) by operations	23.1	125 886	234 603	(23 200)	(20 123)
Finance costs paid		(37 306)	(43 608)	(5 801)	(813)
Finance income received		5 354	30 024	4 394	2 948
Income tax paid	23.2	(80 663)	(76 504)	-	-
STC paid	23.3	(3 109)	(2 012)	-	-
Net cash flows from operating activities		10 162	142 503	(24 607)	(17 988)
Cash flows from investing activities					
Acquisitions of property, plant and equipment		(91 126)	(162 712)	(83 199)	(133 023)
Acquisitions of intangible assets		(26 270)	(37 198)	-	-
Proceeds on disposals of plant and equipment		479	175	375	167
Proceeds on disposals of intangible assets		-	1 250	-	-
Acquisition of subsidiary	24	-	(5 442)	-	-
Acquisition of non-controlling interest	24	-	(5 182)	-	-
(Increase) decrease in loans receivable		(1 657)	38 729	4 518	7 779
Net cash flows from investing activities		(118 574)	(170 380)	(78 306)	(125 077)
Cash flows from financing activities					
Share issue expenses		(26)	-	(26)	-
Proceeds from the exercise of share options		6 327	737	-	-
Redemption of preference shares		(50 200)	(85 200)	-	-
Increase (decrease) in loans payable		60 459	(15 600)	61 443	50 819
Net cash flows from financing activities		16 560	(100 063)	61 417	50 819
Net decrease in cash and cash equivalents		(91 852)	(127 940)	(41 496)	(92 246)
Cash and cash equivalents at beginning of the year		31 709	159 649	(8 372)	83 874
Cash and cash equivalents at end of the year	23.4	(60 143)	31 709	(49 868)	(8 372)

Notes to the financial statements for the years ended 31 December

General information

CMSA is listed on the main board of the JSE and is domiciled in the Republic of South Africa.

These annual financial statements were authorised for issue by the directors on 15 April 2010.

1. Significant accounting policies

a) Statement of compliance

The consolidated financial statements and separate company financial statements have been prepared in accordance with IFRS and interpretations adopted by the IFRIC Committee.

b) Basis of preparation

The financial statements are presented in ZAR, rounded to the nearest thousand. They are prepared on the historical cost basis except for certain financial assets and financial liabilities that are measured at fair value. The methods used to measure fair values are discussed in accounting policy (u).

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Refer to note 4 (Intangible assets) and note 22 (Share options and share-based payments) for further details.

The accounting policies set out below have been consistently applied by all group entities and to all periods presented in these consolidated financial statements, with the exception of new standards and interpretations adopted during the 2009 year (refer to note 25).

c) Basis of consolidation

(i) Investment in subsidiaries

Subsidiaries are those entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the effective date that control commences until the date that control ceases.

(ii) Special-purpose entities

The group has established a SPE for the purposes of holding share options on behalf of employees of the group. The group does not have a direct or indirect shareholding in this entity. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the group and the SPE's risks and rewards, the group concludes that it controls the SPE.

The SPE which is controlled by the group has been established under terms that impose strict limitations on the decision-making powers of the SPE's management and that result in the group receiving all of the benefits related to the SPE's operation and net assets.

(iii) Associates

Associates are those entities in which the group has significant influence, but no control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method and are initially recognised at cost. The group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the group's share of the income and expenses and equity movements of associates, after adjustments to align the accounting policies with those of the group, from the date that significant influence commences until the date that significant influence ceases. When the group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the group has an obligation or has made payments on behalf of the associate.

1. **Significant accounting policies** continued

c) **Basis of consolidation** continued

(iv) **Transactions eliminated on consolidation**

Intragroup balances and transactions, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

d) **Foreign currency**

Transactions in foreign currencies are translated into South African Rand at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into South African Rand at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured on the historical cost basis are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair values were determined.

e) **Financial instruments**

(i) **Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the group's contractual rights to the cash flows from the financial assets expire or if the group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flow. Cash and cash equivalents are measured at fair value.

Accounting for finance income and expense is discussed in accounting policy (q).

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial guarantees

Financial guarantees are initially measured at fair value and subsequently measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS18 Revenue.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, and for any non-derivative financial assets, less any impairment losses. The discount rate used is the market rate of interest for a similar instrument of an issuer with a similar credit rating.

Notes to the financial statements for the years ended 31 December

1. Significant accounting policies continued

e) Financial instruments continued

(ii) Derivative financial instruments

The group holds derivative financial instruments to economically hedge its foreign currency and interest rate risk exposures. Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and gains or losses are recognised through profit or loss. The group does not apply hedge accounting as per the requirements of IAS 39 Financial Instruments: Recognition and Measurement.

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity and carried at original cost. Incremental costs directly attributable to the issue of new shares or options are recognised as a deduction from equity.

Treasury shares

Where any group entity purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity shareholders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the company's equity shareholders.

Preference shares

Preference shares are classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognised in the statement of comprehensive income as interest expense.

f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment at 1 January 2004, the date of transition to IFRS, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Borrowing costs related to the acquisition or construction of qualifying assets are capitalised in accordance with the group's accounting policy on borrowing costs (refer to accounting policy (j)).

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised within profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

1. **Significant accounting policies** continued

f) **Property, plant and equipment** continued

(iii) **Depreciation**

Depreciation is recognised in profit or loss on a systematic basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The depreciation rates applicable to each category of property, plant and equipment are as follows:

<i>Asset category</i>	<i>Useful life</i>
Leasehold improvements	5 to 16 years (2008: up to 50 years)
Plant and machinery	2 to 25 years (UOP) (2008: 5 to 15 years)
Motor vehicles	5 years
Furniture and equipment	
• Office furniture	5 to 6 years
• Lab equipment	3 years (UOP) (2008: 3 years)
• Computer equipment	2 to 3 years
• Computer software	3 years
• Burglar alarms	3 to 10 years
• Library assets	3 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

g) **Intangible assets**

(i) **Goodwill**

Acquisitions prior to 1 January 2004

As part of its transition to IFRS, the group elected to restate only those business combinations that occurred on or after 1 January 2004. In respect of acquisitions prior to 1 January 2004, goodwill represents the amount recognised under the group's previous accounting framework, SA GAAP.

Acquisitions on or after 1 January 2004

For acquisitions on or after 1 January 2004, goodwill represents the excess of the cost of the acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Acquisitions of non-controlling interests

Goodwill arising on the acquisition of a non-controlling interest in a subsidiary represents the residual after measuring the cost of the additional investment and the fair value of the identifiable net assets at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) **Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Borrowing costs related to the development of qualifying assets are recognised in accordance with the group's policy on borrowing costs (refer to accounting policy (j)). Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Notes to the financial statements for the years ended 31 December

1. Significant accounting policies continued

g) Intangible assets continued

(iii) Other intangible assets

The useful lives of all other intangible assets acquired by the group are assessed to determine if the useful life is finite or indefinite. Useful lives of intangible assets are reviewed at least at the end of each financial year and altered if estimates have changed significantly. Any change is accounted for by changing the amortisation charge for the current and future periods.

Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

Intangible assets with indefinite useful lives and goodwill are measured at cost and are not amortised, but are tested for impairment at least annually or whenever any indication of impairment exists.

The following intangible assets currently have an indefinite useful life:

- Pharmaceutical dossiers;
- Trademarks and registrations; and
- Brands.

The useful life of computer software is two to three years.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

h) Investments in subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is goodwill (refer to accounting policy (g)). If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised immediately in profit or loss.

i) Leased assets

Leases in terms of which the group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset (refer to accounting policy (f)).

Other leases are classified as operating leases whereby the leased assets are not recognised on the group's statement of financial position.

j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. All other borrowing costs are expensed in the period in which they are incurred.

k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost method, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow-moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1. **Significant accounting policies** continued

l) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses and reversals of impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the group's non-financial assets, other than inventories (refer to accounting policy (k)) and deferred tax assets (refer to accounting policy (r)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

m) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions to a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss when they are due.

(ii) Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Notes to the financial statements for the years ended 31 December

1. Significant accounting policies continued

m) Employee benefits continued

(iii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonuses or performance bonuses and leave pay if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest, except for when forfeiture is only due to share prices not achieving the threshold for vesting.

n) Provisions

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Restructuring

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

o) Revenue

Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates, and value added tax. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be estimated reliably.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

p) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged to profit or loss in the period in which they are incurred.

q) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities and changes in the fair value of financial assets at fair value through profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

r) Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

1. Significant accounting policies continued

r) Taxation continued

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

s) Earnings per share

The group principle basic and diluted EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprises share options granted to employees.

t) Segment reporting

The group's principle format for segment reporting is based on business segments. This basis is indicative of the group's management and internal structure for financial reporting to decision makers. Geographical segments are not represented as the group operates mainly in South Africa.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

u) Determination of fair values

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) Intangible assets

The fair value of intangible assets acquired in a business combination is based on the discounted estimated future cash flows expected to be derived from the use and eventual sale of the assets.

Notes to the financial statements for the years ended 31 December

1. Significant accounting policies continued

u) Determination of fair values continued

(iii) Inventory

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(iv) Investments in equity securities

The fair value of financial assets at fair value through profit or loss is determined by reference to their quoted bid price at the reporting date.

(v) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(vi) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.

(vii) Non-derivative financial liabilities

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

The fair value of financial guarantees is the price that an independent party is willing to accept in order to assume the risk attached to the guarantee.

(viii) Share-based payment transactions

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility, expected life of the instrument, expected dividends, and the risk-free interest rate.

v) Government grants

Government grants relating to assets are recognised as deferred income in the statement of financial position in the year that it becomes receivable. The deferred income is recognised as income in the statement of comprehensive income over the life of the underlying asset as the asset is depreciated.

2. Segment reporting

The group's identification of reportable segments under the previous IAS 14 Segment Reporting remains the same as under IFRS 8 Operating Segments, as the group previously identified primary segments on the basis of the internal reports provided to the chief operating decision maker as described within IFRS 8; therefore the principle reportable operating segments remain as business segments which is indicative of the group's management and internal structure for financial reporting to decision makers.

Geographical segments have not been presented as the group operates mainly in South Africa. No single customer contributes to 10% or more of the total revenue.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets, other than goodwill.

Group financing (including finance costs and finance income) and taxes are handled on a group level and are not allocated to operating segments.

Business segments

The basis of segmentation is representative of the manner in which the chief operating decision maker reviews the business viz. on a factory versus non-factory basis.

The group comprises the following main business segments:

Factory:	Manufacture of pharmaceutical products
Non-factory:	Supply and distribution of pharmaceutical products
Head office:	Administrative function of the group

GROUP 2009	Factory R'000	Non-factory R'000	Head office R'000	Eliminations R'000	Total R'000
Revenue					
External customers	28 710	1 233 348	-	-	1 262 058
Inter-segment revenue	20 500	-	-	(20 500)	-
Total segment revenue	49 210	1 233 348	-	(20 500)	1 262 058
Segment result	(35 295)	294 632	(471)	2 511	261 377
Net finance costs					(22 873)
Income tax expense					(76 418)
Profit for the year					162 086
Segment assets	1 226 128	2 366 369	-	(1 353 416)	2 239 081
Unallocated tax assets					19 832
Total assets					2 258 913
Segment liabilities	214 975	1 706 288	-	(1 264 052)	657 211
Unallocated tax liabilities					21 335
Total liabilities					678 546
Capital expenditure	83 199	34 197	-	-	117 396
Significant non-cash expenses					
Depreciation	(4 859)	(5 983)	-	-	(10 842)
Amortisation	-	(438)	-	-	(438)

Notes to the financial statements for the years ended 31 December

2. Segment reporting continued

GROUP 2008	Factory R'000	Non-factory R'000	Head office R'000	Eliminations R'000	Total R'000
Revenue					
External customers	57 507	937 385	–	–	994 892
Inter-segment revenue	684	167	–	(851)	–
Total segment revenue	58 191	937 552	–	(851)	994 892
Segment result	(15 690)	226 603	77	16 530	227 520
Net finance costs					(34 873)
Income tax expense					(62 593)
Profit for the year					130 054
Segment assets	1 156 854	2 242 618	–	(1 252 412)	2 147 060
Unallocated tax assets					8 235
Total assets					2 155 295
Segment liabilities	136 220	1 751 185	–	(1 155 126)	732 279
Unallocated tax liabilities					17 092
Total liabilities					749 371
Capital expenditure	133 023	66 887	–	–	199 910
Significant non-cash expenses					
Depreciation	(1 723)	(3 729)	–	(648)	(6 100)
Amortisation	–	(305)	–	–	(305)

3. Property, plant and equipment

GROUP 2009		Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Leasehold improvements		122 981	(6 420)	116 561
Plant and machinery		254 283	(5 087)	249 196
Motor vehicles		2 402	(731)	1 671
Furniture and equipment		32 965	(11 381)	21 584
		412 631	(23 619)	389 012

GROUP	Opening carrying value R'000	Other acquisitions R'000	Disposals R'000	Transfers ¹ R'000	Depreciation ³ R'000	Closing carrying value R'000
Movement summary 2009						
Leasehold improvements	9 530	5 612	–	105 658	(4 239)	116 561
Plant and machinery	266 104	102 659	(1 447)	(115 942)	(2 178)	249 196
Motor vehicles	1 165	1 064	(198)	–	(360)	1 671
Furniture and equipment	10 375	4 990	–	10 284	(4 065)	21 584
	287 174	114 325	(1 645)	–	(10 842)	389 012

GROUP 2008		Cost R'000	Accumulated depreciation R'000	Accumulated impairment ² R'000	Carrying value R'000
Leasehold improvements		11 711	(2 181)	–	9 530
Plant and machinery		278 885	(4 947)	(7 834)	266 104
Motor vehicles		1 706	(541)	–	1 165
Furniture and equipment		17 725	(7 350)	–	10 375
		310 027	(15 019)	(7 834)	287 174

GROUP	Opening carrying value R'000	Acquisitions through business combinations R'000	Other acquisitions R'000	Disposals R'000	Depreciation R'000	Closing carrying value R'000
Movement summary 2008						
Leasehold improvements	3 036	–	7 769	–	(1 275)	9 530
Plant and machinery	121 155	11	146 671	–	(1 733)	266 104
Motor vehicles	609	–	906	(148)	(202)	1 165
Furniture and equipment	6 109	92	7 263	(199)	(2 890)	10 375
	130 909	103	162 609	(347)	(6 100)	287 174

Notes to the financial statements for the years ended 31 December

3. Property, plant and equipment continued

Upgrade of site and manufacturing facilities

During the year ended 31 December 2007, the company commenced an upgrade of its site and manufacturing facilities. The initial scope of the upgrade was completed during the latter half of 2008. Since then, the company had identified and embarked on additional areas for upgrade which are now substantially complete. The investment in the upgrade has been a total of R311 million to date.

Included in plant and machinery are borrowing costs capitalised as part of the cost of qualifying assets (refer to note 15), as well as directly attributable expenditure, including employee costs, that were incurred for employees working directly on the upgrade.

Employee benefits

Employee benefits that are incurred for employees working directly on the construction or acquisition of an asset are directly attributable costs and may be capitalised. The employees that have been included in the costs capitalised to the upgrade comprise those directly involved in the construction or acquisition of the assets and those in finance and administration positions who were indirectly involved in the construction or acquisition of the assets.

For the finance and administration staff, estimations and judgements were made in calculating the amount which qualifies for capitalisation. The estimations were predominately in respect of the amount of time each employee spent on a monthly basis on the acquisition and construction over and above the employee's normal finance or administrative duties.

On a departmental basis, management estimated the percentage of time dedicated by each department on the various phases of the upgrade during the year. The time spent by each department was then further stratified to individual employee level to isolate the percentage of time spent by each employee on the project, e.g. project manager: 100% of time.

These percentages were then applied to the total cost per employee to arrive at the amount capitalisable in terms of IAS 16 Property, Plant and Equipment.

Secured leased assets

In the current year, the group entered into a number of finance lease arrangements on plant and equipment as disclosed in note 12 (b). During the 2008 year, the finance lease liability secured by plant and machinery to the value of R6 068 723, was repaid in full.

The carrying value of secured leased assets can be summarised as follows:

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
Carrying value of leased plant and equipment				
Plant and machinery	34 052	6 069	34 052	6 069
	34 052	6 069	34 052	6 069

3. Property, plant and equipment continued

	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
COMPANY 2009			
Leasehold improvements	112 516	(1 924)	110 592
Plant and machinery	196 967	(3 631)	193 336
Motor vehicles	64	(11)	53
Furniture and equipment	15 099	(2 481)	12 618
	324 646	(8 047)	316 599

COMPANY Movement summary 2009	Opening carrying value R'000	Other acquisitions R'000	Disposals R'000	Transfers ¹ R'000	Depreciation ³ R'000	Closing carrying value R'000
Leasehold improvements	3 585	3 119	–	105 658	(1 770)	110 592
Plant and machinery	233 728	78 992	(1 447)	(115 942)	(1 995)	193 336
Motor vehicles	158	62	(135)	–	(32)	53
Furniture and equipment	2 370	1 026	–	10 284	(1 062)	12 618
	239 841	83 199	(1 582)	–	(4 859)	316 599

	Cost R'000	Accumulated depreciation R'000	Accumulated impairment ² R'000	Carrying value R'000
COMPANY 2008				
Leasehold improvements	3 739	(154)	–	3 585
Plant and machinery	245 235	(3 673)	(7 834)	233 728
Motor vehicles	182	(24)	–	158
Furniture and equipment	3 823	(1 453)	–	2 370
	252 979	(5 304)	(7 834)	239 841

COMPANY Movement summary 2008	Opening carrying value R'000	Other Acquisitions R'000	Disposals R'000	Depreciation R'000	Closing carrying value R'000
Leasehold improvements	–	3 739	–	(154)	3 585
Plant and machinery	108 057	126 664	–	(993)	233 728
Motor vehicles	154	190	(148)	(38)	158
Furniture and equipment	677	2 430	(199)	(538)	2 370
	108 888	133 023	(347)	(1 723)	239 841

- 1 Assets capitalised during the upgrade and previously accounted for under the capital work-in-progress category within plant and machinery, have been transferred to their respective asset categories after a factory-wide physical asset verification was conducted.
- 2 As a result of the commencement of the upgrade during the year ended 31 December 2007, newly acquired plant and machinery was integrated into the manufacturing facility, which rendered plant and machinery of R7,8 million as impaired. These assets that were previously impaired and with a carrying value of nil, have subsequently been scrapped during 2009.
- 3 Depreciation is recognised on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Further to this, and to better reflect the expected pattern of consumption of future economic benefits embodied within the asset, for certain items within the plant and machinery, lab equipment and leasehold improvements categories, an UOP basis incorporating capacity and remaining useful life has been applied to these assets housed within the manufacturing facility.

Notes to the financial statements for the years ended 31 December

4. Intangible assets

GROUP 2009	Cost R'000	Accumulated amortisation R'000	Accumulated impairment R'000	Carrying value R'000
Pharmaceutical dossiers	1 312 996	–	–	1 312 996
Trademarks and registrations	101 625	–	(1 378)	100 247
Brands	3 261	–	–	3 261
Goodwill	11 666	–	–	11 666
Computer software	1 426	(1 019)	–	407
	1 430 974	(1 019)	(1 378)	1 428 577

GROUP Movement summary 2009	Opening carrying value R'000	Other acquisitions R'000	Amortisation R'000	Closing carrying value R'000
Pharmaceutical dossiers	1 312 996	–	–	1 312 996
Trademarks and registrations	74 249	25 998	–	100 247
Brands	3 261	–	–	3 261
Goodwill	11 666	–	–	11 666
Computer software	573	272	(438)	407
	1 402 745	26 270	(438)	1 428 577

GROUP 2008	Cost R'000	Accumulated amortisation R'000	Accumulated impairment R'000	Carrying value R'000
Pharmaceutical dossiers	1 312 996	–	–	1 312 996
Trademarks and registrations	75 627	–	(1 378)	74 249
Brands	3 261	–	–	3 261
Goodwill	11 666	–	–	11 666
Computer software	1 154	(581)	–	573
	1 404 704	(581)	(1 378)	1 402 745

GROUP Movement summary 2008	Opening carrying value R'000	Acquisitions through business combinations R'000	Other acquisitions R'000	Disposals R'000	Amortisation R'000	Closing carrying value R'000
Pharmaceutical dossiers	1 312 996	–	–	–	–	1 312 996
Trademarks and registrations	38 932	2 749	32 731	(163)	–	74 249
Brands	3 261	–	–	–	–	3 261
Goodwill	–	11 666	–	–	–	11 666
Computer software	242	–	636	–	(305)	573
	1 355 431	14 415	33 367	(163)	(305)	1 402 745

4. Intangible assets continued

	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
COMPANY 2009			
Brands	1 427	–	1 427
	1 427	–	1 427
COMPANY Movement summary 2009	Opening carrying value R'000	Amortisation R'000	Closing carrying value R'000
Brands	1 427	–	1 427
	1 427	–	1 427
COMPANY 2008	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Brands	1 427	–	1 427
	1 427	–	1 427
COMPANY Movement summary 2008	Opening carrying value R'000	Amortisation R'000	Closing carrying value R'000
Brands	1 427	–	1 427
	1 427	–	1 427

Secured assets

As indicated within notes 12 (c) and 12 (d), the loan facilities of R100 million and R25 million respectively, are secured in part through intellectual property. The carrying value of intellectual property held as security for these facilities amounts to R103 million (2008: R75 million).

Assessment of the group's intangible assets

Predicting the useful life of an intangible asset requires significant judgement. The diverse categories of intangible assets will have different useful lives, whilst a number of intangible assets may even be considered to have indefinite useful lives. For example, the useful life of the right associated with an exclusive patent will be finite and will result in an amortisation charge being recognised in profit and loss over a fixed period of time. However, the useful life associated with an asset that has no patent protection but that retains, and is expected to retain, a distinct market identity could be considered to be indefinite and the asset would not be amortised.

CMSA has classified its intangible assets as having indefinite useful lives. This conclusion is supported by the following factors:

- The group will continue to generate revenues from the continued use of the pharmaceutical dossiers, brands and trademarks for the foreseeable future;
- Typical product life cycles for the pharmaceutical dossiers, brands and trademarks acquired against public information on estimates of useful lives indicate that the intangibles have an indefinite period of foreseeable usage; and
- The stability of the pharmaceutical industry and the strong demand in markets within which these products are marketed and sold.

Notes to the financial statements for the years ended 31 December

4. Intangible assets continued

Impairment tests for intangible assets

Detailed impairment testing is performed for goodwill and indefinite-life intangible assets annually and for all other intangible assets whenever impairment indicators are present.

An impairment loss is recognised if the carrying amount of the asset or its cash-generating-unit exceeds its recoverable amount. The recoverable amount is the greater of the value-in-use and an asset's fair value.

Our impairment review process is as follows:

For indefinite-life intangible assets, such as brands, each year and whenever impairment indicators are present, we calculate the recoverable amount of the asset and record an impairment loss if the resulting recoverable amount is less than the carrying value of the intangible asset. If the resulting recoverable amount exceeds the carrying value of the intangible asset, the intangible asset is not impaired.

Fair value is generally measured as the net present value of projected cash flows. In addition, a re-evaluation of the remaining useful life of the asset is performed to determine whether continuing to classify the asset as having an indefinite life is appropriate.

The value-in-use of intangible assets is determined primarily using the "free cash flow" methodology. We begin with the forecast of all the expected future net cash flows available to the group after taking into account in certain instances, capital expenditure and working capital requirements. These cash flows are then present valued by applying an appropriate discount rate which incorporates the risk factors (systematic and unsystematic) associated with the cash flow streams. Certain judgements and assumptions are also taken into account in arriving at the net present value of the intangible asset. Accordingly, the potential for impairment of these intangible assets may exist if actual revenues are significantly lower than those initially forecasted or actual expenditure is significantly greater than those initially forecasted. The valuations are based on information available as at the impairment review date and are based on the expectations and assumptions that have been deemed reasonable by management. Refer to the table below for significant estimates and assumptions intrinsic in the calculation of the fair value of the intangible assets.

For finite-life intangible assets, such as computer software, whenever impairment indicators are present, we perform detailed impairment testing as for indefinite-life intangible assets (refer above).

Key assumptions applied in value-in-use calculations

Growth in revenue	Determined from financial budgets and forecasts covering a five-year period. The growth rates used range between 6% and 20%. Growth rates ranging between 6% and 15% were used to value Cipla Medpro.
Pre-tax operating margin	Based on previous year's margins as well as past valuation assumptions and approved management budgets. This rate ranges between 28% and 53%. For the valuation of Cipla Medpro, a rate of 36% was used.
Survival periods	Assumed at 15 years for the purposes of performing the valuation (reasonable in relation to the average life of a dossier).
Book value realised on termination	Gordon's dividend growth model used to determine terminal value – assumed a 6% growth in perpetuity.
Fair rate of return	Approximates 16,8%.
Pre-tax risk-free rate	R157 10-year bond rate as at respective valuation dates.
Systematic risk premium	6% – generally accepted in South Africa.
Beta	1,2
Unsystematic risk premium	4,5%

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
5. Investments in subsidiaries				
Shares at cost less impairment losses	–	–	31 274	34 224
Amounts due by subsidiaries – non-current	–	–	799 911	799 930
Investments in subsidiaries	–	–	831 185	834 154
Amounts due to subsidiaries – non-current	–	–	(113 312)	(90 038)
Net investments in subsidiaries	–	–	717 873	744 116
Loans and receivables	–	–	799 911	799 930
Financial liabilities measured at amortised cost	–	–	(113 312)	(90 038)
Refer to note 24 and Annexure A which detail the group's acquisitions during the year as well as a description of the terms and conditions attached to inter-group borrowings.				
6. Other investments				
<i>Non-current investments</i>				
Financial assets designated at fair value through profit or loss on initial recognition	4	4	–	–
	4	4	–	–
The financial assets designated at fair value through profit or loss are listed equity securities that otherwise would have been classified as available-for-sale. The investment is managed and its performance evaluated on a fair value basis in accordance with a documented investment strategy. The fair value is based on the market price as quoted on the London Stock Exchange at year end.				
7. Loans receivable				
<i>Non-current</i>				
CMSA Share Option Trust (a)	–	–	23 304	7 959
	–	–	23 304	7 959
<i>Current</i>				
L'amar (France) Pharmatec (Pty) Limited (b)	–	160	–	–
H Brand 6 CC t/a Essential Health Kuilsrivier (c)	3 000	3 000	–	–
Sweet Sensation 67 (Pty) Limited (d)	2 115	298	2 115	298
Majestic Silver Trading 223 (Pty) Limited (e)	47	47	47	47
	5 162	3 505	2 162	345

(a) The loan is in respect of shares issued by the company to the CMSA Share Option Trust which will be utilised to settle options granted. The loan is interest-free and has no fixed terms of repayment. Refer to note 22 for further details relating to share options in issue.

(b) The loan to L'amar (France) Pharmatec (Pty) Limited is unsecured, interest-free and there are no fixed terms of repayment. This loan was settled during the year.

(c) The loan to H Brand 6 CC t/a Essential Health Kuilsrivier bears interest at the prime overdraft rate. The entire principal debt and interest thereon is due to be repaid by 30 October 2010.

(d) The loan to Sweet Sensation 67 (Pty) Limited is unsecured and interest-free. There are no fixed terms of repayment.

(e) The loan to Majestic Silver Trading 223 (Pty) Limited is unsecured and interest-free. There are no fixed terms of repayment.

Notes to the financial statements for the years ended 31 December

8. Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

GROUP	Assets 2009 R'000	Assets 2008 R'000	Liabilities 2009 R'000	Liabilities 2008 R'000	Net 2009 R'000	Net 2008 R'000
Property, plant and equipment	–	(5 193)	26 003	–	26 003	(5 193)
Trademarks	–	–	4 130	–	4 130	–
Inventory	(111)	(21)	–	–	(111)	(21)
Operating leases	(173)	–	–	259	(173)	259
Employee benefit accruals	(1 184)	–	–	262	(1 184)	262
Impairment of trade receivables	(35)	–	–	35	(35)	35
Other	(4 243)	–	–	4 034	(4 243)	4 034
Tax losses carried forward	(33 540)	(4 682)	–	–	(33 540)	(4 682)
Tax (assets) liabilities	(39 286)	(9 896)	30 133	4 590	(9 153)	(5 306)
Set off of tax	20 591	2 796	(20 591)	(2 796)	–	–
Net tax (assets) liabilities	(18 695)	(7 100)	9 542	1 794	(9 153)	(5 306)

GROUP	Balance 1 January 2008 R'000	Recognised in profit or loss R'000	Balance 1 January 2009 R'000	Recognised in profit or loss R'000	Balance 31 December 2009 R'000
Movement in temporary differences during the year					
Property, plant and equipment	237	(5 430)	(5 193)	31 196	26 003
Trademarks	1 630	(1 630)	–	4 130	4 130
Inventory	(38)	17	(21)	(90)	(111)
Operating leases	(265)	524	259	(432)	(173)
Employee benefit accruals	(899)	1 161	262	(1 446)	(1 184)
Impairment of trade receivables	(32)	67	35	(70)	(35)
Other	4 154	(120)	4 034	(8 277)	(4 243)
Tax losses carried forward	(4 306)	(376)	(4 682)	(28 858)	(33 540)
Tax (assets) liabilities	481	(5 787)	(5 306)	(3 847)	(9 153)

8. Deferred tax continued

COMPANY	Assets 2009 R'000	Assets 2008 R'000	Liabilities 2009 R'000	Liabilities 2008 R'000	Net 2009 R'000	Net 2008 R'000
Property, plant and equipment	–	(5 146)	19 689	–	19 689	(5 146)
Operating leases	(80)	–	–	259	(80)	259
Employee benefit accruals	(375)	–	–	262	(375)	262
Impairment of trade receivables	(15)	–	–	35	(15)	35
Other	(4 205)	–	–	2 658	(4 205)	2 658
Tax losses carried forward	(31 893)	(4 682)	–	–	(31 893)	(4 682)
Tax (assets) liabilities	(36 568)	(9 828)	19 689	3 214	(16 879)	(6 614)
Set off of tax	19 689	3 214	(19 689)	(3 214)	–	–
Net tax (assets)	(16 879)	(6 614)	–	–	(16 879)	(6 614)

COMPANY	Balance 1 January 2008 R'000	Recognised in profit or loss R'000	Balance 1 January 2009 R'000	Recognised in profit or loss R'000	Balance 31 December 2009 R'000
Movement in temporary differences during the year					
Property, plant and equipment	237	(5 383)	(5 146)	24 835	19 689
Operating leases	(185)	444	259	(339)	(80)
Employee benefit accruals	(247)	509	262	(637)	(375)
Impairment of trade receivables	(22)	57	35	(50)	(15)
Other	(575)	3 233	2 658	(6 863)	(4 205)
Tax losses carried forward	(3 266)	(1 416)	(4 682)	(27 211)	(31 893)
Tax (assets)	(4 058)	(2 556)	(6 614)	(10 265)	(16 879)

Unrecognised deferred tax assets and liabilities

There were no unrecognised deferred tax assets or liabilities at year end (2008: Rnil).

There were no adjustments to deferred tax in the current or prior year that were recognised directly in equity in either the group or the company.

Deferred tax assets and liabilities are recognised on the assumption that the assets and liabilities will either be recovered through use in the future or will be realised through sale. A capital gains tax rate of 14% (2008: 14%) was used to compute deferred tax for assets and liabilities which will be realised through sale, and a rate of 28% (2008: 28%) was used for deferred tax balances to be recovered through use.

Notes to the financial statements for the years ended 31 December

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
9. Inventory				
Raw materials	9 591	3 952	9 591	3 952
Finished goods	170 703	186 284	1 243	242
Work-in-progress	1 379	306	1 379	306
	181 673	190 542	12 213	4 500
Allowance for the impairment of inventory	(2 313)	(3 809)	(1 414)	(2 859)
Carrying value of inventory subject to retention of title clauses (held on consignment by outside parties):				
CMSA	-	215	-	215
Cipla Medpro	-	555	-	-

Inventories that are considered as obsolete are impaired when the inventory cannot be sold or has reached expiry date.

Refer to note 14 for impairment losses recognised during the year.

Write downs on inventory relate mainly to inventory which has expired – R10,4 million (2008: R5,2 million mainly as a result of the board's decision to temporarily suspend manufacturing at the CMM facility and the delay in the MCC approval).

Inventory held as security by Nedbank Limited for loans granted amount to R182 million (2008: R191 million). Refer to notes 12 (a), 12 (c) and 12 (d) for further details.

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
10. Trade and other receivables, including derivatives				
Trade receivables due from related parties	–	–	775	502
Trade receivables due from external parties	213 703	196 504	34 769	51 792
Other receivables	4 812	15 704	1 071	9 959
Prepayments	12 455	10 588	2 463	6 207
Loans and receivables	230 970	222 796	39 078	68 460
<i>Derivatives used for economic hedging</i>				
Forward exchange contracts	–	43	–	–
	230 970	222 839	39 078	68 460
Allowance for the impairment of trade receivables	(452)	(514)	(73)	(167)
As indicated in notes 23.4, 12 (a), 12 (c) and 12 (d), trade receivables of R214 million (2008: R197 million) have been ceded to the bank as security for banking and loan facilities granted.				
Financial assets designated at fair value through profit or loss on initial recognition*:				
<i>Forward exchange contracts</i>				
The group uses forward exchange contracts to economically hedge its foreign currency risk. The table below sets out the revaluation of open forward exchange contracts at 31 December 2008**:				
United States Dollar (USD'000)	–	11 000	–	–
Average forward exchange rate (ZAR/USD)	–	9,49	–	–
Forward ZAR value	–	104 333	–	–
Mark to market valuation	–	104 376	–	–
Recognised fair value gain	–	43	–	–
Dates of maturity				
2008: 30 January 2009 to 27 February 2009				

* Forward exchange contracts are level one financial instruments which are measured using unadjusted quoted prices for identical assets.

** Refer to note 13 for 2009 disclosure.

Notes to the financial statements for the years ended 31 December

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
11. Share capital and reserves				
<i>Authorised share capital</i>				
500 000 000 ordinary shares of 0,1 cent each	500	500	500	500
<i>Issued share capital</i>				
2009: 449 856 116 ordinary shares of 0,1 cent each	450	–	450	–
2008: 443 265 635 ordinary shares of 0,1 cent each	–	443	–	443
<i>Number of shares in issue</i>				
Opening balance	443 265 635	443 265 635	443 265 635	443 265 635
Issue of shares to the CMSA Share Option Trust	6 590 481	–	6 590 481	–
Closing balance	449 856 116	443 265 635	449 856 116	443 265 635
<i>Share premium</i>				
Opening balance	1 019 296	1 019 296	1 019 296	1 019 296
Issue of shares to the CMSA Share Option Trust	21 654	–	21 654	–
Share issue expenses	(26)	–	(26)	–
Closing balance	1 040 924	1 019 296	1 040 924	1 019 296

Treasury shares

The treasury share reserve comprises the cost of the company's shares held by the group equating to R23 304 000 (2008: R7 970 000). At 31 December 2009, 7 729 072 (2008: 3 251 091) treasury shares were held in the CMSA Share Option Trust which are available to be utilised for the exercise of share options.

Dividends

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings.

Non-controlling interest

During the current and the preceding year, the group allocated a 25% (2008: 25%) share of profits earned by Cipla Vet (Pty) Limited to minority shareholders.

The minority shareholders of Cipla Dibcare (Pty) Limited (33%) do not share in the losses made by the subsidiary and hence an allocation of losses was not made to the minority shareholders of Cipla Dibcare (Pty) Limited during the 2008 or the 2009 years. The group's losses are limited to the carrying value of the net investment in the subsidiary.

During the year ended 31 December 2009, Cipla Agricare (Pty) Limited incurred a loss and since the minority shareholders (50%) of Cipla Agricare (Pty) Limited do not share in the losses of the subsidiary, an allocation of losses was not made to the minority shareholders of Cipla Agricare (Pty) Limited. The group's losses are limited to the carrying value of the net investment in the subsidiary. For the year ended 31 December 2008, the group allocated a 50% share of profits earned by Cipla Agricare (Pty) Limited to minority shareholders.

For the year ended 31 December 2009, the group allocated a 24,75% (2008: 24,75%) share of profits earned by Cipla Agrimed (Pty) Limited to minority shareholders.

No profits or losses were allocated to the minorities (50%) of Medpro Pharmaceutica Africa (Pty) Limited, as this company did not earn any profit or loss for the year ended 31 December 2009.

No profits or losses were allocated to the minorities (50%) of Agropharm (Pty) Limited, as this company did not earn any profit or loss for the year ended 31 December 2009 (2008: Rnil).

		GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
12. Loans and borrowings					
This note provides information about the contractual terms of the group's loans and borrowings, which are measured at amortised cost using the effective interest rate method. For more information about the group's exposure to interest-rate risk, refer to notes 18 and 26.					
Nedbank Limited	(a)	–	1 926	–	1 926
Nedbank Limited	(b)	35 074	–	35 074	–
Nedbank Limited	(c)	100 000	100 000	–	–
Nedbank Limited	(d)	25 000	–	–	–
L'amar (France) Pharmatec (Pty) Limited	(e)	462	–	–	–
Depfin Investments (Pty) Limited	(f)	194 270	244 470	–	–
Total loans and borrowings		354 806	346 396	35 074	1 926
<i>Comprising:</i>					
<i>Current portion</i>					
Nedbank Limited		7 968	1 926	7 968	1 926
L'amar (France) Pharmatec (Pty) Limited		462	–	–	–
Total current portion		8 430	1 926	7 968	1 926
Total non-current portion		346 376	344 470	27 106	–
<i>Finance lease liabilities</i>					
The future minimum lease payments under finance leases are as follows:					
Less than one year		11 068	–	11 068	–
Between two and five years		32 166	–	32 166	–
More than five years		–	–	–	–
Total future minimum lease payments		43 234	–	43 234	–
Interest		(8 160)	–	(8 160)	–
Present value of future minimum lease payments		35 074	–	35 074	–

- (a) This loan facility of R16 million was settled during May 2009. It bore interest at the prime rate less 1,5% and had no fixed repayment terms. This loan was secured by a general notarial bond over inventory, the cession of book debts and the plant and equipment of CMM.
- (b) The liabilities held under finance lease arrangements are repayable over a period of six years at the prime rate less 0,5%. The finance leases are secured by plant and machinery with a book value of R34 052 060 (2008: Rnil) as referred to in note 3. The liabilities are being repaid in fixed monthly instalments of R393 467.
- (c) This loan bears interest at rates linked to the JIBAR rate. The loan is repayable in full on 30 September 2011, with interest payable bi-annually. The loan is secured through guarantees and subordination of their claims against Cipla Medpro and its holding company, Inyanga Trading 386 (Pty) Limited, the pledge and cession of its shares in Cipla Medpro Holdings (Pty) Limited, a general notarial bond over the moveable assets of Cipla Medpro, the cession of trade receivables, cash balances, insurances and claims of Cipla Medpro and Inyanga Trading 386 (Pty) Limited, and the pledge and hypothecation of rights in intellectual property held by Cipla Medpro.

Notes to the financial statements for the years ended 31 December

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
12. Loans and borrowings continued				
(c) <i>Five-year facility of R100 million</i>				
Opening balance	100 000	100 000	-	-
Interest capitalised	13 335	16 592	-	-
Repayment of interest	(13 335)	(16 592)	-	-
Closing balance	100 000	100 000	-	-
(d) This loan bears interest at rates linked to the JIBAR rate. The loan is repayable in full on 31 December 2012, with interest payable quarterly. The loan is secured through guarantees by Cipla Medpro, the cession of trade receivables, cash balances, insurances and a general notarial bond over all moveable assets of Cipla Medpro, as well as the hypothecation of trademarks and any other intellectual property held by Cipla Medpro.				
<i>Three-year facility of R25 million</i>				
Opening balance	-	-	-	-
Capital advanced	25 000	-	-	-
Interest capitalised	117	-	-	-
Repayment of interest	(117)	-	-	-
Closing balance	25 000	-	-	-

(e) The loan from L'amar (France) Pharmatec (Pty) Limited is unsecured and interest-free and there are no fixed terms of repayment.

(f) This financial liability relates to a variable rate cumulative compulsory redeemable preference share investment entered into on 29 September 2006 between Inyanga Trading 386 (Pty) Limited and Depfin Investments (Pty) Limited, a subsidiary of Nedbank Limited. These preference shares have been accounted for as a financial liability as the group has an obligation to settle in cash both the redemption and servicing of the interest thereon. The preference shares in issue are a combination of classes A, B and C preference shares, each with a par value of 1 cent and a subscription price of R10 000 each.

The group has the right to redeem the issued shares at any time, with compulsory redemption required on 30 September 2011 and 30 May 2012, depending on the date of issue of the preference share class. The redemption price is an amount equal to the subscription price. All classes of preference shares bear interest at rates linked to the prime overdraft rate, payable semi-annually in arrears.

This facility is secured via a put option to CMSA of Inyanga Trading 386 (Pty) Limited's obligations under the agreement with Depfin Investments (Pty) Limited and by the cession of the company's shareholding in Inyanga Trading 386 (Pty) Limited and the subsidiaries of Cipla Medpro Holdings (Pty) Limited.

There are 37 600 preference shares which have been authorised for issue in total, all with similar terms attached. Refer to the table on the next page which sets out the issues and redemptions of the preference shares during the year.

Subsequent to year end, a further R25 100 000 worth of A and B preference shares have since been redeemed.

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
12. Loans and borrowings continued				
(f) <i>Compulsory redeemable preference shares</i>				
Par value: 1 cent each				
Subscription price: R10 000 each				
Opening balance including accrued interest	251 883	339 145	-	-
Interest capitalised				
A shares	4 894	12 304	-	-
B shares	4 104	7 107	-	-
C shares	12 004	15 293	-	-
Redemption of shares				
A shares	(35 000)	(70 000)	-	-
B shares	(15 200)	(15 200)	-	-
Repayment of interest				
A shares	(6 250)	(14 232)	-	-
B shares	(4 925)	(7 484)	-	-
C shares	(13 260)	(15 050)	-	-
	198 250	251 883	-	-
Interest disclosed in trade and other payables (note 13)	(3 980)	(7 413)	-	-
Closing balance excluding accrued interest	194 270	244 470	-	-

Notes to the financial statements for the years ended 31 December

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
13. Trade and other payables, including derivatives				
Trade payables due to related parties	–	–	–	–
Trade payables due to external parties	174 124	322 255	5 776	4 699
Other payables and accruals	30 422	46 567	8 713	31 016
Interest payable on preference shares	3 980	7 413	–	–
Trade and other payables held at amortised cost	208 526	376 235	14 489	35 715
<i>Derivatives used for economic hedging</i>				
Forward exchange contracts	24 641	–	–	–
Fair value of interest rate swaps	3 009	552	–	–
	236 176	376 787	14 489	35 715
<i>Interest payable on preference shares</i>				
This relates to interest payable on variable rate cumulative redeemable preference shares in issue. Refer to note 12 (f) for the terms thereof.				
Arrear interest payable:				
3 500 A preference shares (2008: 7 000 shares)	835	2 191	–	–
3 427 B preference shares (2008: 4 947 shares)	680	1 501	–	–
12 500 C preference shares (2008: 12 500 shares)	2 465	3 721	–	–
	3 980	7 413	–	–
Financial liabilities designated at fair value through profit or loss on initial recognition*:				
<i>Forward exchange contracts</i>				
The group uses forward exchange contracts to economically hedge its foreign currency risk. The table below sets out the revaluation of open forward exchange contracts at 31 December 2009**:				
United States Dollar (USD'000)	56 250	–	–	–
Average forward exchange rate (ZAR/USD)	8,10	–	–	–
Forward ZAR value	456 419	–	–	–
Mark to market valuation	431 778	–	–	–
Recognised fair value loss	24 641	–	–	–
Dates of maturity:				
2009: 29 January 2010 to 28 February 2011				

* Forward exchange contracts and interest rate swaps are level one financial instruments which are measured using unadjusted quoted prices for identical liabilities.

** Refer to note 10 for 2008 disclosure.

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
13. Trade and other payables, including derivatives continued				
Financial liabilities designated at fair value through profit or loss on initial recognition continued*:				
<i>Fair value of interest rate swaps</i>				
Interest rate swaps were entered into with Nedbank Limited to economically hedge the interest rate exposure of the preference shares that were entered into by Inyanga Trading 386 (Pty) Limited with Nedbank Limited.				
The interest rate swaps are stated at fair value. On subsequent measurement, the losses on the interest rate swaps are recognised in profit and loss and disclosed within net finance costs. At year end the fair values were as follows (asset)/liability:				
(i) R75 000 000 fixed at 7,35%, linked to the three-month JIBAR, effective 16 January 2006 and expiring on 17 January 2011	2	(605)	-	-
(ii) R125 000 000 fixed at 7,4%, linked to the three-month JIBAR, effective 16 January 2006 and expiring on 17 January 2011	181	(1 964)	-	-
(iii) R100 000 000 fixed at 9,18%, linked to the three-month JIBAR, effective 30 April 2007 and expiring on 30 April 2012	2 826	3 121	-	-
	3 009	552	-	-

* Forward exchange contracts and interest rate swaps are level one financial instruments which are measured using unadjusted quoted prices for identical liabilities.

Notes to the financial statements for the years ended 31 December

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
14. Profit (loss) before finance costs and income tax				
<i>Profit (loss) before finance costs and income tax is stated after:</i>				
<i>Income</i>				
Gain on disposals of property, plant and equipment	(41)	(8)	-	-
Gain on disposals of intangible assets	-	(1 087)	-	-
Government grant	-	(978)	-	(978)
Gain on forward exchange contracts	-	(43)	-	-
<i>Expenditure</i>				
Loss on disposals of property, plant and equipment	1 207	180	1 207	180
Loss on disposals of subsidiaries	-	151	-	151
Depreciation	10 842	6 100	4 859	1 723
Amortisation	438	305	-	-
Loss on forward exchange contracts	24 684	-	-	-
Loss on foreign exchange	16 511	21 400	576	116
Staff costs	143 342	124 266	29 326	14 987
- equity-settled share-based payment expenses (refer to note 22 for detailed disclosure of share options)	-	1 553	47	1 938
- defined contribution costs	7 951	3 442	3 441	2 593
- directors' remuneration (refer to note 20 for detailed disclosure of emoluments paid to the company's directors)	26 221	32 324	5 467	3 726
- other staff costs	109 170	86 947	20 371	6 730
Auditors' remuneration	1 961	2 326	584	391
- audit fees	1 845	2 163	480	391
- other	116	163	104	-
Lease rentals	21 738	16 529	3 257	3 736
- premises	17 184	12 522	3 257	3 736
- equipment	4 554	4 007	-	-
Impairment losses on inventory	10 424	5 185	-	2 624

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
15. Finance costs and finance income				
Interest expense on financial liabilities measured at amortised cost	34 337	51 668	–	371
Fair value loss on interest rate swaps	2 457	16 159	–	–
Interest rate swap settlements	2 261	7 848	–	–
Interest expense on bank overdrafts	7 402	13	4 004	–
Notional interest on extended credit terms (a)	15 096	13 876	–	–
Interest expense on finance leases	1 660	263	1 660	263
Other interest paid	477	187	137	179
	63 690	90 014	5 801	813
Borrowing costs capitalised (b)	(35 463)	(25 117)	–	–
Finance costs	28 227	64 897	5 801	813
Dividend income (c)	(11)	(2 081)	(4 086)	(2 081)
Interest rate swap settlements	(4 132)	(18 453)	–	–
Interest on bank balances	(882)	(9 490)	(308)	(867)
Other interest received	(329)	–	–	–
Finance income	(5 354)	(30 024)	(4 394)	(2 948)
Net finance costs and income	22 873	34 873	1 407	(2 135)

- (a) In terms of SAICA circular 9/2006, where an entity purchases on deferred settlement terms, i.e. the arrangement effectively contains a financing element, that portion constituting the financing element is recognised as a finance expense over the period of financing. The application of the circular has the effect of decreasing cost of sales and increasing finance costs by R15 096 331 (2008: R13 875 759).
- (b) During the year ended 31 December 2009, borrowing costs of R35 463 043 (2008: R25 116 939) qualifying for capitalisation in terms of IAS 23 Borrowing Costs, were capitalised at the group's weighted average cost of capital to the cost of the upgrade of the site and manufacturing facilities based at Mobeni, Durban.
- (c) The company's dividend income for 2009 includes a liquidation dividend from Universal Pharmaceuticals (Pty) Limited of R3 479 720 (2008: Rnil) and a deregistration dividend from Zedchem (Pty) Limited of R595 515 (2008: Rnil).

Notes to the financial statements for the years ended 31 December

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
16. Income tax expense				
<i>Current tax expense</i>				
Current period	78 254	64 746	-	-
Adjustment for prior periods	(89)	163	-	-
	78 165	64 909	-	-
<i>Deferred tax expense (income)</i>				
Origination and reversal of temporary differences	23 364	(5 533)	16 946	(2 416)
Reduction in tax rate	-	(183)	-	(140)
Assessed loss created	(27 211)	-	(27 211)	-
Adjustment for prior periods	-	(71)	-	-
	(3 847)	(5 787)	(10 265)	(2 556)
<i>STC</i>				
Current period	2 100	3 471	-	-
Total income tax expense (income)	76 418	62 593	(10 265)	(2 556)

	2009 %	2009 R'000	2008 %	2008 R'000
<i>Reconciliation of effective tax rate</i>				
GROUP				
Profit for the year		162 086		130 054
Income tax expense		76 418		62 593
Profit before income tax		238 504		192 647
Income tax using the company's domestic tax rate	28,00	66 781	28,00	53 941
Non-deductible expenses net of tax-exempt income	3,20	7 626	2,74	5 272
Change in tax rate	-	-	(0,09)	(183)
STC	0,88	2 100	1,80	3 471
Current tax – prior period adjustments	(0,04)	(89)	0,08	163
Deferred tax – prior period adjustments	-	-	(0,04)	(71)
	32,04	76 418	32,49	62 593
COMPANY				
Loss for the year		(26 908)		(10 922)
Income tax expense		(10 265)		(2 556)
Loss before income tax		(37 173)		(13 478)
Income tax using the company's domestic tax rate	28,00	(10 408)	28,00	(3 774)
Non-deductible expenses net of tax-exempt income	(0,39)	143	(8,00)	1 078
Change in tax rate	-	-	(1,04)	140
	27,61	(10 265)	18,96	(2 556)

	GROUP 2009 R'000	GROUP 2008 R'000
17. Earnings per share		
<i>Basic earnings per share</i>		
The calculation of basic earnings per share at 31 December 2009 is based on the profit attributable to ordinary shareholders of R159 904 000 (2008: R128 679 000) and a weighted average number of ordinary shares outstanding of 440 111 462 (2008: 439 783 776), calculated as follows:		
Profit attributable to ordinary shareholders	159 904	128 679
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	443 265 635	443 265 635
Effect of own shares held in the CMSA Share Option Trust (treasury shares)	(3 251 091)	(7 131 000)
Shares issued to the CMSA Share Option Trust	6 590 481	–
Effect of own shares held in the CMSA Share Option Trust (treasury shares)	(6 588 289)	–
Effect of share options exercised during the year	94 726	3 649 141
Weighted average number of ordinary shares	440 111 462	439 783 776
Total basic earnings per share (cents)	36,3	29,3
<i>Diluted earnings per share</i>		
The calculation of diluted basic earnings per share at 31 December 2009 is based on the profit attributable to ordinary shareholders of R159 904 000 (2008: R128 679 000) and a weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares of 441 073 790 (2008: 439 973 847), calculated as follows:		
Profit attributable to ordinary shareholders	159 904	128 679
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares	440 111 462	439 783 776
Effect of share options in issue	962 328	190 071
Weighted average number of ordinary shares (diluted)	441 073 790	439 973 847
Total diluted earnings per share (cents)	36,3	29,2

The average market value of the company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding.

Notes to the financial statements for the years ended 31 December

	GROUP 2009 R'000	GROUP 2009 R'000	GROUP 2008 R'000	GROUP 2008 R'000
17. Earnings per share continued				
<i>Headline earnings per share</i>				
The calculation of headline earnings per share at 31 December 2009 is based on the headline earnings attributable to ordinary shareholders of R160 907 000 (2008: R128 022 000) and a weighted average number of ordinary shares outstanding of 440 111 462 (2008: 439 783 776), calculated as follows:				
	Gross	Net	Gross	Net
Reconciliation of headline earnings:				
Profit attributable to ordinary equity holders of the parent		159 904		128 679
Add: Loss on disposals of property, plant and equipment	1 166	1 003	172	148
Less: Gain on disposals of intangible assets	-	-	(1 087)	(935)
Add: Loss on disposals of discontinued operations	-	-	151	130
Headline earnings		160 907		128 022
Total headline earnings per share (cents)		36,6		29,1
<i>Diluted headline earnings per share</i>				
The calculation of diluted headline earnings per share at 31 December 2009 is based on the headline earnings attributable to ordinary shareholders of R160 907 000 (2008: R128 022 000) and a weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares of 441 073 790 (2008: 439 973 847):				
Headline earnings		160 907		128 022
Total diluted headline earnings per share (cents)		36,5		29,1

18. Financial risk management

The group is exposed to the following risks:

- Credit risk,
- Liquidity risk, and
- Market risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has an Audit and Risk Committee, whose responsibility it is to develop and monitor the group's risk management policies.

The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

The group's Audit and Risk Committee oversees how management monitors compliance with the group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the group. The group's Audit and Risk Committee is assisted in its oversight role by a co-sourced internal audit function comprising an independent firm of internal auditors and in-house personnel. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee on a regular basis.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables due from customers.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the group's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk. There is no geographical concentration of sales or a concentration of sales to a single customer.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the payment and delivery terms and conditions are offered. The group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the directors; these limits are reviewed regularly. Customers that fail to meet the group's benchmark creditworthiness may transact with the group only on a prepayment basis.

More than 80 percent of the group's customers have been transacting with the group for over five years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the group's wholesale customers.

Goods are sold subject to retention of title clauses, so that in the event of non-payment the group has a secured claim against the customer. The group does not require collateral in respect of trade and other receivables. Where appropriate, credit guarantee insurance cover is purchased.

The group establishes an allowance for impairment that represents its estimate of probable incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. This loss allowance is determined based on historical data of payment statistics for similar debtors.

Investments

The group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a good credit rating. In light of this strategy, management does not expect any counterparty to fail to meet its obligations.

Guarantees

The group's policy is to provide financial guarantees only to wholly owned subsidiaries. Refer to note 23.4 for further details.

Notes to the financial statements for the years ended 31 December

18. Financial risk management continued

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group uses a standard costing system to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments. Typically the group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Refer to notes 12 and 23.4 for details of the lines of credit maintained by the group.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The group buys and sells derivatives as part of its approved hedging strategy, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit and Risk Committee. Generally the group uses derivatives to economically hedge exposure to fluctuations in foreign exchange rates and interest rates and to manage volatility in profit or loss.

Currency risk

The group is exposed to currency risk on purchases that are denominated in a currency other than the functional currency of group entities, i.e. ZAR. The currencies giving rise to this risk are primarily USD, EUR and AUD.

The group hedges about 75 to 85 percent of its estimated foreign currency exposure in respect of forecast purchases over the following six months, and trade and other payables denominated in a foreign currency. The group also hedges at least 90 percent of all trade payables denominated in a foreign currency. The group uses forward exchange contracts to economically hedge its foreign currency risk, most with a maturity of less than one year from the reporting date. When necessary, forward exchange contracts are rolled over at maturity.

Interest rate risk

From time to time, the group adopts a policy of ensuring that a portion of its exposure to changes in interest rates on borrowings is on a fixed rate basis. This is achieved by entering into interest rate swaps to economically hedge against fluctuations in interest rates.

Equity price risk

The group is exposed to equity price risk from equity investments. Equity investments are for strategic rather than trading purposes. The group does not actively trade in these investments.

Capital management

The group manages its capital to ensure that the group will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from the previous year.

The capital structure of the group consists of net debt (i.e. loans and borrowings offset by net cash and cash equivalents) and equity (i.e. issued share capital, reserves, retained earnings and non-controlling interests). The gearing ratio determined as the proportion of net debt to equity, was 26,3% at year end (2008: 22,4%). The board monitors the capital structure of the group by considering the cost of capital and the risks associated with each class of capital. The board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The board of directors had made the decision to use all earnings generated by the group to fund growth opportunities and to repay debt, however, the board has approved a dividend policy for 2010.

Fair values

All loans and receivables and financial liabilities not at fair value through profit or loss are carried at amortised cost. The carrying value of trade and other receivables, trade and other payables and finance lease liabilities approximate fair value as the effective interest rate method is used to determine the carrying values. The time value of money has been considered in determining the carrying values of trade receivables and payables. It is not viable to determine the fair value of inter-company receivables and payables with no fixed repayment or interest terms.

19. Related parties

CMSA is the ultimate holding company. Related party relationships exist between the group, holding company, fellow subsidiaries, and with its directors and key management personnel.

Transactions with related parties, except where otherwise noted, are conducted on an arm's length basis and on the same payment terms as those transacted with third parties. None of the balances are secured. Intragroup balances and material unrealised gains and losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

The following related party transactions occurred during the years ended 31 December:

Transactions with subsidiaries

The group is controlled by CMSA. The group's subsidiaries are as follows:

Direct interest

Cipla Medpro Manufacturing (Pty) Limited
Galilee Marketing (Pty) Limited
Inyanga Trading 386 (Pty) Limited
Xeragen Laboratories (Pty) Limited

Indirect interest through 100% held subsidiary Inyanga Trading 386 (Pty) Limited

Cipla Medpro Holdings (Pty) Limited

Indirect interest through 100% held subsidiary Cipla Medpro Holdings (Pty) Limited

Agropharm (Pty) Limited (effective holding) – 50% (2008: 50%)
Cipla Agricare (Pty) Limited – 50% (2008: 50%)
Cipla Agrimed (Pty) Limited (effective holding) – 75,25% (2008: 75,25%)
Cipla Dibcare (Pty) Limited – 67% (2008: 67%)
Cipla Health Care (Pty) Limited
Cipla Life Sciences (Pty) Limited (effective holding) – 100% (2008: 100%)
Cipla Medpro ARV (Pty) Limited
Cipla Medpro Cardio Respiratory (Pty) Limited
Cipla Medpro Distribution Centre (Pty) Limited
Cipla Personal Care (Pty) Limited
Cipla Vet (Pty) Limited – 75% (2008: 75%)
Cipla-Medpro (Pty) Limited
Gardian Cipla (Pty) Limited
Medpro Gen (Pty) Limited
Medpro Holdings (Pty) Limited
Medpro Pharmaceutica (Pty) Limited
Medpro Pharmaceutica Africa (Pty) Limited – 50% (2008: 0%)
Medpro-On-Line (Pty) Limited
Smith and Couzin (Pty) Limited

The group also includes the CMSA Share Option Trust.

Transactions conducted with the subsidiaries that were deregistered during the year ended 31 December 2009 have also been disclosed in the 2008 comparative figures where applicable. No amounts were due to or due from these deregistered subsidiaries at 31 December 2009. Refer to page 4 for the list of subsidiaries deregistered/liquidated during the year.

Notes to the financial statements for the years ended 31 December

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
19. Related parties continued				
Transactions with subsidiaries continued				
a) Transactions with related parties				
The following transactions were carried out by Cipla Medpro South Africa Limited with related parties:				
(i) Revenue				
Cipla Medpro Holdings (Pty) Limited	-	-	(20 499)	(684)
(ii) Management fees				
Cipla Medpro Holdings (Pty) Limited	-	-	(10 990)	(12 329)
(iii) Interest on inter-company loan				
Cipla Medpro Holdings (Pty) Limited	-	-	12 265	5 628
(iv) Purchases				
Cipla Medpro Holdings (Pty) Limited	-	-	-	167
b) Loans due to (from) holding company:				
Cipla Medpro Holdings (Pty) Limited	-	-	(102 604)	(74 558)
Inyanga Trading 386 (Pty) Limited	-	-	799 911	799 910
Universal Pharmaceuticals (Pty) Limited	-	-	-	(4 046)
Xeragen Laboratories (Pty) Limited	-	-	(10 708)	(10 820)
Zedchem (Pty) Limited	-	-	-	(595)
	-	-	686 599	709 891
Refer to Annexure A for the terms and conditions attached to the above balances.				
c) Loan due from the Share Option Trust				
CMSA Share Option Trust	-	-	23 304	7 959
d) Trade receivable due to holding company				
Cipla Medpro Holdings (Pty) Limited	-	-	775	502
e) Issue of shares to the CMSA Share Option Trust				
2009: 6 590 481 (2008: nil)				

19. Related parties continued

Transactions with directors and key management personnel

a) Loans (direct/indirect)

Cipla Medpro Holdings (Pty) Limited has a loan due to L'amar (France) Pharmatec (Pty) Limited of R462 390 (2008: R159 838 due from L'amar). JS Smith and C Aucamp are both directors and hold an immaterial interest in this company.

b) Property leases

During the year, Cipla Medpro Holdings (Pty) Limited, leased property from JSSTD Properties (Pty) Limited. JS Smith is a director of both Cipla Medpro Holdings (Pty) Limited and JSSTD Properties (Pty) Limited. Lease rentals paid during the year amounted to R749 419 (2008: R641 725), with an amount of R447 598 due from (2008: R684 981 due to) JSSTD Properties (Pty) Limited at 31 December 2009.

c) Royalties

During the year, Medpro Pharmaceutica (Pty) Limited, a wholly owned subsidiary of Cipla Medpro Holdings (Pty) Limited, paid royalties amounting to R864 279 (2008: R307 330) to L'amar (France) Pharmatec (Pty) Limited. JS Smith and C Aucamp are both directors and hold an immaterial interest in this company.

d) Rentals

During the year, Cipla Medpro Holdings (Pty) Limited chartered on an ad hoc basis for entertainment purposes, a yacht owned by JS Smith, who is also a director of this company. Fees paid during the year for the use of the yacht amounted to R227 211 (2008: R51 240).

e) Compensation

In addition to their salaries, the group also provides non-cash benefits in the form of share options to directors and key personnel. Refer to note 22 for details of share options granted to these employees.

Notes to the financial statements for the years ended 31 December

20. Directors' emoluments

31 December 2009	Directors' fees ¹ R'000	Basic salary for management services R'000	Annual bonus R'000	Other benefits R'000	Retirement and medical benefits ² R'000	Total remuneration ³ R'000	IFRS 2 Share-based Payment Expense R'000	Total 2009 R'000
Executive directors								
JS Smith (CEO)	–	8 048	1 887	724	100	10 759	3 139	13 898
C Aucamp (CFO)	–	2 373	964	432	40	3 809	1 003	4 812
Total A	–	10 421	2 851	1 156	140	14 568	4 142	18 710
Non-executive directors								
PCS Luthuli (Chairman)	509	–	–	–	–	509	–	509
MB Caga	177	–	–	–	–	177	–	177
JvD du Preez ⁴	–	–	–	–	–	–	–	–
Dr GS Mahlati ⁵	353	–	–	–	–	353	–	353
ND Mokone	92	–	–	–	–	92	–	92
MT Mosweu	194	–	–	–	–	194	–	194
SMD Zungu ⁴	–	–	–	–	–	–	–	–
Total B	1 325	–	–	–	–	1 325	–	1 325
Total directors' emoluments paid (A + B)	1 325	10 421	2 851	1 156	140	15 893	4 142	20 035
Emoluments paid by:								
CMSA	1 325	–	–	–	–	1 325	4 142	5 467
Cipla Medpro	–	10 421	2 851	1 156	140	14 568	–	14 568

20. Directors' emoluments continued

31 December 2008	Directors' fees ¹ R'000	Basic salary for management services R'000	Annual bonus R'000	Other benefits R'000	Retirement and medical benefits ² R'000	Total remuneration ³ R'000	IFRS 2 Share-based Payment Expense R'000	Total R'000
Executive directors								
JS Smith (CEO)	–	9 102	598	1	51	9 752	2 061	11 813
C Aucamp (CFO)	–	3 055	213	1	36	3 305	647	3 952
Total A	–	12 157	811	2	87	13 057	2 708	15 765
Non-executive directors								
PCS Luthuli (Chairman)	531	–	–	–	–	531	–	531
MB Caga	211	–	–	–	–	211	–	211
Dr GS Mahlati	132	–	–	–	–	132	–	132
ND Mokone ⁶	60	–	–	–	–	60	–	60
MT Mosweu ⁶	84	–	–	–	–	84	–	84
Total B	1 018	–	–	–	–	1 018	–	1 018
Total directors' emoluments paid (A + B)	1 018	12 157	811	2	87	14 075	2 708	16 783
Emoluments paid by:								
CMSA	1 018	–	–	–	–	1 018	2 708	3 726
Cipla Medpro	–	12 157	811	2	87	13 057	–	13 057

- Directors' fees include payments for attendance at board, Audit and Risk Committee and Remuneration Committee meetings, as well as retainer fees.
- These payments relate to the employer contributions to the defined contribution pension plan and medical aid.
- Total remuneration reflects the total cash payments and benefits paid to directors. The IFRS 2 Share-based Payment expense has been shown separately in the next column; this refers to the amount recognised in the statement of comprehensive income in relation to share options that have been granted to the executive directors.
- Appointed in March 2010.
- Resigned in November 2009.
- Disclosure for the 2008 year has been restated to account for emoluments incorrectly disclosed in "other staff costs" in the prior year.

Refer to note 22 which provides further details of share options in issue to directors.

Notes to the financial statements for the years ended 31 December

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
21. Commitments				
<i>Operating lease commitments (as lessee)</i>				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– Less than one year	11 631	9 407	3 101	3 095
– Between two and five years	36 172	40 144	12 403	12 380
– More than five years	4 058	6 964	3 876	6 964
	51 861	56 515	19 380	22 439

The group leases certain factory facilities and property, plant and equipment under operating leases. The leases typically run for a period of ten years, with an option to renew the lease after that date.

In determining lease classification, the group evaluated whether both land and buildings were clearly operating leases or finance leases. Since land title does not pass, rentals paid to the landlord for the buildings are increased to market-related rates at regular intervals and the group does not participate in the residual value of the building, it was judged that substantially all the risks and rewards of the building are with the landlord. Based on these factors it was concluded that the leases are operating leases.

During the year ended 31 December 2009, R21,7 million (2008: R16,5 million) was recognised (straight-line) as an expense in the statement of comprehensive income in respect of operating leases.

Capital commitments

By 31 December 2009, R311 million (2008: R225 million) had been expended on the upgrade of the Cipla Medpro Manufacturing site and manufacturing facilities. Subsequent to year end, R9,5 million (2008: R9,2 million) had been spent on the upgrade.

In respect of the upgrade, CMSA has outstanding orders for plant and machinery due to be delivered from abroad. At year end, R26,1 million had approved but not contracted, whilst R2,1 million had been contracted for.

22. Share options and share-based payments

In May 2005, the company established a broad-based employee share plan that allows the company to issue shares at par value to employees. In May 2005, 575 000 shares were issued to employees in terms of this broad-based scheme. This resulted in a cost of R575 000 being expensed to the income statement during the 2005 year.

In May 2005, the company also established a share incentive scheme which entitles directors and key management personnel to purchase shares in the company. Such share options are exercisable at either the market price of the shares at the date of grant, or at a price determined by the shareholders in a general meeting. In accordance with IFRS 2 Share-based Payments, an amount of R6 056 000 (2008: R4 646 000) was recognised as the IFRS 2 expense for the year.

The fair value of services received from employees in return for share options granted are measured with reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the binomial lattice model which takes into account the share price on the date of the grant, the exercise price, expected volatility, option life, expected dividends and risk-free interest rate. All options are granted at the 30-day volume weighted average market price of CMSA's shares preceding the option grant date, unless otherwise authorised by the shareholders in a general meeting. All vested share options must be exercised, paid for and taken up within seven years of grant or approval date. Share options may be taken up in two tranches: 50% of share options vest two years after grant date and the balance of the options vest three years after grant date, with the exception of the share options granted since 2008 which vest one year after grant date .

All options are granted in accordance with the rules of the respective schemes which have been approved by the board of directors and the JSE.

Fair value

The group accounts for share option expenses in accordance with IFRS 2 Share-based Payments, which requires the fair value of share options granted to employees to be valued at the grant date and expensed through the statement of comprehensive income over the vesting period of the share options. The fair value of each option granted by CMSA has been estimated on the grant date using the binomial lattice model. The assumptions used in determining the fair value of the options granted to directors and employees in each financial year are summarised below.

GROUP AND COMPANY	Number of options granted	Number of options outstanding 2009	Number of options outstanding 2008	Expected life of options years	Share price at grant date cents	Exercise price cents	Expected volatility ³ %	Expected dividend yield ⁴ %	Risk-free rate ⁵ %
Date of grant	'000	'000	'000						
June 2005	2 651	878	891	2 – 5	120	100	25 – 29	–	7,08 – 7,60
December 2005 ¹	4 480	310	2 360	2 – 5	331	300	25 – 27	–	7,17 – 7,34
April 2008	1 000	1 000	1 000	1 – 4	302	306	33	–	9,16
May 2008	2 928	2 928	2 928	1 – 4	290	296	33	–	9,67
June 2009 ²	3 711	3 711	–	1 – 4	385	354	38	–	8,43
November 2009	3 120	3 120	–	1 – 4	459	478	37	–	8,43

1 The share options were granted to employees in December 2005, but issued to the share incentive trust during the 2006 financial year.

2 The share options were approved by the board during April 2009.

3 The volatility of a company in the same industry was used as a proxy, commensurate with the grant date and expected life of the option.

4 The expected dividend yield is the best estimate of the forward-looking dividend yield over the expected life of the option. At the date of grant and valuation exercise, management has assumed that no dividend will be declared over the vesting period of the grant.

5 The risk-free rate is the GOVI index as supplied by the Bond Exchange as a proxy for the risk-free rate, or the continuously compounded zero coupon bond rate for a five-year government bond.

Notes to the financial statements for the years ended 31 December

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
22. Share options and share-based payments continued				
Share-based payments recognised in retained earnings				
The movement in IFRS 2 Share-based Payments expense is as follows:				
Opening balance	9 558	4 912	9 558	4 912
Share options expensed during the year	6 056	4 646	6 056	4 646
Closing balance	15 614	9 558	15 614	9 558
Employee expenses				
<i>Comprising:</i>				
Share options granted during 2005	–	1 553	–	1 553
Share options granted during 2008	1 818	3 093	1 818	3 093
Share options granted during 2009	4 238	–	4 238	–
Total expense recognised as employee costs	6 056	4 646	6 056	4 646
Share options outstanding				
The movement in the number of share options can be reconciled as follows:				
Outstanding at beginning of the year ⁶ ('000)	7 179	3 976	7 179	3 976
Granted during the year ⁶ ('000)	6 831	3 928	6 831	3 928
Forfeited during the year ⁶ ('000)	–	(372)	–	(372)
Exercised during the year ^{6,7} ('000)	(2 063)	(475)	(2 063)	(475)
Forfeitures that can be granted in the future ⁶ ('000)	–	122	–	122
Outstanding at end of the year ⁶ ('000)	11 947	7 179	11 947	7 179
Exercisable at 31 December ⁶ ('000)	140	2 203	140	2 203
6 The weighted average exercise price of share options for each of the above groups of options are as follows:				
Outstanding at beginning of the year (cents)	274	241	274	241
Granted during the year (cents)	411	299	411	299
Forfeited during the year (cents)	–	341	–	341
Exercised during the year (cents)	299	100	299	100
Forfeitures that can be granted in the future (cents)	–	100	–	100
Outstanding at end of the year (cents)	348	274	348	274
Exercisable at 31 December (cents)	300	299	300	299
GROUP AND COMPANY	2009 Number of options exercised '000	2009 Weighted average share price cents	2008 Number of options exercised '000	2008 Weighted average share price cents
7 The weighted average share price at the date of exercise of these share options was:				
Exercised during the year				
June	–	–	(127)	250
December	(2 063)	474	(348)	249
	(2 063)		(475)	

22. Share options and share-based payments continued

Share options granted to directors and key personnel

Shares under option offered to and accepted by executive directors and key personnel in terms of the CMSA Share Option Scheme amounted to 6 831 000 (2008: 3 928 000). At 31 December 2009, 11 947 000 (2007: 7 179 000) share options were still outstanding, calculated as follows:

GROUP AND COMPANY Grantee	Options outstanding at 31 December 2009 '000	Options outstanding at 31 December 2008 '000	Options granted during 2009 '000	Options granted during 2008 '000	Exercise price cents	Vesting date
JS Smith	692	692	–	692	306	April 2009
JS Smith	1 920	1 920	–	1 920	296	May 2009
JS Smith	2 888	–	2 888	–	354	June 2010
JS Smith	2 345	–	2 345	–	478	November 2010
C Aucamp	217	217	–	217	306	April 2009
C Aucamp	603	603	–	603	296	May 2009
C Aucamp	823	–	823	–	354	June 2010
C Aucamp	775	–	775	–	478	November 2010
	10 263	3 432	6 831	3 432		
Other key personnel	566	566	–	496		
Other ex-key personnel	70	2 133	–	–		
Unallocated options	1 048	1 048	–	–		
	11 947	7 179	6 831	3 928		

Note: On 25 March 2010, JS Smith was granted 1 000 000 share options at a strike price of 531 cents per share.

Notes to the financial statements for the years ended 31 December

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
23. Notes to the cash flow statements				
23.1 Cash generated (utilised) by operations				
Profit (loss) before taxation	238 504	192 647	(37 173)	(13 478)
Adjustments for:				
Depreciation	10 842	6 100	4 859	1 723
Amortisation	438	305	-	-
Finance costs	28 227	64 897	5 801	813
Finance income	(5 354)	(30 024)	(4 394)	(2 948)
Unrealised loss on foreign exchange	-	6 737	-	116
Loss on disposals of property, plant and equipment	1 166	172	1 207	180
Gain on disposals of intangible assets	-	(1 087)	-	-
Loss on disposals of discontinued operations	-	151	-	151
Fair value adjustment of listed investments	-	7	-	-
Fair value adjustment of forward exchange contracts	24 684	(43)	-	-
Fair value adjustment of interest rate swap agreements	-	16 159	-	-
Equity-settled share-based payment expenses	6 056	4 646	6 056	4 646
Impairment losses	-	5 185	-	2 624
Operating profit before working capital changes	304 563	265 852	(23 644)	(6 173)
Decrease (increase) in inventories	8 869	(110 371)	(7 713)	10 485
(Increase) decrease in trade and other receivables	(8 131)	(66 718)	29 382	(33 117)
(Decrease) increase in trade and other payables	(179 415)	145 840	(21 225)	8 682
	125 886	234 603	(23 200)	(20 123)
23.2 Reconciliation of taxation paid				
Balance at beginning of year	(11 706)	(22 942)	1 117	1 117
Statement of comprehensive income charge	(78 165)	(64 909)	-	-
Acquisition of subsidiaries	-	(359)	-	-
Balance at end of year	9 208	11 706	(1 117)	(1 117)
	(80 663)	(76 504)	-	-
23.3 Reconciliation of STC paid				
Balance at beginning of year	(2 457)	(998)	-	-
Statement of comprehensive income charge	(2 100)	(3 471)	-	-
Balance at end of year	1 448	2 457	-	-
	(3 109)	(2 012)	-	-
23.4 Cash and cash equivalents				
Bank balances	3 401	6 732	5	27
Call deposits	282	33 519	155	143
Cash and cash equivalents	3 683	40 251	160	170
Bank overdrafts used for cash management purposes	(63 826)	(8 542)	(50 028)	(8 542)
Cash and cash equivalents in the statements of cash flow	(60 143)	31 709	(49 868)	(8 372)

23. Notes to the cash flow statements continued

23.4 Cash and cash equivalents continued

CMSA has a multi-option facility comprising overdrafts, letters of guarantee and letters of credit for an amount of R80 million (2008: R80 million), letters of guarantee amounting to R490 000 (2008: R490 000), an asset based finance facility of R72,5 million (2008: R15 million) and a derivative facility of R30 million (2008: R7 618 498) held with Nedbank Limited. These are secured in part through:

- Gross deed of suretyship by Cipla Medpro Holdings (Pty) Limited, Cipla Medpro Manufacturing (Pty) Limited and CMSA.

The banking facilities of Inyanga Trading 386 (Pty) Limited, are secured as follows:

- Guarantee of the obligations of Cipla Medpro;
- Pledge and cession of Inyanga Trading 386 (Pty) Limited's shares;
- Pledge and cession of Inyanga Trading 386 (Pty) Limited's investment in and claims against Cipla Medpro; and
- Cession of Inyanga Trading 386 (Pty) Limited's trade debtors, deposits, cash, rights to insurances and government authorisations.

The R5 million general banking facility comprising overdrafts, guarantees, CFC's and letters of credit from ABSA Bank Limited granted to Medpro Pharmaceutica (Pty) Limited, a subsidiary company of Cipla Medpro Holdings (Pty) Limited, is secured as follows:

- The cession of trade debtors and Credit Guarantee Insurance Cover policy;
- An unlimited deed of suretyship given by Cipla Medpro Holdings (Pty) Limited; and
- The cession of the loan account by Cipla Medpro Holdings (Pty) Limited in Medpro Pharmaceutica (Pty) Limited.

Nedbank Limited has a reversionary right to the cash balances of the group.

Notes to the financial statements for the years ended 31 December

24. Acquisitions of subsidiaries

Refer to Annexure A which details the group's subsidiary acquisitions.

Acquisition of controlling interest

During January 2008, the group acquired an additional 43% shareholding in Cipla Agrimed (Pty) Limited via its 75% held subsidiary, Cipla Vet (Pty) Limited. This increased the group's effective shareholding in the subsidiary to 75,25%. The total purchase consideration was settled in cash. The excess of the consideration paid was recognised as goodwill in recognition of future economic benefits that the group will earn through the acquisition. The goodwill has been allocated to one cash-generating unit for impairment testing purposes.

GROUP	2008 R'000
Associate's net assets at acquisition date	
Property, plant and equipment	103
Intangible assets	2 749
Inventories	5 277
Trade and other receivables	3 340
Deferred tax	6
Cash and cash equivalents	1 068
Loans from shareholders	(3 164)
Loans from group companies	(4 089)
Current tax liability	(359)
Trade and other payables	(4 475)
Net fair value at acquisition date	456
Less: non-controlling interest	(113)
Less: carrying value of investment previously held as associate	(317)
Excess over purchase consideration	6 224
Total purchase consideration	6 250
Less: cash acquired	(1 068)
Net cash outflow	5 182

Acquisition of subsidiary

During January 2008, the group acquired a 50% interest in Cipla Agricare (Pty) Limited. The total purchase consideration was settled in cash. The excess was recognised as goodwill in recognition of future economic benefits that the group will earn through the acquisition.

Purchase consideration – cash component	5 442
Purchase consideration – liability component	–
Total purchase consideration	5 442
Shareholder loans acquired	–
Total cost of the additional 50% of the shares	5 442
Comprising:	
Assets acquired	–
Non-controlling interest	–
Goodwill	5 442

Acquisitions of subsidiaries

During January 2009, the group acquired a 50% interest in Medpro Pharmaceutica Africa (Pty) Limited for five Rand. The total purchase consideration was settled in cash.

During December 2008, the group acquired a 100% interest in Cipla Medpro Manufacturing (Pty) Limited for a total purchase consideration of R100.

25. New standards and interpretations

25.1 Standards and interpretations effective 1 January 2009 and adopted during the current financial year

During the current year, the group adopted the following standards and interpretations that are effective for annual periods beginning on or after 1 January 2009:

- IFRS 2 Share-based Payments (amendment): Vesting Conditions and Cancellations. The amendment clarifies the definition of vesting conditions and explains that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Since the group already complies with this amendment, the adoption of this standard has no impact on the group.
- IFRS 7 Financial Instruments: Disclosure (amendment). This amendment is aimed at improving the transparency in financial instrument disclosure. The amendment requires entities to classify fair value measurements by applying a three level hierarchy as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – Inputs for the asset or liability that are not based on observable market data. Level 3 instruments require opening to closing balance reconciliations.

The group already complies with this amendment and it does therefore not impact the group.

- IFRS 8 Operating Segments: This new standard replaces IAS 14 Segment Reporting. Upon adoption of IFRS 8, the identification of an entity's segments may or may not change. IAS 14 requires an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. One set of segments was regarded as primary and the other as secondary. If under IAS 14 an entity identifies its primary segments on the basis of the internal reports provided to the person whom IFRS 8 regards as the chief operating decision maker, those might become the "operating segments" for the purposes of IFRS 8. Accordingly, the company's identification of segments under the previous IAS 14 remains the same as under IFRS 8, as the group previously identified primary segments based on the reports provided to the chief operating decision maker. The adoption of this statement therefore, has no impact on the group.
- IAS 1 Presentation of Financial Statements (revised): This amendment sets out the presentation of shareholder changes in equity and the presentation of a "Statement of comprehensive income" (either part of the income statement or separately). The amendment has no financial impact, but has changed the structure of the 2009 financial statements.
- IAS 10 Events After the Reporting Period (amendment): The standard requires that dividends declared after year end but before the date of the annual financial statements, must be disclosed in the notes to the annual financial statements. The group has not declared a post year end dividend and hence the adoption of this amendment has no impact on the group.
- IAS 23 Borrowing Costs (amendment): The amendment to IAS 23 removes the option to expense all borrowing costs and requires that an entity capitalise all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The adoption of this amendment has no significant impact as in the past, all qualifying borrowing costs were being capitalised.
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (amendments): These amendments are relevant to entities that have issued financial instruments that are (i) puttable financial instruments, or (ii) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. Under the revised IAS 32, subject to specified criteria being met, these instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities. The adoption of these amendments do not impact the group.

Notes to the financial statements for the years ended 31 December

25. New standards and interpretations continued

25.1 Standards and interpretations effective 1 January 2009 and adopted during the current financial year continued

- IAS 36 Impairment of Assets (amendment): This amendment requires that disclosure be made of all estimates used to determine the recoverable amount of assets on the statement of financial position of the annual financial statements. The group already complies with this amendment and therefore, the adoption of this amendment has no impact on the group.
- IAS 38 Intangible Assets (amendment): The amendment to the standard requires that the entity expense advertising costs incurred as and when the entity obtains the right of access to these goods. The group already complies with this amendment and the adoption of this amendment thus has no impact on the group.

25.2 Standards and interpretations not yet effective for the current financial year, but effective for the ensuing financial year

At the date of authorisation of these financial statements, the standards and interpretations listed below were in issue but not yet effective and have not been applied in preparing these consolidated group financial statements:

- IFRS 2 Share-based Payments (effective annual periods beginning on or after 1 July 2009). The current wording of IFRS 2 excludes from its scope transactions related to business combinations within the scope of IFRS 3 Business Combinations (revised). As per IFRS 3, common control transactions and joint ventures for which control is not relevant are no longer explicitly included in the definition of business combinations and hence IFRS 2 is applicable to transactions relating to business combinations of this type.
- IFRS 3 Business Combinations, IAS 27 Consolidated and Separate Financial Statements and IAS 28 Investments in Associates (all revised) (mandatory for business combinations in annual periods beginning on or after 1 July 2009). Earlier application is permitted but only back to an annual reporting period that begins on or after 30 June 2007. The more important revisions to the standards include clarity on what constitutes "acquisition costs", treatment of adjustments to "contingent consideration", accounting for partial disposal of a subsidiary or acquisition of additional shares in a subsidiary and the option to use the "full goodwill method". The revisions will result in a higher degree of convergence between IFRSs and US GAAP in the above areas.
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective annual periods beginning on or after 1 July 2009). The amendment clarifies that when an entity is committed to a sale plan involving the loss of control of a subsidiary, the entity shall classify the assets and liabilities of that subsidiary as held for sale when the "held-for-sale criteria" has been met, regardless of whether the entity will retain a non-controlling interest in the former subsidiary after the sale. When the subsidiary meets the definition of a discontinued operation, disclosure of discontinued operations would be required.
- IAS 7 Statement of Cash Flows (effective annual periods beginning on or after 1 July 2009). The amendment states that cash flows arising from changes in level of control, where control is not lost, are equity transactions and should therefore be accounted for as cash flows from financing transactions.
- IAS 12 Income Taxes (effective annual periods beginning on or after 1 July 2009). The amendment requires that a deferred tax asset should be recognised against goodwill (and profit or loss to the extent that it exceeds goodwill) if the deferred tax asset existed on acquisition date, but was not recognised by the subsidiary due to whatever reason and the asset became recognisable subsequently. This may only be done if it results from information that existed at acquisition date.
- IAS 28 Investments in Associates (effective annual periods beginning on or after 1 July 2009). When an investment in an associate is reduced, but significant influence is retained, the amendment requires that a proportionate share of other comprehensive income must be reclassified to profit or loss.
- IAS 38 Intangible Assets (effective annual periods beginning on or after 1 July 2009). The amendment states that an identifiable intangible asset acquired in a business combination should be recognised separately from goodwill. The amendment also states that there are no specific measurement techniques required to be used for the measurement of intangible assets when no active market exists.

25. New standards and interpretations continued

25.2 Standards and interpretations not yet effective for the current financial year, but effective for the ensuing financial year continued

- IFRIC 17 Distributions of Non-cash Assets to Owners (effective annual periods beginning on or after 1 July 2009). The interpretation clarifies that a dividend should only be recognised once it is appropriately authorised; the dividend payable should be measured at the fair value of the net assets to be distributed and the entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Further, the interpretation also requires an entity to provide additional disclosure if the net assets held for distribution to the owners meet the definition of a discontinued operation.
- AC 503 Accounting for Black Economic Empowerment Transactions (effective annual periods beginning on or after 1 July 2009). The definition of performance conditions has been amended to include a service requirement, in addition to performance targets, with regards to vesting conditions as per IFRS 2 Share-based Payments.
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective annual periods beginning on or after 1 January 2010). The amendment clarifies the disclosures of non-current assets classified as held for sale or discontinued operations. The new wording addresses the uncertainty around the specific disclosures.
- IFRS 8 Operating Segments (effective annual periods beginning on or after 1 January 2010). The amendment aims to eliminate the difference with the US standards on the presentation of segment disclosure, by requiring that both assets and liabilities of each segment be presented systematically.
- IAS 1 Presentation of Financial Statements (effective annual periods beginning on or after 1 January 2010). The amendment aims to provide clarification on the classification of the liability component of convertible assets as current or non-current: this component should not be classified as a current liability simply because it may be settled at any time at the option of the holder.
- IAS 7 Statement of Cash Flows (effective annual periods beginning on or after 1 January 2010). The amendment states that only expenditure that results in the recognition of an asset are eligible for classification as investing activities in the statement of cash flows. This change aims to ensure consistency between the statement of financial position and the statement of cash flows.
- IAS 17 Leases (effective annual periods beginning on or after 1 January 2010). When the length of a lease, containing a land element, is such that in substance, title passes to the lessee at the end of the lease term, such lease may be classified as a finance lease, as opposed to an operating lease. Retrospective application of this amendment is required on the basis of information available at the date of signature of the lease contract.
- IAS 36 Impairment of Assets (effective annual periods beginning on or after 1 January 2010). The application of IFRS 8 Operating Segments could have an impact on the determination of operating segments. The determination may lead to a revision of the allocation of goodwill to cash-generating units. IFRS 8 allows the aggregation of segments with similar economic characteristics. The amendment to IAS 36 states that the relevant segments for the allocation of goodwill are those existing before the aggregation.
- IAS 39 Financial Instruments: Recognition and Measurement (effective annual periods beginning on or after 1 January 2010). The amendments clarify the scope exemption for business combination contracts and states that only forward contracts of which finalisation does not depend on the future actions of one or another party are excluded from the scope of IAS 39. The amendment also clarifies that amounts recognised in equity should be reclassified to profit or loss in the same period during which the hedged cash flow affects profit or loss. Finally, the amendment also explains that loan prepayment penalties should be recognised separately from the host contract, unless the option exercise price compensates the lender for the loss of interest income because the loan was repaid early.

Notes to the financial statements for the years ended 31 December

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
26. Financial instruments				
Credit risk				
<i>Exposure to credit risk</i>				
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:				
Financial assets designated at fair value through profit or loss	4	4	–	–
Loans and receivables – other	5 162	3 505	25 466	8 304
Loans and receivables – trade	230 970	222 796	39 078	68 460
Loans and receivables – subsidiaries	–	–	799 911	799 930
Loans and receivables – cash and cash equivalents	3 683	40 251	160	170
Forward exchange contracts used for hedging	–	43	–	–
	239 819	266 599	864 615	876 864
The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:				
Wholesale customers	161 299	163 232	35 544	52 294
Retail customers	25 603	17 393	–	–
Tender customers	26 801	15 879	–	–
	213 703	196 504	35 544	52 294
<i>Impairment losses</i>				
The aging of trade receivables at reporting date was:				
Current	119 760	147 792	2 928	32 758
Gross	119 760	147 792	2 928	32 758
Impairment	–	–	–	–
0 – 30 days	53 474	25 318	6 164	1 089
Gross	53 474	25 318	6 164	1 089
Impairment	–	–	–	–
31 – 120 days	40 324	23 394	26 452	18 447
Gross	40 490	23 908	26 525	18 614
Impairment	(166)	(514)	(73)	(167)
More than one year	145	–	–	–
Gross	431	–	–	–
Impairment	(286)	–	–	–
	213 703	196 504	35 544	52 294
The movement in the allowance for impairment in respect of trade receivables during the year was as follows:				
Balance at 1 January	514	873	167	478
Movement in impairment loss	(62)	(359)	(94)	(311)
Balance at 31 December	452	514	73	167

Based on past experience, the group believes that the impairment provision is adequate based on the credit risk exposure and the Credit Guarantee Insurance Cover policy that is in place. The group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 30 days as these relate mainly to customers that have a good track record with the group.

26. Financial instruments continued

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount R'000	Contractual cash flows R'000	Less than 12 months R'000	Between 1 to 5 years R'000	More than 5 years R'000
GROUP					
31 December 2009					
Non-derivative financial liabilities					
Secured bank loans	125 000	153 395	14 432	138 963	–
Other loans at amortised cost	462	462	462	–	–
Cumulative redeemable preference shares	194 270	237 890	16 285	221 605	–
Finance lease liabilities	35 074	43 234	11 068	32 166	–
Trade and other payables (excluding derivatives)	208 526	208 526	208 526	–	–
Bank overdrafts	63 826	63 826	63 826	–	–
	627 158	707 333	314 599	392 734	–
Derivative financial liabilities (assets)					
Interest rate swaps used for hedging	3 009	3 009	–	3 009	–
Forward exchange contracts used for hedging outflow	24 641	24 641	24 572	69	–
	27 650	27 650	24 572	3 078	–
GROUP					
31 December 2008					
Non-derivative financial liabilities					
Secured bank loans	101 926	148 124	18 770	129 354	–
Cumulative redeemable preference shares	244 470	344 298	79 552	264 746	–
Trade and other payables (excluding derivatives)	376 235	376 235	376 235	–	–
Bank overdraft	8 542	8 542	8 542	–	–
	731 173	877 199	483 099	394 100	–
Derivative financial liabilities (assets)					
Interest rate swaps used for hedging	552	552	–	552	–
Forward exchange contracts used for hedging inflow	(43)	(43)	(43)	–	–
	509	509	(43)	552	–
COMPANY					
31 December 2009					
Non-derivative financial liabilities					
Finance lease liabilities	35 074	43 234	11 068	32 166	–
Amounts due to subsidiaries	113 312	113 312	–	–	113 312
Trade and other payables (excluding derivatives)	14 489	14 489	14 489	–	–
Bank overdraft	50 028	50 028	50 028	–	–
	212 903	221 063	75 585	32 166	113 312
COMPANY					
31 December 2008					
Non-derivative financial liabilities					
Secured bank loans	1 926	1 926	1 926	–	–
Amounts due to subsidiaries	90 038	90 038	–	–	90 038
Trade and other payables (excluding derivatives)	35 715	35 715	35 715	–	–
Bank overdraft	8 542	8 542	8 542	–	–
	136 221	136 221	46 183	–	90 038

Notes to the financial statements for the years ended 31 December

26. Financial instruments continued

Currency risk

Exposure to currency risk

The group's exposure to foreign currency risk, including a sensitivity of a 10% weakening of the ZAR against these foreign currencies are as follows:

	USD	EUR	AUD	ZAR	Decrease in profit before taxation ZAR
GROUP 2009	'000	'000	'000	'000	'000
Trade payables – USD	21 090			155 644	(15 564)
Trade payables – EUR		89		946	(95)
Trade payables – AUD			1 807	11 998	(1 200)

The above sensitivity analysis assumes that all other variables, in particular interest rates, remain constant. The group hedges at least 90% of all trade payables denominated in a foreign currency. A 10% strengthening of the ZAR against these foreign currencies would have an equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Refer to notes 10 and 13 for the group's exposure to foreign currency risk relating to USD denominated forward exchange contracts. At year end there were no open forward exchange contracts to cover the entities' exposure to EUR and AUD denominated trade payables as these amounts were considered to be immaterial at year end.

GROUP	2009 R	2008 R
The following significant ZAR spot rates applied at reporting date for the group:		
USD	7,38	9,34
EUR	10,63	13,18
AUD	6,64	6,49

	GROUP 2009 R'000	GROUP 2008 R'000	COMPANY 2009 R'000	COMPANY 2008 R'000
26. Financial instruments continued				
Interest rate risk				
<i>Profile</i>				
At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:				
<i>Variable rate instruments</i>				
Financial assets	(6 683)	(43 294)	(170)	(160)
Financial liabilities	445 820	355 490	187 706	85 026
	439 137	312 196	187 536	84 866
<i>Interest rate sensitivity analysis</i>				
An increase of 100 basis points in interest rates at the respective reporting dates, would have decreased equity and decreased profit by the amounts shown below for the financial liabilities listed. A 100 basis point decrease in interest rates at the respective reporting dates, would have an equal but opposite effect on the financial liabilities listed. This analysis assumes that all other variables remain constant.				
<i>Decrease in profit before taxation:</i>				
Compulsory redeemable preference shares	2 276	2 927	–	–
Five-year facility of R100 million	1 053	1 069	–	–
Three-year facility of R25 million	11	–	–	–
Finance lease liabilities	133	–	133	–
	3 473	3 996	133	–

Refer to note 12 for more details relating to these financial liabilities.

Exposure to equity price risk

As indicated in note 6 the group has listed equity securities which exposes it to share price risks. The risk exposure from this investment is minimal due to the investment portfolio comprising a multinational company and due to the immaterial nature of the amount of the investment.

Categories of financial instruments and fair values

The group's financial instruments consist primarily of deposits with banks, short-term loans receivable, trade and other receivables, amounts due to and from subsidiaries and fellow subsidiaries, trade and other payables and loans and borrowings.

Notes to the financial statements for the years ended 31 December

26. Financial instruments continued

Categories of financial instruments and fair values versus carrying amounts

The fair values of the financial assets and liabilities approximate their carrying amounts. Refer to accounting policy (u) for a discussion of how fair values are determined. The fair values of financial assets and liabilities, together with their carrying amounts shown in the balance sheet, are as follows:

	GROUP Carrying value R'000	GROUP Fair value R'000
2009		
Financial assets		
Financial assets designated at fair value through profit or loss	4	4
Listed equity securities	4	4
Loans and receivables	236 132	236 132
Trade and other receivables (excluding derivatives)	230 970	230 970
Short-term loans receivable	5 162	5 162
Cash and cash equivalents	3 683	3 683
Financial liabilities		
Financial liabilities designated at fair value through profit or loss	(27 650)	(27 650)
Forward exchange contracts	(24 641)	(24 641)
Interest rate swaps	(3 009)	(3 009)
Financial liabilities held at amortised cost	(563 332)	(563 332)
Secured bank loans	(125 000)	(125 000)
Other loans at amortised cost	(462)	(462)
Redeemable preference shares	(194 270)	(194 270)
Finance lease liabilities	(35 074)	(35 074)
Trade and other payables (excluding derivatives)	(204 546)	(204 546)
Dividends on redeemable preference shares	(3 980)	(3 980)
Bank overdrafts	(63 826)	(63 826)
2008		
Financial assets		
Financial assets designated at fair value through profit or loss	47	47
Listed equity securities	4	4
Forward exchange contracts	43	43
Loans and receivables	226 301	266 301
Trade and other receivables (excluding derivatives)	222 796	222 796
Short-term loans receivable	3 505	3 505
Cash and cash equivalents	40 251	40 251
Financial liabilities		
Financial liabilities designated at fair value through profit or loss	(552)	(552)
Interest rate swaps	(552)	(552)
Financial liabilities held at amortised cost	(722 631)	(722 631)
Secured bank loans	(101 926)	(101 926)
Redeemable preference shares	(244 470)	(244 470)
Trade and other payables (excluding derivatives)	(368 822)	(368 822)
Dividends on redeemable preference shares	(7 413)	(7 413)
Bank overdraft	(8 542)	(8 542)

26. **Financial instruments** continued

Categories of financial instruments and fair values versus carrying amounts continued

	COMPANY Carrying value R'000	COMPANY Fair value R'000
2009		
Financial assets		
Loans and receivables	895 729	895 729
Trade and other receivables (excluding derivatives)	39 078	39 078
Long-term loans receivable	823 215	823 215
Long-term unlisted investments	31 274	31 274
Short-term loans receivable	2 162	2 162
Cash and cash equivalents	160	160
Financial liabilities		
Financial liabilities held at amortised cost	(162 875)	(162 875)
Finance lease liabilities	(35 074)	(35 074)
Amounts due to subsidiaries	(113 312)	(113 312)
Trade and other payables (excluding derivatives)	(14 489)	(14 489)
Bank overdraft	(50 028)	(50 028)
2008		
Financial assets		
Loans and receivables	910 918	910 918
Trade and other receivables (excluding derivatives)	68 460	68 460
Long-term loans receivable	807 889	807 889
Long-term unlisted investments	34 224	34 224
Short-term loans receivable	345	345
Cash and cash equivalents	170	170
Financial liabilities		
Financial liabilities held at amortised cost	(127 679)	(127 679)
Secured bank loans	(1 926)	(1 926)
Amounts due to subsidiaries	(90 038)	(90 038)
Trade and other payables (excluding derivatives)	(35 715)	(35 715)
Bank overdraft	(8 542)	(8 542)

Annexure A

Interest in subsidiary companies

COMPANY	Date acquired	Issued share capital R	Effective group holding 2009 %	Effective group holding 2008 %	Investment 2009 R	Investment 2008 R	Amounts due by (due to) subsidiaries ¹ 2009 R	Amounts due by (due to) subsidiaries ¹ 2008 R
<i>Direct holdings</i>								
Cipla Medpro Manufacturing (Pty) Limited	2/12/08	100	100	100	100	100	-	-
Galilee Marketing (Pty) Limited	2/10/06	100	100	100	100	100	-	-
Inyanga Trading 386 (Pty) Limited	15/12/05	100	100	100	100	100	799 910 683	799 910 683
Kamillen Pharmaceuticals (Pty) Limited	2/7/04	100	- ²	100	-	-	-	-
Kamillen Products (Botswana) (Pty) Limited	2/7/04	Pula 100	- ²	100	-	-	-	-
Universal Pharmaceuticals (Pty) Limited	31/8/07	2 000	- ³	100	-	100	-	(4 046 104)
Xeragen Laboratories (Pty) Limited	1/9/05	120	100	100	31 274 203	31 274 203	(10 708 245)	(10 820 072)
Zedchem (Pty) Limited	1/7/05	100	- ²	100	-	2 949 309	-	(594 798)
Total direct holdings					31 274 503	34 223 912	789 202 438	784 449 709
<i>Indirect holdings</i>								
Adroit Pharmaceuticals (Pty) Limited	1/9/06	100	- ²	100	-	- ⁴	-	-
Cipla Medpro Holdings (Pty) Limited	16/1/06 ⁵	10	100	100	1 391 053 876	1 391 053 876	(102 603 717)	(74 558 369)
Total indirect holdings					1 391 053 876	1 391 053 876	(102 603 717)	(74 558 369)
Total holdings					1 422 328 379	1 425 277 788	686 598 721	709 891 340

- 1 All amounts due by (due to) subsidiaries are unsecured and non-interest-bearing, with the exception of R102,6 million (2008: R74,6 million) loaned by Cipla Medpro Holdings (Pty) Limited to CMSA. The loan bears interest at rates linked to the prime overdraft rate. There are no specific repayment terms attached to the above loans.
- 2 This subsidiary was deregistered during the year.
- 3 This subsidiary was liquidated during the year.
- 4 Investment in the subsidiary was fully impaired at 31 December 2007.
- 5 Cipla Medpro was effectively purchased by CMSA on 1 November 2005, with control passing to the company on 1 December 2005. On 16 January 2006, Cipla Medpro was purchased by Inyanga Trading 386 (Pty) Limited, both wholly owned subsidiaries of CMSA. Refer to note 19 for the list of subsidiaries of which Cipla Medpro Holdings (Pty) Limited is the holding company.

Amounts due by (due to) subsidiaries

As described in note 5 to the financial statements, inter-company loans are due for payment as follows:

COMPANY	2009 R	2008 R
<i>Non-current portion of inter-company loans</i>		
Cipla Medpro Holdings (Pty) Limited	(102 603 717)	(74 558 369)
Universal Pharmaceuticals (Pty) Limited	–	(4 065 166)
Xeragen Laboratories (Pty) Limited	(10 708 245)	(10 820 072)
Zedchem (Pty) Limited	–	(594 798)
Amounts due to subsidiaries	(113 311 962)	(90 038 405)
Inyanga Trading 386 (Pty) Limited	799 910 683	799 910 683
Universal Pharmaceuticals (Pty) Limited	–	19 062
Amounts due by subsidiaries	799 910 683	799 929 745
Total non-current portion of inter-company loans	686 598 721	709 891 340
Net amounts owing by subsidiaries	686 598 721	709 891 340

Analysis of shareholders¹

Issued shares: 449 856 116 (2008: 443 265 635)

2009	Number of shareholders	Percentage of total shareholders	Number of shares	Percentage of total shareholding
Shareholder spread				
1 – 1 000 shares	885	22,87	543 701	0,12
1 001 – 10 000 shares	2 027	52,38	8 838 171	1,96
10 001 – 100 000 shares	741	19,15	22 683 488	5,04
100 001 – 1 000 000 shares	156	4,03	57 092 070	12,69
1000 001 shares and over	61	1,57	360 698 686	80,19
Total	3 870	100,00	449 856 116	100,00
Public/non-public shareholders				
Non-public shareholders	7	0,18	111 298 394	24,74
Directors of the company ²	4	0,09	21 439 064	4,77
Strategic holdings (more than 10%)	1	0,03	82 000 000	18,23
Empowerment	1	0,03	130 258	0,03
Share trusts ³	1	0,03	7 729 072	1,71
Public shareholders	3 863	99,82	338 557 722	75,26
Total	3 870	100,00	449 856 116	100,00
Beneficial shareholders holding 3% or more				
Sweet Sensation 67 (Pty) Limited			82 000 000	18,23
Government Employees Pension Fund			37 580 267	8,35
Liberty Life Association of Africa Limited			33 795 198	7,51
STD Pharma Limited			18 721 805	4,16
JS Pharm Trust			16 821 954	3,74

1 Representative of shareholders on the share register as at 24 December 2009.

2 The breakdown of directors' shareholdings can be found within the directors' report.

3 Refers to the CMSA Share Option Trust.

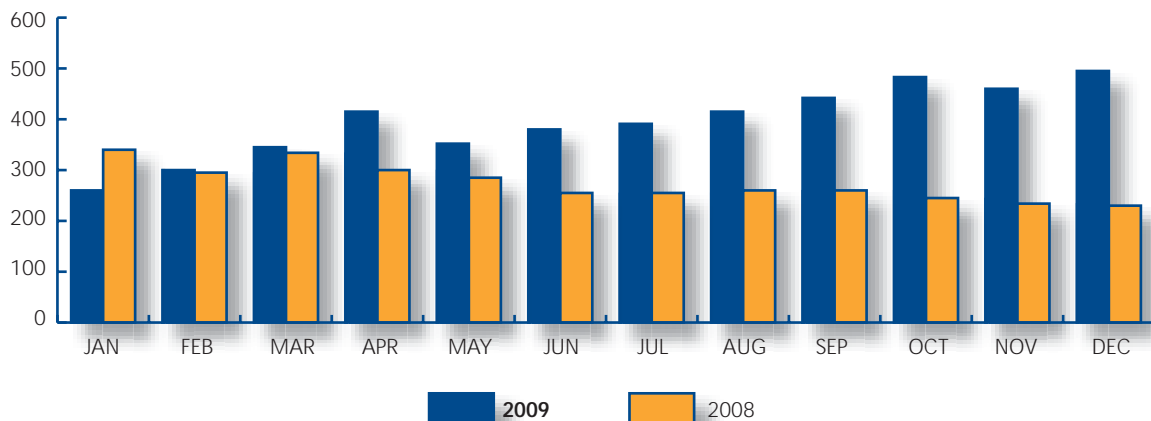
Share trading statistics

Issued shares: 449 856 116 (2008: 443 265 635)

2009 Month	High cents	Low cents	Close cents	Volume	Value R	Number of transactions
January	297	225	260	24 543 786	61 889 302	772
February	310	230	300	11 283 412	31 351 242	577
March	400	300	345	25 155 577	90 416 660	1 849
April	445	295	415	34 593 908	138 414 042	1 445
May	418	351	352	9 885 732	37 030 912	826
June	399	337	380	18 594 074	66 680 582	2 924
July	421	356	391	11 492 672	44 622 248	1 251
August	422	380	415	24 246 600	95 460 658	1 070
September	442	398	442	7 951 505	32 781 966	1 080
October	510	440	483	11 432 410	54 873 094	1 631
November	495	450	460	13 479 897	63 615 601	1 658
December	520	455	495	5 498 094	26 497 858	752
				198 157 667	743 634 165	15 835

Share statistics	2009	2008
High	(cents) 520	414
Low	(cents) 225	210
Year end	(cents) 495	230
Volume of shares traded	198 157 667	230 755 571
Volume as a percentage of the number of shares in issue	(%) 44,05	52,06
Value of shares traded	(R'000) 743 634	627 250
Number of transactions	15 835	9 553
Earnings yield at year end	(%) 7,3	12,7
Price earnings ratio at year end	(times) 13,6	7,8
Market capitalisation at year end net of treasury shares	(R'000) 2 188 529	1 012 033
Market capitalisation to shareholders' equity at year end	(times) 1,4	0,7

Average share price (cents)



Notice of annual general meeting

Cipla Medpro South Africa Limited

(Incorporated in the Republic of South Africa)
(Registration number 2002/018027/06)
(JSE code: CMP and ISIN: ZAE000128179)
("CMSA")

Notice is hereby given that the annual general meeting of CMSA will be held at the BoE Room, 5th Floor, BoE Building, Clock Tower Precinct, V&A Waterfront, Cape Town at 11:00 on Friday, 21 May 2010 for the following purposes:

1. Ordinary resolution number 1

Approval of the audited annual financial statements

"To receive, consider and adopt the audited annual financial statements of CMSA for the financial year ended 31 December 2009."

2. Ordinary resolution number 2

Election of directors

"To ratify the appointments of:

2.1. Mr JvD du Preez

2.2. Mr SMD Zungu

who were appointed as directors during the year."

A brief curriculum vitae in respect of each director referred to in 2 above appears on page 13 of this annual report.

3. Ordinary resolution number 3

Re-election of directors

"To re-elect directors of CMSA, namely:

3.1 Mr C Aucamp

3.2 Mr MB Caga

3.3 Mr PCS Luthuli

who retire by rotation in terms of CMSA's Articles of Association but, all being eligible, offer themselves for re-election."

A brief curriculum vitae in respect of each director referred to in 3 above appears on page 12 of this annual report.

As special business, to consider, and if deemed fit, to pass with or without modification the following ordinary and special resolutions:

4. Ordinary resolution number 4

Control of authorised but unissued shares

"Resolved that all of the ordinary shares in the authorised but unissued share capital of CMSA be and are hereby placed under the control and authority of the directors, and that the directors be and are hereby authorised and empowered, subject to the provisions of the Companies Act No. 61 of 1973, as amended ("the Companies Act"), the Articles of Association of CMSA and the Listings Requirements of the JSE Limited to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors may from time to time in their discretion deem fit.

This authority is restricted to 5% (five percent) of the ordinary shares in issue as at 31 December 2009 and will remain in place until the next annual general meeting of CMSA's shareholders".

5. Ordinary resolution number 5

Approval to issue shares for cash

"Resolved that the directors of CMSA be and are hereby authorised by way of a general authority, to issue all or any of the authorised but unissued shares in the capital of CMSA for cash, as and when they in their discretion deem fit, subject to the Companies Act, the Articles of Association of CMSA, the JSE Listings Requirements, when applicable, and the following limitations, namely that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will be made only to "public shareholders" as defined in the JSE Listings Requirements and not related parties, unless the JSE otherwise agrees;
- the number of shares issued for cash shall not in the aggregate in any one financial year exceed 2,5% (two and a half percent) of CMSA's issued share capital of ordinary shares. The number of ordinary shares which may be issued shall be based on the number of ordinary shares in issue, added to those that may be issued in future (arising from the conversion of options/convertibles) at the date of such application, less any ordinary shares issued, or to be issued in future arising from options/convertible ordinary shares issued during the current financial year; plus any ordinary shares to be issued pursuant to a rights issue which has been announced, is irrevocable and is fully underwritten, or an acquisition which has had final terms announced;
- this authority be valid until CMSA's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date that this authority is given;

- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of shares in issue prior to the issue; and
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed to by the directors of CMSA."

Ordinary resolution number 5 is required, under the JSE Listings Requirements, to be passed by achieving a 75% majority of the votes cast in favour of such resolution by all members present or represented by proxy and entitled to vote, at the annual general meeting.

6. Ordinary resolution number 6

Reappointment of external auditors

"To reappoint Mazars as the external auditors of CMSA for the ensuing year (the designated auditor being Mr Conrad Burger) and to authorise the directors to determine the remuneration of the auditors."

7. Ordinary resolution number 7

Remuneration of non-executive directors

"Resolved that the remuneration of the non-executive directors for the year ending 31 December 2010 be approved on the following basis:"

Type of fee	Proposed fee in ZAR for the year ending 31 December 2010 R	Approved fee in ZAR for the year ending 31 December 2009 R	Proposed increase percentage for the 2010 year %
Board			
Chairperson	576 000*	465 600*	23,7
Member	17 475 [#]	14 550 [#]	20,1
Audit and Risk Committee			
Chairperson	37 400 [#]	35 700 [#]	4,8
Member	31 200 [#]	28 500 [#]	9,5
Remuneration Committee			
Chairperson	37 400 [#]	35 700 [#]	4,8
Member	31 200 [#]	28 500 [#]	9,5
Nominations Committee			
Chairperson	37 400 [#]		
Member	31 200 [#]		

* Fee per year.

[#] Fee per meeting.

8. Ordinary resolution number 8

Approval of remuneration policy

"Resolved that CMSA's remuneration policy, as set out below, be approved through a non-binding advisory vote.

Remuneration policy for the executive and non-executive directors:

CMSA uses an independent market-related remuneration survey to benchmark the appropriate remuneration for its directors, as well as taking into account the performance of CMSA and the prevailing rate of inflation."

9. Ordinary resolution number 9

Appointment of Audit and Risk Committee members

"Resolved that the members of the CMSA Audit and Risk Committee be appointed in accordance with the recommendations of King III, i.e. the committee should be constituted of three independent non-executive directors. The membership, therefore, as proposed by the board of directors is:

Mrs MT Mosweu (Chairperson) – *Independent non-executive director*;

Mr JvD du Preez – *Independent non-executive director*; and

Mr SMD Zungu – *Independent non-executive director*."

Notice of annual general meeting continued

10. Special resolution number 1

Approval to repurchase shares

"Resolved that CMSA and/or any subsidiary of CMSA be and is hereby authorised by way of a general approval contemplated in sections 85(2) and 85(3) of the Companies Act, to acquire the issued ordinary shares of CMSA, upon such terms and conditions and in such amounts as the directors of CMSA may from time to time determine, but subject to the Articles of Association of CMSA, the provisions of the Companies Act and the JSE Listings Requirements, where applicable, and provided that:

- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between CMSA and the counterparty;
- this general authority shall only be valid until CMSA's next annual general meeting, provided that it shall not extend beyond 15 (fifteen) months from the date of passing of this special resolution;
- in determining the price at which CMSA's ordinary shares are acquired by CMSA in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten percent) of the weighted average of the market price at which such ordinary shares are traded on the JSE, as determined over the 5 (five) trading days immediately preceding the date of the repurchase of such ordinary shares by CMSA;
- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty percent) of CMSA's issued ordinary share capital from the date of the grant of this general authority;
- CMSA and the group are in a position to repay their debt in the ordinary course of business for a period of 12 (twelve) months from CMSA first acquiring securities under this general approval;
- the assets of CMSA and the group, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the liabilities of CMSA and the group at the time of CMSA first acquiring securities under this general approval;
- the ordinary capital and reserves of CMSA and the group are adequate for a period of 12 (twelve) months from CMSA first acquiring securities under this general approval;
- the available working capital is adequate to continue the operations of CMSA and the group for a period of 12 (twelve) months from CMSA first acquiring securities under this general approval;
- upon entering the market to proceed with the repurchase, CMSA's Sponsor has complied with its responsibilities contained in Schedule 25 of the JSE Listings Requirements;
- CMSA or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;
- when CMSA has cumulatively repurchased 3% (three per cent) of the initial number of the relevant class of securities, and for each 3% (three per cent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made; and
- CMSA only appoints one agent to effect any repurchase(s) on its behalf."

Reason for and effect of special resolution number 1

The reason and effect for special resolution number 1 is to authorise CMSA and/or its subsidiaries by way of a general authority to acquire its own issued shares on such terms, conditions and such amounts determined from time to time by the directors of CMSA, subject to the limitations set out above.

The directors of CMSA have no specific intention to effect the provisions of special resolution number 1 but will, however, continually review CMSA's position, having regard to prevailing circumstances and market conditions, in considering whether to effect the provisions of special resolution number 1.

The JSE Listings Requirements require the following additional disclosure for purposes of this general authority, some of which is set out in the annual report of which this notice forms part:

- Directors – pages 12 – 13
- Major shareholders of CMSA – page 96
- Directors' interests in securities – page 32
- Share capital of CMSA – page 60

11. Material change

There have been no material changes in the affairs or financial position of CMSA and its subsidiaries since the date of signature of the audit report and the date of this notice.

12. Directors' responsibility statement

The directors, whose names are given on pages 12 and 13 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 1 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all such information.

13. Litigation statement

In terms of section 11.26 of the Listings Requirements of the JSE, the directors, whose names are given on pages 12 and 13 of the annual report of which this notice forms part, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on the group's financial position.

14. Ordinary resolution number 10

Directors' authorisation

"Resolved that any director or the secretary of CMSA be and is hereby authorised to do all such things and sign all such documents as may be necessary to give effect to the above resolutions."

15. Voting and proxies

A shareholder entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and speak and, on a poll, vote in his stead. Such proxy need not be a shareholder of CMSA. A proxy form is included in this report and may also be obtained from the transfer secretaries.

The attached form of proxy is only to be completed by those shareholders who are:

- Holding CMSA ordinary shares in certificated form; or
- Are recorded on the electronic sub-register in "own name" dematerialised form.

Shareholders who have dematerialised their shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with a Letter of Representation, or they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement/mandate entered into between them and the CSDP or broker. Shareholders are reminded that the onus is on them to communicate with their CSDP.

Proxy forms must be lodged with the transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107) by no later than Wednesday, 19 May 2010.

By order of the board



MW Daly
Company Secretary

Durban
15 April 2010

Terms and abbreviations

Adcock	Adcock Ingram Holdings Limited (registration number 2007/106236/06), a public company incorporated in accordance with the laws of South Africa, all the ordinary shares of which are listed on the JSE with share code AIP	GOVI index	The government bond index is a notional non-investable index that measures the performance of bonds issued by the South African government
AGM	Annual general meeting	HDI	Historically disadvantaged individuals
ARV	Antiretrovirals, used in the treatment of HIV/AIDS	HEPS	Headline earnings per share
AUD	Australian Dollar	HR	Human resources
BBBEE	Broad-Based black economic empowerment	IAS	International Accounting Standards
BEE	Black economic empowerment, as defined in the Broad-Based Black Economic Empowerment Act, 53 of 2003, and which means the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies	IFRIC	International Financial Reporting Interpretations Committee
CA (SA)	Chartered Accountant (South Africa), designation governed by the Chartered Accountants Designation Act, 1993 (Act 67 of 1993), which regulates and permits the use of the CA (SA) designation exclusively by members of the South African Institute of Chartered Accountants	IFRS	International Financial Reporting Standards
CEO	Chief Executive Officer	IMS	IMS Health is an international company that supplies the pharmaceutical industry with statistical sales data and consulting services
CFC	Customer Foreign Currency	IOD	Injury on duty
CFO	Chief Financial Officer	JIBAR	Johannesburg Interbank Agreed Rate
cGMP	Current Good Manufacturing Practice	JSE	Johannesburg Stock Exchange
Cipla India	Cipla Limited (registration number 11-2380), a public company incorporated in India	King II	King Committee Report on Corporate Governance 2002
CME	Continuing medical education	King III	King Committee Report on Corporate Governance 2009
Cipla Medpro	Cipla Medpro Holdings (Pty) Limited (registration number 2000/018468/07), a private company situated in Cape Town, and its group of subsidiaries	MCC	Medicines Control Council of South Africa
CMM or Cipla Medpro Manufacturing	Cipla Medpro Manufacturing (Pty) Limited (registration number 2005/021116/07), a private company commonly referred to as "the factory" whose place of operation is in Mobeni, Durban	NAPM	The National Association of Pharmaceutical Manufacturers (association incorporated under Section 21, registration number 77/02941/08), is a trade association focused on the supply of generic medicines taking into account the environmental needs of the country and its members. CMSA is a member of NAPM
CMSA or group or Cipla	Cipla Medpro South Africa Limited (registration number 2002/018027/06), a public company incorporated in accordance with the laws of South Africa, all the ordinary shares of which are listed on the JSE with share code CMP, and its group of subsidiaries (abbreviation not applicable to pages 98 to 101 or the form of proxy).	OTC	Over-the-counter products i.e. available without prescription
CMSA Share Option Trust	Cipla Medpro South Africa Limited Share Option Trust (trust deed number 865/2005)	PAT	Profit after income tax
COIDA	Compensation for Occupational Injuries and Diseases Act, 1993	PIC/S	Pharmaceutical Inspection Convention/Pharmaceutical Inspection Cooperation Scheme
Companies Act	Companies Act No. 61 of 1973	PBIT	Profit before finance costs and income tax
CSI	Corporate social investment	Prime rate	Lending rate used as a basis by financial institutions
EPS	Earnings per share	Pty	Proprietary
EUR	Euro	QA	Quality assurance
EV	Evolution Index	Risk-free rate	Theoretical rate of return of an investment with zero risk
GMP	Good Manufacturing Practice	SA GAAP	South African General Accepted Accounting Practice
		SENS	The Stock Exchange News Service provided by the JSE to JSE-listed companies
		SEP	Single exit price, the price determined by regulation, at which medicines may be offered for sale on the South African private market
		SHE	Safety, health and environment
		SPE	Special-purpose entity
		STC	Secondary taxation on companies
		TPM	Total Private Market
		UOP	Units of Production, a method of depreciation based on use or output of the asset
		USD	United States Dollar
		ZAR	South African Rand

Form of proxy



Cipla Medpro South Africa Limited

(Incorporated in the Republic of South Africa)

(Registration number 2002/018027/06)

(JSE code: CMP and ISIN: ZAE000128179)

("CMSA")

For use by shareholders that hold shares in certificated form ("certificated shareholders") or shareholders who have dematerialised their shares ("dematerialised shareholders") and registered with "own-name" registration only, at the annual general meeting of shareholders of CMSA to be held at the BoE Room, 5th Floor, BoE Building, Clock Tower Precinct, V&A Waterfront, Cape Town at 11:00 on Friday, 21 May 2010.

Dematerialised shareholders holding shares other than with "own-name" registration, must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary Letter of Representation to attend the annual general meeting in person and vote or provide their CSDP or broker with their voting instructions should they not wish to attend the annual general meeting in person. These shareholders must not use this form of proxy.

I/We _____ (name/s in block letters)

of _____

being the holders of _____ shares in the capital of CMSA do hereby appoint (see note):

1. _____ or failing him/her,

2. _____ or failing him/her,

3. _____ the Chairperson of the annual general meeting,

as my/our proxy to act for me/us at the annual general meeting for purposes of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at each adjournment thereof; and to abstain from voting for and/or against the resolutions in respect of the shares registered in my/our name in accordance with the following instructions:

		Number of shares		
		For	Against	Abstain
1	Ordinary resolution number 1 – approval of the audited annual financial statements			
2	Ordinary resolution number 2 – election of directors			
2.1	To elect as a director, Mr JvD du Preez in terms of the Articles of Association by reason of having been appointed by the board subsequent to the last annual general meeting			
2.2	To elect as a director, Mr SMD Zungu in terms of the Articles of Association by reason of having been appointed by the board subsequent to the last annual general meeting			
3	Ordinary resolution number 3 – re-election of directors			
3.1	To re-elect as a director, Mr C Aucamp who is retiring by rotation			
3.2	To re-elect as a director, Mr MB Caga who is retiring by rotation			
3.3	To re-elect as a director, Mr PCS Luthuli who is retiring by rotation			
4	Ordinary resolution number 4 – control of authorised but unissued shares			
5	Ordinary resolution number 5 – approval to issue shares for cash			
6	Ordinary resolution number 6 – reappointment of external auditors			
7	Ordinary resolution number 7 – remuneration of non-executive directors			
8	Ordinary resolution number 8 – approval of remuneration policy			
9	Ordinary resolution number 9 – appointment of Audit and Risk Committee members			
10	Special resolution number 1 – approval to repurchase shares			
11	Ordinary resolution number 10 – directors' authorisation			

Signed at _____ on _____ 2010

Signature _____ assisted by (where applicable)

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of CMSA) to attend, speak and vote in place of that shareholder at the meeting.

Notes to the form of proxy

1. The form of proxy must only be used by certificated shareholders or dematerialised shareholders who hold dematerialised shares in their "own name".
2. Shareholders are reminded that the onus is on them to communicate with their CSDP or broker.
3. A shareholder entitled to attend and vote may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairperson of the annual general meeting". A proxy need not be a shareholder of CMSA. The person whose name stands first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of those whose names follow.
4. A shareholder is entitled to one vote on a show of hands and, on a poll, one vote in respect of each share held. A shareholder's instructions to the proxy must be indicated by inserting the relevant number of votes exercisable by the shareholder in the appropriate box(es). Failure to comply with this will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholder's votes.
5. A vote given in terms of an instrument of proxy shall be valid in relation to the annual general meeting notwithstanding the death of the person granting it, or the revocation of the proxy, or the transfer of the shares in respect of which the vote is given, unless an intimation in writing of such death, revocation or transfer is received by the transfer secretaries not less than 48 (forty eight) hours before the commencement of the annual general meeting.
6. If a shareholder does not indicate on this form that his/her proxy is to vote in favour of or against any resolution or to abstain from voting, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she thinks fit.
7. The Chairperson of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in compliance with these notes.
8. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
9. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to this form of proxy, unless previously recorded by CMSA or unless this requirement is waived by the Chairperson of the annual general meeting.
10. A minor or any other person under legal incapacity must be assisted by his/her parent or guardian, as applicable, unless the relevant documents establishing his/her capacity are produced or have been registered by CMSA.
11. Where there are joint holders of shares:
 - Any one holder may sign the form of proxy; and
 - The vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in CMSA's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).
12. Forms of proxy should be lodged with or mailed to Computershare Investor Services (Pty) Limited:
 - Hand deliveries to: Ground Floor, 70 Marshall Street, Johannesburg, 2001
 - Postal deliveries to: PO Box 6105, Marshalltown, 2107

to be received by no later than Wednesday, 19 May 2010 (or 48 hours before any adjournment of the annual general meeting which date, if necessary, will be notified in the press).
13. Any alteration or correction made to this form of proxy, other than the deletion of alternatives, must be initialled by the signatory/ies.

Corporate information

Cipla Medpro South Africa Limited

Registration number: 2002/018027/06

JSE code: CMP

ISIN: ZAE000128179

Company Secretary

MW Daly CA (SA)

Registered office

1474 South Coast Road

Mobeni, 4052

PO Box 32003, Mobeni, 4060

Contact numbers

Tel: +27 31 451 3800

Fax: +27 31 451 3889

www.ciplamedsa.co.za

Attorneys

Deneys Reitz Incorporated

Registration number: 1984/003385/21

3 Pencarrow Crescent

La Lucia Ridge

Durban, 4051

PO Box 5003, Pencarrow Park, 4019

Transfer secretaries

Computershare Investor Services (Pty) Limited

Registration number: 2004/003647/07

Ground Floor, 70 Marshall Street

Johannesburg, 2001

PO Box 61051, Marshalltown, 2107

Sponsor

Nedbank Capital

Registration number: 1951/000009/06

155 Rivonia Road, Sandown, 2196

PO Box 1144, Johannesburg, 2000

Auditors

Mazars

Registration number: 2005/025794/07

Mazars House

Rialto Road, Grand Moorings Precinct

Century City, 7441

PO Box 2785, Cape Town, 8001

Commercial bankers

Nedbank Limited

ABSA Bank Limited

Shareholders' diary

Annual general meeting	21 May 2010
Interim reporting period	30 June 2010
Interim report	August 2010
Financial year end	31 December 2010

Contact us:
PO Box 1096, Durbanville, 7551
www.ciplamedsa.co.za

