ENALENI
PHARMACEUTICALS

Annual Report 2007

Contents

Enaleni at a glance

Highlights

- Revenues increase 19% to R940,7 million
- Profit before interest and tax up 19%
- Profit after tax up 27%
- Basic earnings per share up 19% to 31 cents
- Net decrease in external debt R203 million

Established in January 2003 and listed on the Johannesburg Stock Exchange with a market cap currently in excess of R1,3 billion, Enaleni Pharmaceuticals Limited (Enaleni) is one of South Africa's top ten and fastest growing pharmaceutical groups through its subsidiary Cipla Medpro Holdings (Proprietary) Limited (Cipla Medpro).

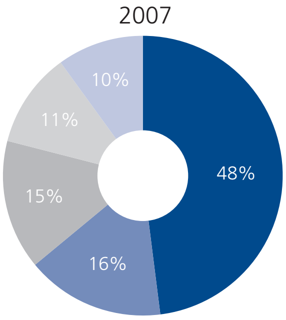
The Group's operations comprise two divisions: Cape Town-based Cipla Medpro, the country's sixth largest pharmaceutical company and supplier of an extensive range of chronic medicines and over-the-counter (OTC) products to the public and private sector, and a pharmaceutical manufacturing division, Enaleni Pharmaceuticals Contract Manufacturing, based in Durban, KwaZulu-Natal. A R175 million upgrade to international PIC/S (Pharmaceutical Inspection Co-operation Scheme) compliance is currently underway at this facility and is scheduled for completion mid-2008.

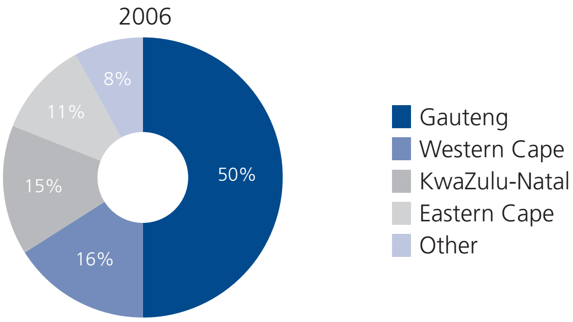
During 2007, a board decision to refocus the business solely on pharmaceuticals resulted in the disposal of the businesses within the Group's Consumer and Vitality division. These businesses were sold prior to year end for a combined R128 million. Following the operational refocusing Cipla Medpro CEO Jerome Smith was appointed Group CEO with Cipla Medpro financial director, Chris Aucamp, taking up the position of CFO. With further new appointments at senior management level, significant depth of pharmaceutical manufacturing expertise was secured, ensuring the efficient implementation of the revised pharmaceutical focus.

Empowerment consortium Sweet Sensations have an 18,5% shareholding in Enaleni and are represented at board level by two non-executive directors. Enaleni remains committed to BBBEE within all facets of the Group's operations.

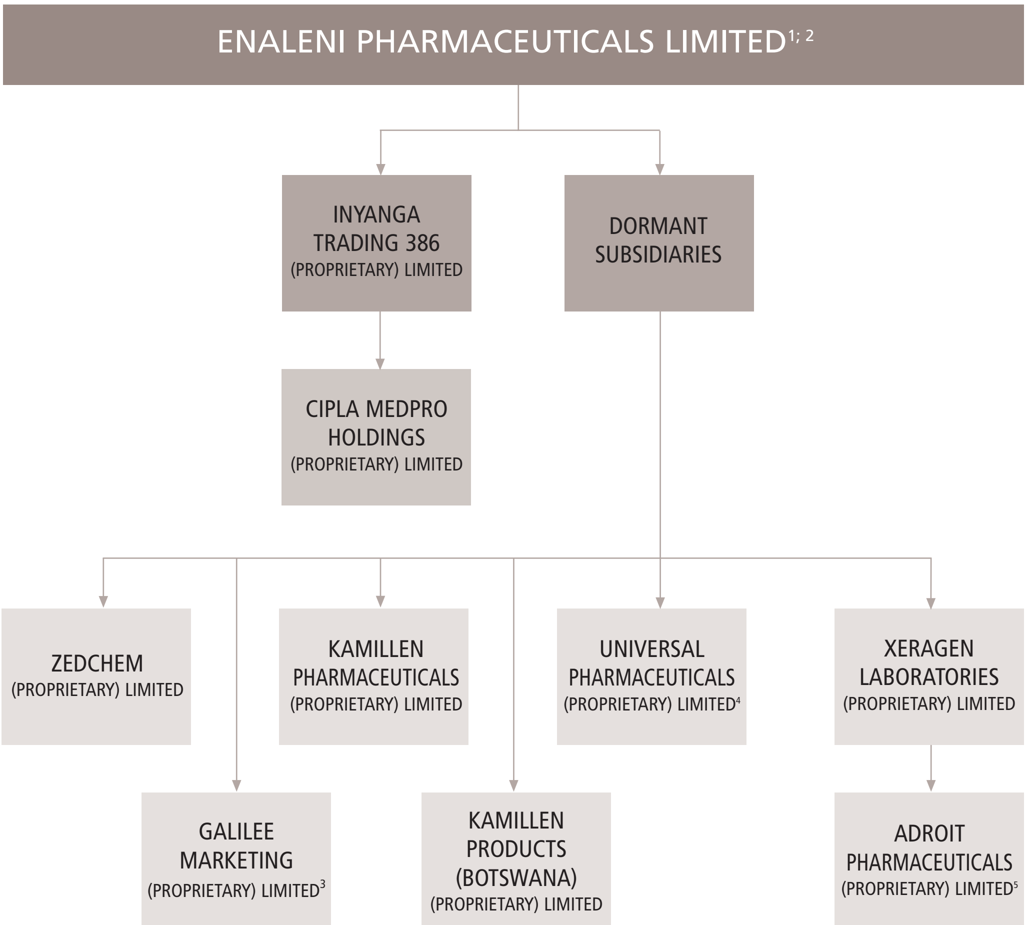
Currently the Group's staff complement exceeds 500, 52% of whom are employed through the manufacturing facility and the remaining 48% by Cipla Medpro.

Sales by region





Group structure



Subsidiaries and associate of Cipla Medpro Holdings (Proprietary) Limited

Cipla Agrimed (Proprietary) Limited – 43% held associate
Cipla Dibcare (Proprietary) Limited – 67%
Cipla Health Care (Proprietary) Limited
Cipla Life Sciences (Proprietary) Limited
Cipla-Medpro (Proprietary) Limited
Cipla Medpro ARV (Proprietary) Limited
Cipla Medpro Cardio Respiratory (Proprietary) Limited
Cipla Medpro Distribution Centre (Proprietary) Limited
Cipla Medpro Manufacturing (Proprietary) Limited
Cipla Personal Care (Proprietary) Limited
Cipla Vet (Proprietary) Limited – 75%
Gardian Cipla (Proprietary) Limited
Medpro Gen (Proprietary) Limited
Medpro Holdings (Proprietary) Limited
Medpro-On-Line (Proprietary) Limited
Medpro Pharmaceutica (Proprietary) Limited
Smith and Couzin (Proprietary) Limited

1 All Group companies are wholly-owned, with the exception of Cipla Dibcare (Proprietary) Limited (67%), Cipla Vet (Proprietary) Limited (75%) and Cipla Agrimed (Proprietary) Limited (43% held associate).

2 Enaleni Pharmaceuticals Contract Manufacturing forms part of Enaleni Pharmaceuticals Limited.

3 Effective 2 October 2006, Enaleni Pharmaceuticals Limited acquired 100% of the shares in Galilee Marketing (Proprietary) Limited.

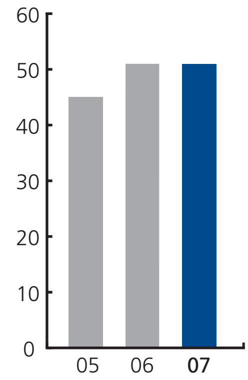
4 Enaleni Pharmaceuticals Limited exercised its call option for the acquisition of 100% of the share capital of Universal Pharmaceuticals (Proprietary) Limited during August 2007.

5 Effective 1 September 2006, Xeragen Laboratories (Proprietary) Limited acquired 100% of the shares in Adroit Pharmaceuticals (Proprietary) Limited.

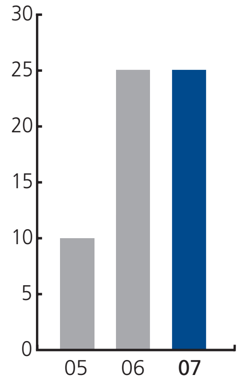
Group financial highlights

Working capital management continues to improve while maintaining solid gross and operating margins

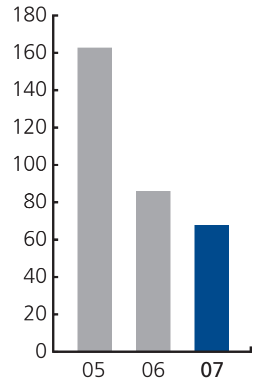
Gross margin (%)



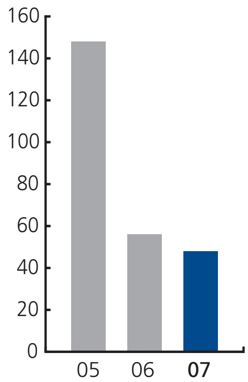
Operating profit margin (%)



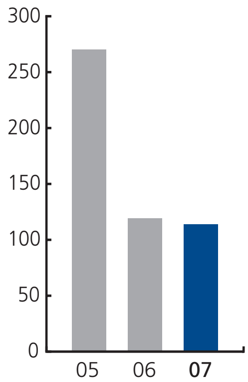
Inventory days



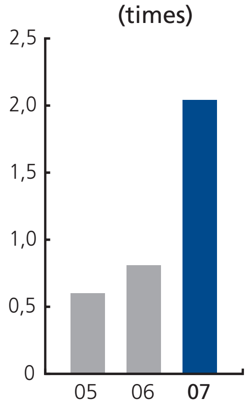
Debtors days



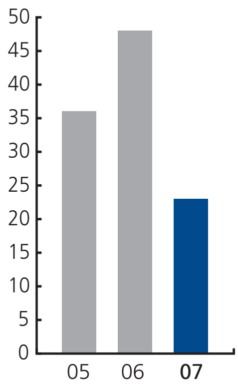
Creditors days



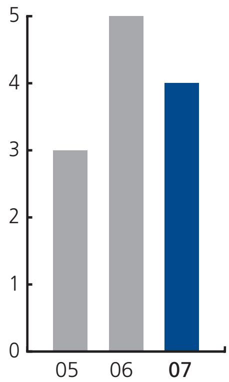
Current ratio (times)



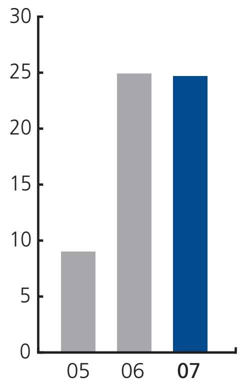
Gearing ratio (%)



Interest cover (times)



Headline earnings per share (cents)

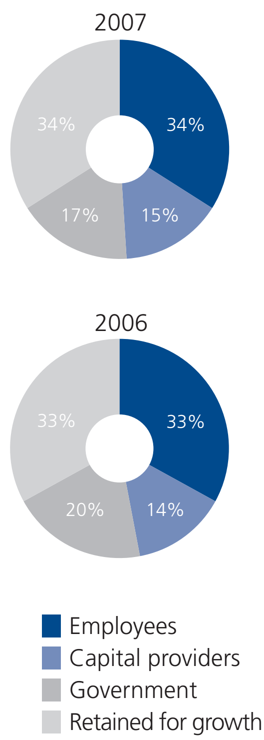


Value added statement

		GROUP	
		2007	2006
	Note	R'000	R'000
Revenue			
Continuing operations		806 234	673 586
Discontinued operations		134 507	115 908
Other operating income			
Continuing operations		14 864	3 842
Discontinued operations		29 535	3 636
Less: purchased materials and services		(608 503)	(485 359)
Value added from operations		376 637	311 613
Finance income		20 599	7 446
Total value created		397 236	319 059
Value distribution			
Employees (including directors)		134 230	104 657
Providers of capital		56 910	43 154
Finance costs		55 935	42 718
Minority interests		975	436
Monetary exchanges with government	1	66 813	61 027
Reinvested in the Group		139 283	110 221
Depreciation and recurring amortisation		5 679	4 861
Deferred taxation		1 763	1 281
Retained in the Group		131 841	104 079
Total value distribution		397 236	319 059
Value added statistics			
Number of full-time employees at year end*		715	780
Revenue per employee		1 316	1 012
Value added per employee		527	400
Value created per employee		556	409
Note:			
1 **Monetary exchanges with government**			
Current taxes (including secondary tax on companies)		63 867	59 575
Customs and excise duties		2 946	726
Regional services council levies		–	726
Gross contribution to central and local governments		66 813	61 027
Additional collections on behalf of government			
Employees' taxes		32 804	21 512
Net value added tax paid		28 529	28 608
		61 333	50 120

*Includes employees in discontinued operations.
Staff complement in continuing operations is 521 (2006: 594).

Value distribution



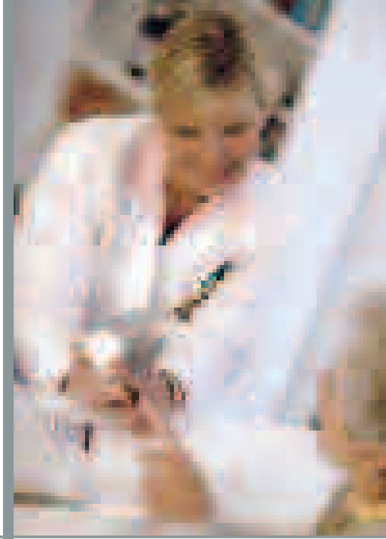
Chairman's report

Last year after strategically evaluating the various business operations, the board decided to refocus the business solely within the pharmaceutical market. The Consumer and Vitality businesses did not fit the new strategic direction and were unlikely to achieve the same rates of return possible within the pharmaceutical business, therefore the decision was taken to divest of these businesses and allow management to focus their attention and efforts on the fast growing pharmaceutical market. The disposals were achieved within the stated timelines with Marico South Africa Consumer Care (Proprietary) Limited acquiring EPCD for R92,8 million and Arcay Merchant (Proprietary) Limited acquiring all shares and claims in Bioharmony and Muscle Science for R26,6 million and R8,6 million (67% shares owned by Enaleni in the latter) respectively.

PCS Luthuli *Chairman*

The year under review has seen Enaleni undergo significant changes, all geared towards the achievement of one vision: establishing a Group that is a leading and trusted provider and manufacturer of world class, affordable healthcare to the nation

Despite the restructuring, a temporary cessation of manufacturing for most of the second half of the year and changes to executive management, the Group nevertheless delivered satisfactory results with total revenue increasing 19,2% to R940,7 million. Total Group profit after taxation for the year is R131,8 million, an increase of 26,6%, while basic EPS increased 19,2% to 31 cents and basic HEPS decreased 0,8% to 24,7 cents. This decrease however can be attributed to the dilution of 5,9% due to the issue of additional shares after the capital raising to fund the manufacturing facility upgrade and the abnormal expenses incurred in the Contract Manufacturing division. Revenues from continuing operations is up 19,7% to R806,2 million and gross profit increased 21,3% from the previous year.



No dividends were declared as all profits generated will be used to fund further growth and pay down debt, of which a net R203 million was repaid during the year.

Cipla Medpro was the revenue driver during 2007 and continues to gain market share in a number of new and existing categories. The company has a strong presence within the respiratory, cardiovascular, psychiatry, ARV and other chronic medication markets which generate a regular annuity income stream. Off this base, the business continues exploring new therapeutic classes as well as consistently bringing a significant number of new products to market.

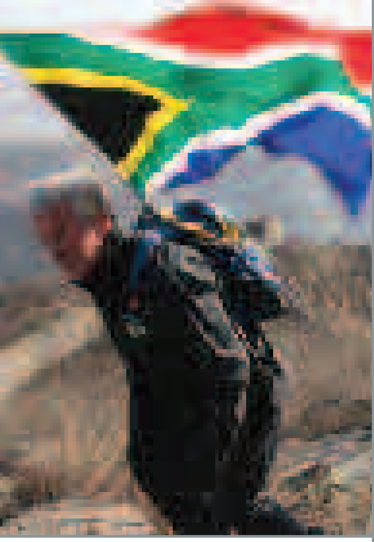
The manufacturing division, whilst undergoing an upgrade to international manufacturing standards, experienced a difficult year. Increasing regulatory pressures saw the decision to temporarily halt production mid-year and while the division recorded an operating profit of R38,1 million, the abnormal expenses incurred for PPE impairments, inventory writeoffs and retrenchments saw this reduced to R13,6 million. The upgrade has been progressing well, a strong new management team is in place, manufacturing on various lines has resumed and the board remains confident that this investment remains strategically advantageous to the Group.

There were a number of changes at board level. Enaleni founding members Stan Whitfield (commercial director), Trevor Edwards (CEO), Umesh Parusnath and Pam Pillay resigned from the board during the year as did Andrew Hall (CFO).

Non-executive directors Nomini Rapoo, who represented the IDC, and Sweet Sensations consortium member Thembisa Dingaan also resigned during the year. The board thanks these directors for their contributions to the Group.

In light of the revised pharmaceutical strategy, it was my pleasure to welcome Cipla Medpro CEO Jerome Smith to the board as Group CEO in August. Cipla Medpro financial director Chris Aucamp was appointed to the board as commercial director in August and subsequently assumed the position of CFO on 1 October 2007. Both gentlemen have a wealth of pharmaceutical industry knowledge and have confirmed their commitment to the Group through the extension of their contracts until December 2010. Having founded Cipla Medpro in 1993 Jerome Smith has led it to its current position as sixth largest local pharmaceutical company and the board is confident that under his experienced leadership, the Group will achieve its short and long-term objectives.

Mpho Mosweu replaced Nomini Rapoo as IDC representative, and Sweet Sensations consortium members, Nthabiseng Mokone and Bongani Caga were appointed to the board as non-executive members on 13 November 2007.



Chairman's report continued

The board currently comprises seven members of whom five are non-executive directors and two are executive directors. Further appointments are planned in line with the board's objectives of increasing the depth of pharmaceutical expertise and meeting its empowerment objectives.

Throughout the refocusing of operations our Corporate Governance has remained sound and the Board, Audit and Risk and Remuneration Committees continue to function well. With Thembisa Dingaan's resignation, Mpho Mosweu has assumed the role of Chairperson of the Audit and Risk Committee while Dr Gil Mahlati chairs the Remuneration Committee. The board extends its appreciation to Thembisa for her valuable contribution to the Audit and Risk Committee, her colleagues on the board and the Group.

Empowerment for Enaleni is not something that occurs simply at board level. Our emphasis is on meeting all the objectives of broad-based black economic empowerment through ownership, human resource development, procurement, employment equity and corporate social investment. When the Group listed on the Alt^{x} in June 2005, a Group-wide share ownership scheme was implemented for all employees in conjunction with the National Empowerment Fund. Last year, 3,4 million shares were taken up by staff in share options and we expect a further R2,6 million in options to be taken up during the vesting periods of June and December 2008.

The Group continued its involvement in a number of corporate social responsibility initiatives last year ranging from the provision of bursaries for pharmaceutical students under the Enaleni Adelaide Tambo Healthcare Bursary, to staff HIV/AIDS education, and the sponsorship of sports teams.

Cipla Medpro established a R100 000 bursary fund for the South African HIV Clinicians' Society to enable HIV clinicians working in the most rural and remote regions of South Africa to attend the South African AIDS Conference in June 2007.

One of the most notable projects is the Cipla Medpro Miles for Smiles Foundation which saw two local athletes, David Grier and Braam Malherbe, raise over R550 000 for Operation Smile South Africa (OSSA) at the end of 2006 and beginning of 2007 by running the Great Wall of China. While the runners recovered from their efforts for most of last year, funds continued to flow into the Foundation which continued to assist OSSA undertake surgical missions around South Africa. Cipla Miles for Smiles was judged the winner of the Most Sustainable Project award in the 2007 ABSA Healthcare Initiative Awards.

We are proud to announce that Cipla Medpro has become an OSSA Diamond Smile Sponsor (R1 million) for the next three years and that this year the Cipla Miles for Smiles

Foundation's two runners will again be making history as they take up the challenge of running a smile around the tip of Africa from Namibia to Mozambique, again to raise funds to assist OSSA to continue providing free craniofacial surgery within disadvantaged communities.

Looking forward, 2008 will be a positive year for Enaleni. With the revision of strategy and focus implemented, and strong leadership teams in place at both divisions we are well positioned to capitalise on the opportunities presented to us. While the impact of regulatory and macro economic factors will be felt throughout the local pharmaceutical industry, our favourable terms with Cipla India, strong sales force and product pipeline, and the fact that we will shortly be one of the first to offer PIC/S compliant manufacturing solutions to local and multinationals, ensures that we are in one of the best positions to turn potential threats into opportunities.

I take this opportunity to extend my gratitude to my colleagues and fellow directors for their unwavering commitment, hard work and support this past year. With a fresh, clear focus and strong, experienced executive directors supported by dedicated teams, we look ahead to a year of good growth and progress.

PCS Luthuli
Chairman

2008 will be a positive year for Enaleni. With the revision of strategy and focus implemented, and strong leadership teams in place at both divisions, we are well positioned to capitalise on the opportunities presented to us

Chief executive officer's report

2007 was a challenging year for Enaleni but we have made good progress in establishing the revised pharmaceutical strategy for the Group as announced in June 2007. The Consumer and Vitality businesses were sold for higher than expected amounts, the upgrade to the manufacturing facility continues on track, the head office function was relocated to Cape Town by January 2008 and despite a testing 2007 the Group, driven largely by Cipla Medpro's performance, increased revenues for the year by 19,2% to R940,7 million.

JS Smith *Chief executive officer*

Our relationship with Cipla India and other multinationals ensures a strong, consistent and swift pipeline of innovative and affordable medicines, allowing us to achieve early market share gains with many molecules

The Group is now concentrating its activities within the pharmaceutical market, with particular emphasis on chronic medicines, OTC medicines, its veterinary business and focused therapeutic categories that allow high margins and low competition such as ophthalmology, oncology and asthma. Agrichemicals will also be a growth area for the business. There is major opportunity for growth within this market. Our relationship with Cipla Limited in India (Cipla India) and other multinationals ensures a strong, consistent and swift pipeline of innovative and affordable medicines, allowing us to achieve early market share gains with many molecules. Our ARV portfolio is one of the most comprehensive, and our diabetes division is the only one locally to offer a full spectrum of products that includes diagnostics, insulins and OTC medications.

The FirstPharm business, which dealt mainly in OTC and generic medicines, was successfully integrated into Cipla Medpro and now that the process is complete we are afforded a new distribution channel into mass market retailers.

March 2007 saw the commencement of what is now a R175 million upgrade to PIC/S compliance at the Durban-based manufacturing facility. On 29 June the board opted to temporarily halt manufacturing in order to expedite the upgrade and ensure compliance with Medicines Control Council (MCC) regulations. This unfortunately resulted in stock shortages predominantly on the Disprin lines which the division manufactures for Reckitt-Benckiser SA (RBSA), and abnormal expenses of R25,5 million incurred, however manufacturing resumed in late September in a specially constructed temporary manufacturing area and production of Disprin and Dettol has since

moved to a dedicated, new PIC/S compliant and MCC approved area within the facility. Despite the pause in manufacturing, we nevertheless achieved a high delivery rate against the production targets set by RBSA earlier in the year.

With the re-strategising of the Group's operations and various former management exiting the business, new senior management appointments were made within the manufacturing division. Cipla Medpro Regulatory Affairs director Duncan Watermeyer assumed responsibility for the manufacturing regulatory affairs, Marc Gardiner joined the division as general manager and Jeroen Wentink joined as engineering manager. All three gentlemen possess substantial pharmaceutical manufacturing expertise and are well equipped to ensure the implementation of the new strategy and future success of this division.

With the change of management, existing staff competencies were immediately evaluated and all staff have undergone extensive and on-going training in cGMP (current Good Manufacturing Practice).

Cipla India has provided valuable input and advice on the upgrade and following a review of the equipment ordered by previous management which was deemed completely unsuitable for the Group's manufacturing requirements going forward, a further expenditure of R50 million has been budgeted for the acquisition of additional equipment. The upgraded PIC/S compliant factory is due for completion mid-2008 whereafter the Group will manufacture its own ARV lines amongst other products, as well as offer contract manufacturing solutions to local and multinational companies.

Cipla Medpro continued its strong growth particularly within the chronic medicines markets during 2007. At December 2007 it was ranked as the sixth largest local pharmaceutical company by value (Source: IMS), increasing its total market share by 13,3% from 3,0% in January 2007 to 3,4% in December 2007. Going forward we aim to increase our market share through the expansion of our sales force (already one of the largest and most qualified in the country), the strong pipeline of products from Cipla India and an aggressive marketing strategy that continues into 2008. While the total pharmaceutical market grew 11,9% during 2007, Cipla Medpro grew at 28,6%, ahead of the other top twenty pharmaceutical companies.

While 2008 will continue to be a challenging year for the local pharmaceutical industry due to the Rand/Dollar exchange rate and the anticipated international benchmarking regulations, the outlook for the Group remains very favourable and continued growth is expected. We see no reason for Cipla Medpro's growth and market share gains to slow and already the first three months of 2008 have seen sales targets exceeded by some 37,5%. Although the manufacturing facility is not expected to be a significant contributor to profits in the 2008 financial year, our ability to offer sought after international PIC/S compliant manufacturing solutions to local and multinational companies and the facility's increased capacity bodes well for the future of this division.

JS Smith
Chief executive officer

Chief financial officer's report

C Aucamp *Chief financial officer*

This past year saw the successful disposal of the Consumer and Vitality division businesses for better than expected prices. EPCD was sold for R92,8 million, our 67% share in Muscle Science was sold for R8,6 million and Bioharmony was disposed of for R26,6 million

Financial performance

The cash proceeds from the disposals will be utilised to reduce external debt, as well as fund additional equipment required for the upgrade to the manufacturing facility, which has increased from the original R125 million to R175 million.

As a result of the disposals, and the requirements of IFRS, the income statement for 2006 has been restated to be comparable to 2007 for the split between continuing and discontinued operations. The results that we discuss here will focus predominately on the continuing operations, which comprise the pharmaceutical operations of Cipla Medpro (which includes FirstPharm that has been successfully integrated into Cipla Medpro) and the manufacturing facility.

Income statement

Total revenue for the period increased by 19,2% to R940,7 million (2006: R789,5 million), a satisfactory performance in light of the temporary cessation in manufacturing at the Contract Manufacturing division for the majority of the second half of 2007.

Total Group profit after taxation for the year is R131,8 million (2006: R104,1 million) which represents an increase of 26,6%. The total basic EPS is 31,0 cents (2006: 26,0 cents), an increase of 19,2% and basic HEPS has decreased by 0,8% to 24,7 cents (2006: 24,9 cents). This decrease can be attributed to the dilution of 5,9% due to the issue of 31 250 000 new shares during 2007 to finance the upgrade, and the abnormal expenses incurred in the Contract Manufacturing division. On a fully diluted basis, EPS for the year is 30,9 cents (2006: 25,5 cents), an improvement

of 21,2% over the comparative year. The dilution is attributable to 4,0 million (2006: 7,8 million) share options in issue to management and staff of Enaleni Pharmaceuticals Limited.

The reconciliation to headline earnings is made up of the following, all net of the applicable taxes:

- profit on the disposal of the discontinued operations of R24,6 million;
- profit on the disposal of intangible assets of R8,2 million;
- our share of profit on equity-accounted investments of R0,3 million;
- profit on the disposal of property, plant and equipment of R0,2 million;
- negative goodwill related to the acquisition of an additional 1% in Muscle Science of R0,1 million;
- impairment of property, plant and equipment of R5,6 million; and
- impairment of intellectual property of R1,0 million.

Continuing operations

Revenue is up by 19,7% to R806,2 million (2006: R673,6 million), and gross profit has followed suit increasing by 21,3% from the previous year. In our preliminary reviewed Group results we reported that the gross profit had increased by 25,2%. 2006 figures have subsequently been restated to account for Circular 9/2006 – the discounting of creditors – and therefore the cost of sales has decreased and finance costs have increased by R10,6 million. This is due to the favourable credit terms provided to Cipla Medpro by Cipla India. There has been no impact on the profit before income tax in 2006 as a result of this adjustment.

The gross margin for the year is 51,3% (2006: 50,6%) which, when compared with the restated 2006 margin, is satisfactory considering the manufacturing plant was non-operational for the majority of the second half of 2007.

Operating profit marginally increased by 2,2% (8,2% was reported in the preliminary reviewed Group results before the restatement in terms of Circular 9/2006), as capital gains of R29,5 million related to the profit on the disposal of the Consumer and Vitality division businesses has been included under profit from discontinued operations. Net capital gains from the sale of intangible assets, amounting to R10,6 million, have been included in continuing operations. Interest cover for the year is a comfortable four times on continued operations (2006: five times). The effective tax rate for the year is at 35,6% (2006: 37,6%). The decrease in the effective rate can be attributed to the increase in the assessed loss due to the operating loss made in the Contract Manufacturing division. The primary adjustments to the statutory tax rate emanate from non-deductible interest of R38,6 million, IFRS 2 expenses of R1,8 million and STC of R3,9 million.

Chief financial officer's report continued

Profit after taxation for the year is R106,5 million (2006: R99,7 million) (as reported in the preliminary reviewed Group results) resulting in basic EPS of 25,0 cents (2006: 24,9 cents), an increase of 0,4% and basic HEPS of 24,5 cents (2006: 24,6 cents), a decrease of 0,4%.

Discontinued operations

Profit from discontinued operations has increased due to the profit on the sale of the Consumer and Vitality division businesses, net of capital gains tax paid and the repayment of the R24 million loan facility which was housed within the Enaleni Pharmaceuticals Consumer division business, as well as the associated breakage costs paid to Nedbank.

Balance sheet and cash flows

Interest-bearing borrowings, net of cash on hand are R288,1 million (2006: R480,2 million). Subsequent to the utilisation of the R500 million borrowing facility in connection with the Cipla Medpro acquisition, the Group has repaid loans of R24,0 million and redeemed R46,3 million of preference shares during the period. The excess cash on hand results from the as yet unutilised balance of the funds from the R125 million capital raising exercise concluded in May 2007 to finance the upgrade, and the proceeds from the disposal of the Consumer and Vitality division. The gearing ratio has reduced from 48,1% to 22,7% in 2007. The Group benefited from interest rate swap fair value adjustments of R10,5 million (2006: R5,1 million). Preference share dividends paid during the year amount to R28,0 million (2006: R16,1 million).

Property, plant and equipment has increased by R100,6 million (2006: R7,3 million) which can be mainly attributed to the upgrade of the manufacturing facility.

Inventory decreased to R85,4 million (2006: R91,7 million) with improved days in inventory of 68 (2006: 86 days) since last year. These inventory levels are adequate considering the growth of Cipla Medpro, the quicker stock turnover ratio, and the necessary safety stock levels required to cover the lead-times on importation of goods from Cipla India.

Accounts receivable increased to R156,1 million (2006: R144,3 million), including financial instrument assets of R15,6 million (2006: R6,7 million). This growth is in line with the revenue growth in the Group. Days in trade accounts receivable have improved since last year to 48 (2006: 56 days) and credit control within the Group is good. Loans receivable increased to R42,2 million (2006: R3,5 million) as a result of the amounts still owed at year end by Marico South Africa Consumer Care (Proprietary) Limited and Arcay Merchant (Proprietary) Limited for their purchase of the Consumer and Vitality division businesses.

Accounts payable increased to R187,4 million (2006: R169,1 million), reflective of the increased activity in the business and traditionally higher purchase levels in December.

The cash flow statement has been adjusted since the preliminary reviewed Group results to more accurately disclose the precise cash flows for the year. Cash flows from operating activities are R102,4 million (2006: R89,3 million).

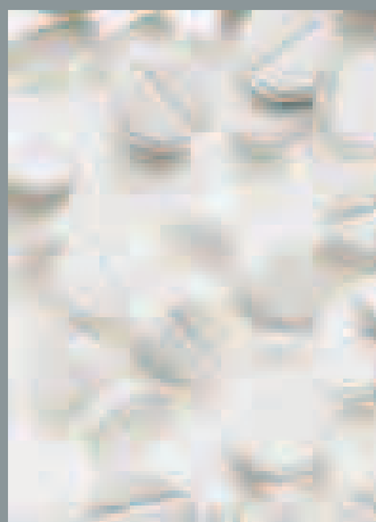
Cash flows from investing activities relate primarily to expenditure on the pharmaceutical upgrade and the disposal of the discontinued operations. Cash flows from financing activities include the net effect of the R125 million raised to finance the factory upgrade and Cipla Medpro vendor payments of R300 million net of the preference shares issued of R154 million and redemptions of R46,3 million.

Net cash resources at the end of the year decreased to R159,6 million (2006: R179,1 million). The current ratio has improved to 2,04 (2006: 0,81). This significant improvement is due to the settlement of the amount owing to the vendors of Cipla Medpro, of which R300 million was included within current liabilities in 2006. This also explains the significant decrease in total loans and borrowings to R447,5 million (2006: R659,0 million).

Other loans comprise of a R100,0 million (2006: R100,0 million) five-year term facility and R329,7 million (2006: R222 million) five-year cumulative redeemable preference shares bearing dividends at rates linked to prime. In terms of IAS 39, the preference shares are accounted for as debt instruments and the related dividends as interest.

C Aucamp
Chief financial officer

Despite a difficult year, total Group profit increased 26,6% to R131,8 million



Directorate

Sibusiso Luthuli
Non-executive chairman
CA (SA)

Chairman of Enaleni since 2003, S'bu is managing director of Ithala Limited. Prior to joining Ithala Bank, he was with the Specialised Property and Asset Finance division of Nedbank. S'bu is the Chairman of the Audit and Risk Committee of the UKZN Council, a non-executive director of Telkom Limited, a non-executive director of Telkom Media (Proprietary) Limited, a member of the Ethekwini Municipality Audit Committee, a member of the KwaZulu-Natal Provincial Government Audit Committee and a director of the Richards Bay IDZ company.

Jerome Smith
Chief executive officer

Jerome Smith is a lifelong pharmaceutical man and founder of the business Medpro Pharmaceutica/Cipla Medpro in 1992, one of the first generic companies in South Africa. He strategically aligned the company with Cipla India, one of India's largest pharmaceutical companies and has led Cipla Medpro to its current standing as South Africa's sixth largest pharmaceutical company and the fastest growing (Source: IMS). Cipla Medpro's relationship with Cipla India remains strong and has been a key factor in allowing Cipla Medpro to continue increasing its market share through the launch of many new molecules.

Chris Aucamp
Chief financial officer
CA (SA)

Chris Aucamp has been financial director of the Cipla Medpro group for 12 years, overseeing the administrative and financial matters for the Cipla Medpro group of companies. He has substantial knowledge of the pharmaceutical industry and was an integral member of the team that oversaw Enaleni's acquisition of Cipla Medpro and capital raising. Chris was appointed as commercial director in August, then Group CFO in October 2007.

The board comprises a strong depth of pharmaceutical, commercial and corporate governance expertise

Dr Gilimamba Mahlati
Non-executive director
MBChB (Natal), FCS (SA)

A graduate from the University of Natal Medical School (1981), a fellow of the College of Surgeons of SA (1994) from the University of Cape Town and a Clinical Fellow in Liver Surgery at Kings College Hospital, London, Gil is a well respected business and healthcare consultant, who has considerable experience and knowledge in the pharmaceutical industry. He is also extensively involved in the insurance and financial services industries and currently holds directorships on the boards of Vuwa Investments, Vuwa Healthcare, Chestnuthill, Sephaku and Liseko Investments.

Bongani Caga
Non-executive director
LLB, LLM International Business Law

Bongani Caga is an executive director of Umnombo Investment Holdings and a non-executive director of a Cape Town-based Geo Satellite manufacturing company. He was previously an executive director of Decorum Capital Partners (Proprietary) Limited, and before that an Investment Banker in the corporate finance division of Standard Corporate and Merchant Bank (SCMB). He also served as a corporate finance advisor with SCMB and was involved in various corporate finance transactions and a number of BEE transactions, including the Telkom IPO and listing on the JSE Limited and New York Stock Exchange.

Mpho Mosweu
Non-executive director
CA (SA)

Mpho Mosweu is a senior account manager in the Techno Industries Business Unit at the IDC. She is also the Chairperson of a shared Audit Committee at the Mpumalanga Department of Finance and a member of the Investment Committee panel for the Support Programme for Industrial Innovation. She has significant commercial experience, which together with her technical acumen and corporate governance experience, adds significant value to the board of Enaleni.

Nthabiseng Mokone
Non-executive director
BCom Honours

Nthabiseng Mokone is the head of a Private Equity Fund at Amabubesi Investments and currently serves as a non-executive director of Digicore Holdings and Alliance group (Auction Alliance).

Operational review

Cipla Medpro's highly skilled and committed leadership team boasts more than 85 plus years' combined service

Cipla Medpro

Nature of business

Cipla Medpro is one of South Africa's leading providers of chronic medicines to the public and private sectors. The company's business operates around a belief that access to world class yet affordable healthcare is a right, not a luxury and to this end the company strives to offer a broad range of affordable products across numerous disease categories.

The company enjoys a strong relationship and exceptional product pipeline from Cipla India, one of India's largest and foremost pharmaceutical companies and this, together with one of the largest qualified sales forces nationally and excellent distribution has assisted the business achieve its current standing as South African's top four pharmaceutical company by volume and top six pharmaceutical company by value (Source: IMS).

Cipla Medpro, which is growing faster than any of the top 20 local pharmaceutical companies, offers a comprehensive range of some of the world's most scientifically advanced medicines and products targeting a number of today's most challenging disease categories including cardiovascular, respiratory, diabetes, oncology, psychiatry, antimalarials and HIV/AIDS.

Leadership team

Jerome Smith
CEO and founder
Years' service: 15

Dr Skhumbuzo Ngozwana
MBChB (UCT), MMed Pharm, MBA
Deputy CEO
Years' service: 4 (broken)

Dr Pieter Potgieter
MBChB
Deputy CEO and MD of Dibcare division
Years' service: 5

Chris Aucamp
CA (SA)
Financial director
Years' service: 12

Dr Nic de Jongh
MBChB, BScMed Sc Hons
Medical director
Years' service: 14

Duncan Watermeyer
BPharm
Regulatory/managing director
Years' service: 15

Dr Gavin Jones
MBBCh, FRCA (UK), MBA
Marketing director
Years' service: 4

Jacques van Staden
Sales director
Years' service: 8

Charlene Richings
Nat Dip Personnel Management
Human resources director
Years' service: 7

PRODUCT REGISTRATIONS	PRODUCT DESCRIPTION
Triomune 30*	Three-in-one antiretroviral
Asthavent Respules	Bronchodilator for use in nebulisers to treat asthma, emphysema etc.
Cipla-Pioglitazone*	Oral antidiabetic
Lamivudine 300mg	Once daily antiretroviral
Piramax	Anti-epileptic
Warfarin*	Anticoagulant medication
Finpecia 1mg*	Prevents hair loss, promotes hair growth
Foratec HFA*	Long acting bronchodilator
Tavaloxx*	Potent antibiotic
Efavirenz	Most widely prescribed antiretroviral

* extremely significant

Year in review

2007 was another pleasing year for the business with the company increasing its market share by 13,3% and achieving sales of R675,1 million, 27,2% up on the previous year.

The total private market annual growth was 11,9%, while Cipla Medpro grew at 28,6% and achieved an evolution index of 115, the highest of the top 20 pharmaceutical companies. This was achieved through growing the market share of its top ten products which alone generated sales of R243 million, a significant increase in the company's sales force and an aggressive marketing strategy that included television advertising. The first quarter of 2008 continued to reap the rewards of this strategy with sales up 37% on the corresponding period.

Product registrations worth noting in 2007 are listed in the table above.

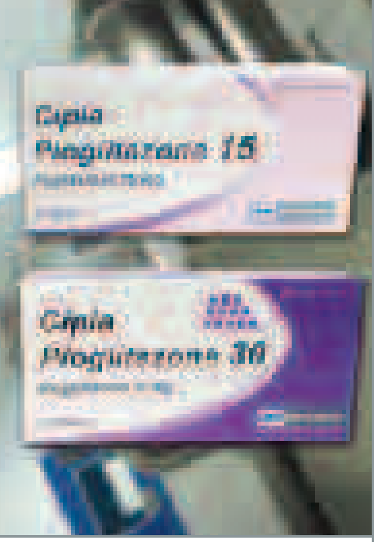
ARVs

Antiretrovirals are a strong focus area of the business and with 15 ARVs registered with the MCC, a further 18 awaiting registration and another seven in the pipeline from Cipla India, Cipla Medpro offers one of the most comprehensive and affordable ARV ranges locally.

The company was the first in South Africa to release a first-line treatment three-in-one antiretroviral, Triomune in 2006 and in late 2007 we were again first to market with the launch of the first single tablet, once-daily dosage of the ARV, Lamivudine 300 mg.

OTC

Our OTC products division expanded rapidly in 2007 with a strong product portfolio that includes some well established brands, including the recently incorporated FirstPharm business' products. This has been identified as a key growth area for 2008 due



Operational review continued

The outlook for the next financial year remains positive, growth across all major categories is foreseen

to strong margins, no single exit pricing regulations and the mass market opportunities. Some 24 products have been launched since January 2008 with a further 24 scheduled for release before July 2008. A licence agreement with Merck France has seen the launch of two of Europe's trusted and well known specialised dermalogical range, Iklen and Exfoliac.

Cipla Dibcare

The company's specialised diabetes division, Cipla Dibcare (Proprietary) Limited, is the only local provider of a full spectrum of products covering the diagnostics, insulins, oral medication and OTC medications. With a dedicated sales force and service centre this relatively young division is already establishing itself as a strong contender for a significant share of the diabetes market. In 2006 it launched South Africa's first generic Pioglitasone, a prescription-only medication for the treatment of diabetes type 2, and a number of new and innovative product launches are planned for 2008.

Cipla animal health

After just three years the fast growing animal health division businesses have already established themselves as dominant players within the South African market and revenues are already up to R26 million. Cipla Agrimed (Proprietary) Limited targets the large animal market such as cattle and sheep. Cipla Vet (Proprietary) Limited focuses on companion animals (horses, dogs and cats) and intensive animal production (poultry and pigs).

The launch of innovative and affordable medicines has seen this business achieve strong growth and by the last quarter of 2007, Cipla Vet's Pegamax was South Africa's top selling equine dewormer.

Opportunities

While Cipla Medpro continued to extend its market share gains within existing categories, it plans to further expand its portfolio through the following new launches:

Agrichemicals

A considerable growth area for the business with a current market size of R3 billion, 23 dossiers have already been purchased with which to launch this division during 2008. Warehousing and business plans are complete, senior management have been retained and Cipla India is currently developing further products for the international market and ourselves.

Ophthalmology

Cipla India is preparing 17 dossiers for the company and these are close to submission to the MCC. This division will enjoy little competition, strong margins and generally no biostudies are required, ensuring fast to market releases of new molecules.

Oncologicals

With seven products registered and a further nine due for registration during 2008 no other company offers our range of oncological products. As with ophthalmology, there is little competition currently in this area.

First to market pharmaceuticals
Cipla Medpro will launch three first to market generics during the year where the originators do in excess of a combined R300 million per annum. Accordingly, the opportunities for the business being first to market with these generics are extensive and it anticipates garnering a significant share of their market during 2008.

Threats

The weakening Rand/Dollar exchange rate impacts the local industry at large however Cipla India's prices to the company are favourable and negotiable therefore it is unlikely this will impact the business during 2008. As it could impact the business in 2009 we have developed strategies to negate this as far as possible through the launch of more products, the focus on the OTC market and several other defensive strategies.

The current uncertainty about international benchmarking legislation is unlikely to affect our pricing during 2008 as latest timelines indicate legislation to multinationals will be implemented mid-2008 with generics manufacturers required to comply six months later.

Outlook

The outlook for Cipla Medpro for the next financial year remains positive, growth across all major categories is foreseen and sales targets have been set accordingly. The completion of the Enaleni Pharmaceuticals Contract Manufacturing division upgrade during the year will allow us to move currently outsourced manufacture of various lines into this facility as well as provide us with the opportunity to manufacture selected ARVs locally.

Enaleni Pharmaceuticals Contract Manufacturing

Nature of business

Based in Mobeni, Durban, this 4 000 m^2 manufacturing facility offers pharmaceutical contract manufacturing in tablets, capsules, powders, liquids and creams, in addition to servicing the Group's manufacturing requirements.

Leadership team

Duncan Watermeyer
BPharm
Regulatory affairs director, Cipla Medpro

Marc Gardiner
Dip Pharm, Dip Management, MBA
General manager

Mark Daly
CA (SA)
Finance executive

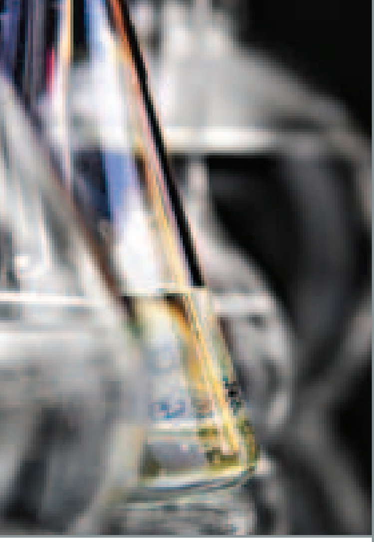
Therese Bradley
BPharm
Responsible pharmacist

Jeroen Wentink
NDip Production Management
NDip Mechanical Engineering
GCC Mechanical Factories
Engineering manager

Daniel Maier
NDip Chemistry (Switzerland)
Quality operations manager

Year in review

2007 was a difficult period for the manufacturing division with sales of just R96,8 million and operating profit of R13,6 million achieved due to a temporary cessation to manufacturing that saw the facility closed for the majority of the second half of 2007 and resulted in the incurring of related abnormal expenditures amounting to a net R25,5 million.



Operational review continued

In February 2007 the board announced the commencement of a R125 million upgrade to international PIC/S compliance standards in March, a strategic decision given that the old plant and equipment were aging and the MCC were due to become signatories to PIC/S compliance on 1 July 2007. On completion of the upgrade, Enaleni would thus be one of the first local manufacturers to offer PIC/S compliant manufacturing.

The upgrade commenced in March 2007, funded by a successful capital raising exercise. International manufacturing consultants CTC-Tech from India were awarded the upgrade contract.

While the upgrade was progressing with no negative effect on the ongoing manufacturing processes, the aging plant and increasing regulatory pressures saw the board opt to temporarily halt manufacturing at the end of June 2007 in order to expedite the upgrade.

Production of RBSA products, Dettol and Disprin, resumed mid-September in a new MCC-approved interim production area before being moved to a new permanent, manufacturing area in January 2008.

The implementation of the Group's revised pharmaceutical focus that was announced mid-year and a number of former management exiting the business saw new senior management appointments being made within this division in the latter half of the year. Cipla Medpro regulatory affairs director Duncan Watermeyer assumed responsibility for manufacturing regulatory matters. Marc Gardiner joined as GM bringing a wealth of pharmaceutical manufacturing expertise to the Group as does Jeroen Wentink who joined as engineering manager. Mark Daly, the Group's corporate finance executive was appointed as the finance executive of the division.

With the new management team in place and the Group's desire to implement what is referred to as the 'Cipla Standard' at the facility, a team from Cipla India visited the plant to advise on the upgrade and way forward. It became apparent that the equipment chosen by the previous management team was inappropriate for the volumes anticipated going forward, therefore a further R50 million capex has been provided for in 2008.

The upgrade continues and is due for completion mid-2008. Staff competencies across the full 145-strong manufacturing team have been evaluated and training in cGMP is ongoing. Cipla India have hosted senior team members at their production facility in Goa, India to study best practice production methods and receive training on various equipment. Another team of pharmacists and engineers recently travelled to Germany for specialised training on newly acquired machines and additional international best practice training will be provided to more team members, including machine operators.

Once completed the new facility will boast state of the art equipment, a new laboratory, new plant layout, warehousing and distribution as well as increased capacity. Additional pharmacists, engineering staff and packing line operators will be employed in due course.

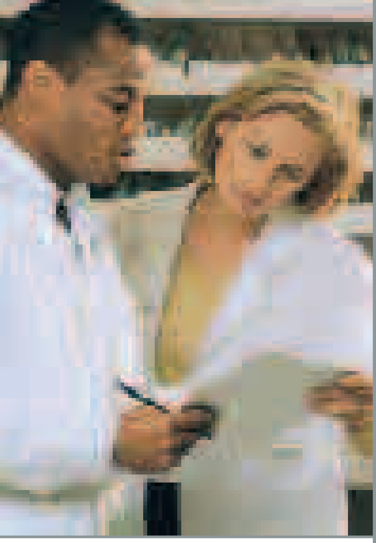
Apart from oral solid dosages we will also offer PIC/S compliant liquids, creams and ointment manufacture.

Outlook

While this division is not expected to be a significant contributor to revenues in 2008, the outlook from 2009 onwards is extremely positive and a number of multinationals and local pharmaceutical companies have expressed interest in outsourcing manufacture to Enaleni.

Once the upgrade is complete manufacturing will commence on a number of Cipla Medpro products which are currently outsourced, as well as selected ARV lines. With government actively encouraging local manufacture, the tender market provides another valuable opportunity for this division.

The goal output capacity of the new manufacturing plant is 4,5 billion tablets and capsules per annum, with additional capacity in reserve



Corporate governance

The executive directors will be in a minority to the non-executive directors at all times, and the criteria for the appointments will be the blend of knowledge, skills, objectivity, experience and leadership that is required from time to time

DIRECTORS		ATTENDANCE AT BOARD MEETINGS
PCS Luthuli	(Chairman)	4
MB Caga	(appointed 13 November 2007)	1
GS Mahlati		3
ND Mokone	(appointed 13 November 2007)	0
MT Mosweu	(appointed 22 February 2007)	4
JS Smith		3
C Aucamp	(appointed 17 August 2007)	2
	(by invitation)	1
T Dingaan	(resigned 26 September 2007)	3
TD Edwards	(resigned 15 August 2007)	2
AG Hall	(resigned 17 August 2007)	2
U Parusnath	(resigned 30 April 2007)	0
PA Pillay	(resigned 19 October 2007)	3
S Whitfield	(resigned 30 April 2007)	1

Enaleni subscribes to a culture of openness, integrity and accountability in terms of its corporate governance philosophy and remains committed to the principles and practices recommended by the King II Report. The Group has made significant progress in improving its corporate governance structures and procedures in 2007. Key developments include four new director appointments.

Board of directors

The board of Enaleni has been established to retain full and effective control over the Company and its subsidiaries. It functions in accordance with a formal board charter and 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.

The board shall consist of not less than four non-executive directors, one of whom shall be the Chairperson. The executive directors will be in a minority to the non-executive directors at all times, and the criteria for the appointments will be the blend of knowledge, skills, objectivity, experience and leadership that is required from time to time.

The board currently comprises seven members, of whom two are executive directors. The roles of Chairman and CEO are separate in accordance with best practice.

Subsequent to the last annual meeting in June 2007, Chris Aucamp, Bongani Caga and Nthabiseng Mokone have been appointed to the board.

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 either the CEO, CFO, Chairman or Company secretary prior to trading 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 dealing.

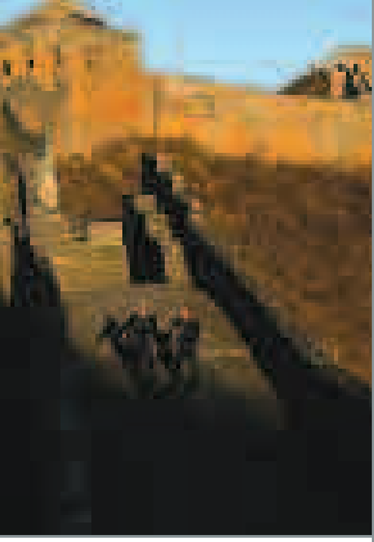
Four board meetings were held during the 2007 financial year. Refer to the table on page 22 for attendance at those meetings.

Audit and Risk Committee

The Audit and Risk Committee consists of two members, both of whom are non-executive directors, and appropriately qualified for their roles on the committee. The committee functions in accordance with a formal charter 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 of independent external auditors, approving their fees and setting principles for utilising the external auditors for non-audit services;

MEMBERS	ATTENDANCE AT AUDIT AND RISK COMMITTEE MEETINGS	
MT Mosweu	(Chairperson) (appointed 14 August 2007)	1
T Dingaan	(Chairperson) (resigned 26 September 2007)	2
MB Caga	(permanent member) (appointed 13 November 2007)	0
S Whitfield	(by invitation) (resigned 30 April 2007)	1
TD Edwards	(by invitation) (resigned 15 August 2007)	2
AG Hall	(by invitation) (resigned 17 August 2007)	2
JS Smith	(by invitation)	1
C Aucamp	(by invitation) (appointed 17 August 2007)	1



Corporate governance continued

Sub-committees continue to ensure the Group conducts its business with openness, integrity and accountability

- 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 Chairman of the committee and report to the committee at each meeting in accordance with established principles.

The CEO and CFO attend meetings of the committee by invitation only and were in attendance at all meetings of the committee held during the year under review. Refer to table on the previous page for attendance at those committee meetings.

Risk management and internal control

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

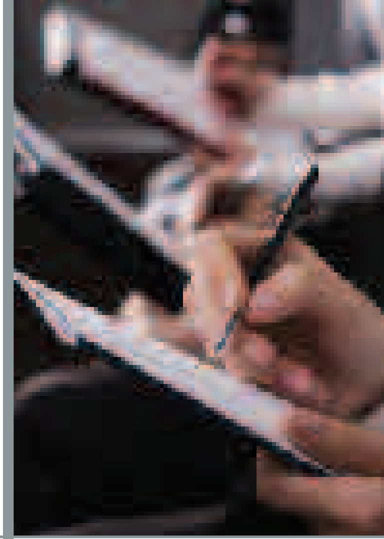
In the previous financial year, the Audit and Risk Committee oversaw the proposal process for the appointment of an independent internal audit function for the entire Group. The culmination of the process resulted in RAFT/Mazars Moores Rowland, a BEE joint venture, being appointed as internal auditors to the Group with effect from 1 January 2007. The internal auditors have assisted the Company in further formalising its risk management procedures. The Audit and Risk Committee has approved the strategic internal audit plan of the internal auditors.

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. The committee is chaired by Dr Gil Mahlati and meets at appropriate times during the year to assist the board with all matters relating to 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 incentive scheme; and
- monitoring executive succession planning.

The CEO and CFO attend meetings of the committee by invitation only and were in attendance at all meetings of the committee held during the year under review. Refer to the table opposite for attendance at those committee meetings.



Employment equity

Enaleni has been at the forefront of driving BBBEE and equity within the local pharmaceutical industry and employment equity remains prominent on the board's agenda.

The Company strives to:

- be an equal opportunity employer, giving preference to and increasing the number of employees from previously disadvantaged backgrounds;
- foster a culture of equity for all employees and awareness of diversity; and
- empower employees through incentive schemes and upliftment projects.

Social responsibility

The board acknowledges its responsibility towards the communities within which it operates. The following initiatives have been conducted in the year under review:

Enaleni continues its bursary scheme for pharmaceutical students at UKZN with two students – a third year and fourth year student – on bursaries during 2007. A further three students will be added to the scheme during 2008.

Cipla Medpro was involved in a number of initiatives during 2007, from assisting with the refurbishment and renovation of Empilweni Clinic, a paediatric HIV clinic at Coronation Hospital, establishing a R100 000 bursary fund for the SA HIV Clinicians' Society to enable HIV clinicians working in rural and remote regions to attend the SA Aids Conference in June, providing two R25 000 bursaries to the SA Thoracic Society and Allergy Society National Educators Programme Diploma in Asthma Care, to providing medicines and products for a number of missions undertaken by various doctors and healthcare workers. The company also sponsors two club rugby teams as part of a drive to promote the benefits of sport amongst the youth.

Investor relations and shareholder communication

The Company takes an active role in communicating its activities to investors and in paying attention to investor concerns and queries through presentations to, and meetings with, investors and analysts.

The Company's standards of relevance and transparency help to ensure that the information passed to the Company's stakeholders is of the highest quality and relevance. The communication strategy is complemented by the Company's website which is updated regularly with relevant information.

MEMBERS		ATTENDANCE AT REMUNERATION COMMITTEE MEETINGS
GS Mahlati	(Chairman)	2
PCS Luthuli	(permanent member)	2
TD Edwards	(by invitation) (resigned 15 August 2007)	1
AG Hall	(by invitation) (resigned 17 August 2007)	1
T Dingaan	(by invitation) (resigned 26 September 2007)	1
JS Smith	(by invitation)	1
C Aucamp	(by invitation) (appointed 17 August 2007)	1

Contents for the financial statements

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 Enaleni Pharmaceuticals Limited, comprising the balance sheets at 31 December 2007, and the income statements, the statements of changes in equity and cash flow statements 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 these 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 the 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 Enaleni Pharmaceuticals 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 Enaleni Pharmaceuticals Limited

The Group annual financial statements and annual financial statements of Enaleni Pharmaceuticals Limited, as identified in the first paragraph, for the year ended 31 December 2007, set out on pages 30 to 106, were approved by the board of directors on 30 April 2008 and signed on their behalf by:

PCS Luthuli
Chairman

JS Smith
Chief executive officer

Durban
30 April 2008

Company secretary's report

I, Mark Daly[1], Company secretary of Enaleni Pharmaceuticals 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 2007, been lodged with the Registrar of Companies and that all such returns are true, correct and up to date.

MW Daly
Company secretary

Durban
30 April 2008

[1] Mark Daly was appointed as Company secretary on 12 March 2008, replacing Chris Aucamp.

Independent auditor's report to the members of Enaleni Pharmaceuticals Limited

We have audited the Group annual financial statements and the annual financial statements of Enaleni Pharmaceuticals Limited, which comprise the balance sheets at 31 December 2007, and the income statements, the statements of changes in equity and cash flow statements 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 30 to 106.

Directors' responsibility for the annual 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 Enaleni Pharmaceuticals Limited at 31 December 2007, 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.

KPMG Inc.
Registered auditor

Per **Jay Datadin**
Chartered accountant (SA)
Registered auditor
Director

20 Kingsmead Boulevard
Kingsmead Office Park
Durban
4001

30 April 2008

Directors' report

The directors have pleasure in presenting their report which forms part of the audited annual financial statements of Enaleni Pharmaceuticals Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2007.

The directors are pleased, under the circumstances, to announce a reasonable set of annual results in light of the revised strategy of the Group and the continuingly challenging regulatory environment.

Nature of business

Enaleni 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 are set out in the attached financial statements.

A summary of the Group's results is set out below:

	YEAR ENDED 31 DECEMBER 2007 R'000	YEAR ENDED 31 DECEMBER 2006 R'000	CHANGE %
Continuing operations – Pharmaceutical segment			
Revenue	**806 234**	673 586	20
Profit before finance costs and income tax	**198 697**	194 338	2
Profit after income tax	**106 468**	99 711	7
Discontinued operations – Consumer and Vitality segment			
Revenue	**134 507**	115 908	16
Profit before finance costs, income tax and gain on disposals of discontinued operations	**9 859**	6 305	56
Profit after income tax	**26 348**	4 804	448
Total operations			
Earnings per share (cents)	**31,0**	26,0	19
Headline earnings per share (cents)	**24,7**	24,9	(1)

Acquisitions of businesses

During August 2007, the Group expanded its pharmaceutical business by exercising its call option to acquire 100% of the issued share capital in Universal Pharmaceuticals (Proprietary) Limited.

In April 2007, the Group acquired a further 16% of the issued share capital of subsidiary, Aldabri 53 (Proprietary) Limited, from the minority shareholders, resulting in an effective 67% ownership in the subsidiary.

The acquisitions above have been accounted for under IFRS 3 Business Combinations and IAS 38 Intangible Assets.

Disposals of businesses

The Group has disposed of all its subsidiaries within the Consumer and Vitality segment as detailed in Annexure A and note 18 to the financial statements. The disposal of the segment earned the Group a net gain on disposal, after income tax, of R24,9 million. Management committed to a plan to sell these subsidiaries during mid-2007 due to the strategic decision to place greater focus on the Group's key competencies, being the pharmaceutical business. The disposals were accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The effective disposal dates were as follows:

- Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited – 100% ownership (including wholly-owned subsidiary CPF International (Proprietary) Limited) 31 October 2007
- Bioharmony (Proprietary) Limited – 100% ownership 30 November 2007
- Aldabri 53 (Proprietary) Limited – 67% ownership 30 November 2007

Capital expenditure

The upgrade of Enaleni's 4 000 m^2 Mobeni site and pharmaceutical manufacturing facility is progressing reasonably well and is due for completion by mid-2008, having commenced during March 2007. The approximately R175 million upgrade, which is in response to strong growth within the Group and increasingly complex regulatory requirements, will see Enaleni becoming one of the first Pharmaceutical Inspection Co-operation Scheme ("PIC/S") compliant facilities in South Africa and matching the highest standards for pharmaceutical manufacturers in the world.

Dividends

No dividend has been declared during the year and none have been recommended (2006: nil). Currently all earnings generated by the Group are being used to repay debt and fund growth opportunities.

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 R443 266 (consisting of 443 265 635 ordinary shares of 0,1 cent each) (2006: R408 491 consisting of 408 490 792 ordinary shares of 0,1 cent each).

At the annual general meeting of the Company held on 29 June 2007, the requisite majority of Enaleni shareholders approved an ordinary resolution authorising the directors to issue shares for cash. In accordance with such general authority the Company successfully placed 31 250 000 ordinary shares with public shareholders, equating to approximately 7% of the Company's issued share capital at 31 December 2007, raising R125 000 000. The placed shares were issued at a price of R4 per share, being a 10% discount to the 30-day volume weighted average price on 30 March 2007. These shares were listed on the JSE on 3 May 2007 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 Sensations 67 (Proprietary) Limited is the owner of 82 000 000 ordinary shares in the Company, equivalent to 18,5% of the issued share capital;
- STANLIB Funds owns 41 700 000 ordinary shares in the Company, equivalent to 9,4% of the issued share capital; and
- Liberty Group owns 37 482 004 ordinary shares in the Company, equivalent to 8,5% of the issued share capital.

The unissued share capital is under the control of the directors of the Company until the next annual general meeting of shareholders. Further details of the authorised and issued share capital of the Company are provided in note 12 of the financial statements.

Directors' interests in the issued shares of the Company

The total direct and indirect interest declared by the directors in the issued share capital of the Company was as follows:

31 December 2007	BENEFICIAL DIRECT '000	BENEFICIAL INDIRECT '000	NON-BENEFICIAL INDIRECT '000	TOTAL '000	PERCENTAGE HELD
C Aucamp	–	750	–	750	0,17
BM Caga	–	3 598	–	3 598	0,81
PCS Luthuli	1 689	1 998	–	3 687	0,83
JS Smith	–	17 679	–	17 679	3,99
	1 689	24 025	–	25 714	5,80

31 December 2006	BENEFICIAL DIRECT '000	BENEFICIAL INDIRECT '000	NON-BENEFICIAL INDIRECT '000	TOTAL '000	PERCENTAGE HELD
T Dingaan*	–	27	241	268	0,07
TD Edwards*	–	14 179	–	14 179	3,47
AG Hall*	11	1 045	–	1 056	0,26
PCS Luthuli	1 689	1 998	–	3 687	0,90
GS Mahlati	–	1 640	–	1 640	0,40
U Parusnath*	3 591	500	–	4 091	1,00
PA Pillay*	3 591	400	–	3 991	0,98
JS Smith	–	17 679	–	17 679	4,33
S Whitfield*	–	9 302	–	9 302	2,28
	8 882	46 770	241	55 893	13,68

* Resigned during the year

Director appointments

Ms MT Mosweu	appointed 22 February 2007
Mr C Aucamp	appointed 17 August 2007
Ms ND Mokone	appointed 13 November 2007
Mr BM Caga	appointed 13 November 2007

Director resignations

Ms EN Rapoo	resigned 14 February 2007
Mr S Whitfield	resigned 30 April 2007
Mr U Parusnath	resigned 30 April 2007
Mr TD Edwards	resigned 15 August 2007
Mr AG Hall	resigned 17 August 2007
Ms T Dingaan	resigned 26 September 2007
Ms PA Pillay	resigned 19 October 2007

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)*

In pursuit of the pharmaceutical strategy, the board appointed Cipla Medpro CEO Jerome Smith as the incoming Group CEO in June 2007 and Trevor Edwards announced his retirement from the Company. Cipla Medpro financial director Chris Aucamp was appointed to the board as commercial director in August 2007 and subsequently assumed the position of Group CFO on 1 October 2007.

Non-executive directors
Mr PCS Luthuli *(Chairman)*
Mr BM Caga
Dr GS Mahlati
Ms ND Mokone
Ms MT Mosweu

Each of the executive directors has a letter of appointment from Enaleni, containing terms considered to be standard for such contracts. Their letters of appointment include restraint of trade provisions for which no payment was made. The notice period for directors with no fixed-term employment contracts is between three and six months.

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

Refer to note 22 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 21 of the annual financial statements.

Special resolutions

At the annual general meeting held in June 2007, shareholders approved via special resolution for the Company and/or its subsidiaries by way of general authority 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 16 March 2007 included in the 2006 Group annual report.

Going concern

The directors believe that the Company and Group will be a going concern in the year ahead. For this reason they continue to adopt the going concern basis in preparing the Company and Group annual financial statements.

Auditors

The auditors of the Company are KPMG Inc.

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	Postal address
1474 South Coast Road	PO Box 32003
Mobeni	Mobeni
4052	4060

Subsequent events

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

PCS Luthuli
Chairman

JS Smith
Chief executive officer

30 April 2008

Durban

Balance sheets as at 31 December

	Notes	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
ASSETS					
Non-current assets					
Property, plant and equipment	3	130 909	30 261	108 888	20 360
Intangible assets	4	1 355 431	1 405 907	1 427	4 727
Investment in subsidiaries	5	–	–	798 071	833 469
Investment in associate	6	317	–	–	–
Other investments	7	11	12	–	–
Loans receivable	8	–	–	15 465	18 873
Deferred tax	9	5 197	10 159	4 058	1 477
Total non-current assets		1 491 865	1 446 339	927 909	878 906
Current assets					
Inventories	10	85 356	91 718	17 609	23 229
Income tax receivable		1 186	24	1 117	12
Trade and other receivables, including derivatives	11	156 078	144 280	35 343	36 450
Amounts due by subsidiaries	5	–	–	–	317 308
Loans receivable	8	42 234	3 453	36 701	–
Cash and cash equivalents	25.4	160 420	182 285	83 874	2 073
Total current assets		445 274	421 760	174 644	379 072
Total assets		1 937 139	1 868 099	1 102 553	1 257 978
EQUITY					
Issued share capital	12	443	409	443	409
Share premium	12	1 019 296	890 728	1 019 296	890 728
Treasury shares	12	(8 707)	(18 873)	–	–
Retained earnings		259 190	125 557	14 903	(4 808)
Total equity attributable to equity holders of the parent		1 270 222	997 821	1 034 642	886 329
Minority interest	12	152	(213)	–	–
Total equity		1 270 374	997 608	1 034 642	886 329
LIABILITIES					
Non-current liabilities					
Loans and borrowings	13	442 406	350 101	12 736	17 777
Accrued operating leases		272	315	–	–
Amounts due to subsidiaries	5	–	–	23 337	17 266
Deferred tax	9	5 678	2 134	–	–
Total non-current liabilities		448 356	352 550	36 073	35 043
Current liabilities					
Bank overdrafts	25.4	771	3 175	–	–
Loans and borrowings	13	5 072	308 922	5 072	306 520
Income tax payable		25 126	36 744	–	–
Trade and other payables, including derivatives	14	187 440	169 100	26 766	30 086
Total current liabilities		218 409	517 941	31 838	336 606
Total liabilities		666 765	870 491	67 911	371 649
Total equity and liabilities		1 937 139	1 868 099	1 102 553	1 257 978

Income statements for the years ended 31 December

	Notes	GROUP 2007 R'000	GROUP Restated* 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
Continuing operations					
Revenue		806 234	673 586	96 780	118 786
Cost of sales		(392 611)	(332 536)	(91 032)	(99 497)
Gross profit		413 623	341 050	5 748	19 289
Other income		14 864	3 842	60 332	15 056
Selling and distribution expenses		(154 179)	(111 751)	(11 701)	(10 781)
Administrative expenses		(54 512)	(30 325)	(26 507)	(22 869)
Other expenses		(21 099)	(8 478)	(14 304)	(22 114)
Profit (loss) before finance costs and income tax	15	198 697	194 338	13 568	(21 419)
Net finance costs and finance income	16	(33 666)	(34 523)	1 770	10 295
Finance costs		(54 182)	(41 957)	(2 845)	(7 962)
Finance income		20 516	7 434	4 615	18 257
Share of profit of associate (net of tax)		317	–	–	–
Profit (loss) before income tax		165 348	159 815	15 338	(11 124)
Income tax expense	17	(58 880)	(60 104)	2 581	853
Profit (loss) from continuing operations		106 468	99 711	17 919	(10 271)
Discontinued operations					
Profit from discontinued operations (net of tax)	18	26 348	4 804	–	–
Profit (loss) for the year		132 816	104 515	17 919	(10 271)
Attributable to:					
Equity holders of the parent		131 841	104 079	17 919	(10 271)
Minority interest		975	436	–	–
Profit (loss) for the year		132 816	104 515	17 919	(10 271)
Earnings per share					
Total operations					
Basic earnings per share (cents)	19	31,0	26,0		
Diluted earnings per share (cents)	19	30,9	25,5		
Continuing operations					
Basic earnings per share (cents)	19	25,0	24,9		
Diluted earnings per share (cents)	19	24,9	24,4		

* Refer to discontinued operations – note 18.

Statements of changes in equity for the years ended 31 December

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						
	Notes	SHARE CAPITAL R'000	SHARE PREMIUM R'000	TREASURY SHARES R'000	RETAINED EARNINGS R'000	TOTAL R'000	MINORITY INTEREST R'000	TOTAL EQUITY R'000
GROUP								
Balance at 1 January 2006		403	875 218	(2 651)	18 596	891 566	(1 559)	890 007
Total recognised income and expenditure (profit for the year)		–	–	–	104 079	104 079	436	104 515
Issue of share capital	12	6	18 216	–	–	18 222	–	18 222
Share issue expenses		–	(2 706)	–	–	(2 706)	–	(2 706)
Shares acquired by share incentive trust		–	–	(16 222)	–	(16 222)	–	(16 222)
IFRS 2 Share-based Payments	24	–	–	–	2 882	2 882	–	2 882
Acquisition of minority interest		–	–	–	–	–	910	910
Balance at 31 December 2006		409	890 728	(18 873)	125 557	997 821	(213)	997 608
Total recognised income and expenditure (profit for the year)		–	–	–	131 841	131 841	975	132 816
Issue of share capital	12	34	130 183	–	–	130 217	–	130 217
Share issue expenses		–	(1 615)	–	–	(1 615)	–	(1 615)
Shares issued from share incentive trust		–	–	10 166	–	10 166	–	10 166
IFRS 2 Share-based Payments	24	–	–	–	1 792	1 792	–	1 792
Acquisition of minority interest		–	–	–	–	–	(6)	(6)
Disposal of minority interest		–	–	–	–	–	(604)	(604)
Balance at 31 December 2007		443	1 019 296	(8 707)	259 190	1 270 222	152	1 270 374
COMPANY								
Balance at 1 January 2006		403	875 218	–	2 581	878 202	–	878 202
Total recognised income and expenditure (loss for the year)		–	–	–	(10 271)	(10 271)	–	(10 271)
Issue of share capital	12	6	18 216	–	–	18 222	–	18 222
Share issue expenses		–	(2 706)	–	–	(2 706)	–	(2 706)
IFRS 2 Share-based Payments	24	–	–	–	2 882	2 882	–	2 882
Balance at 31 December 2006		409	890 728	–	(4 808)	886 329	–	886 329
Total recognised income and expenditure (profit for the year)		–	–	–	17 919	17 919	–	17 919
Issue of share capital	12	34	130 183	–	–	130 217	–	130 217
Share issue expenses		–	(1 615)	–	–	(1 615)	–	(1 615)
IFRS 2 Share-based Payments	24	–	–	–	1 792	1 792	–	1 792
Balance at 31 December 2007		443	1 019 296	–	14 903	1 034 642	–	1 034 642

Cash flow statements for the years ended 31 December

	Notes	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
Cash flows from operating activities					
Cash generated (utilised) by operations	25.1	**184 911**	157 345	**21 255**	(10 495)
Finance costs paid		**(26 847)**	(29 324)	**(1 954)**	(6 266)
Finance income received		**20 308**	7 446	**4 324**	372
Dividends received		**–**	–	**–**	20 000
Income tax paid	25.2	**(71 516)**	(44 073)	**(1 105)**	–
Secondary tax on companies paid	25.3	**(4 433)**	(2 086)	**–**	–
Net cash flows from operating activities		**102 423**	89 308	**22 520**	3 611
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(122 587)**	(17 440)	**(99 963)**	(12 118)
Acquisition of intangible assets		**(9 783)**	(9 253)	**–**	–
Proceeds on disposals of plant and equipment		**3 184**	8 872	**1 694**	406
Proceeds on disposals of intangible assets		**21 302**	–	**15 252**	–
Disposal of discontinued operations (net of tax)	18	**73 295**	–	**–**	–
Proceeds on disposals of subsidiaries		**–**	–	**5 183**	–
Acquisitions of subsidiaries	26	**–**	(20 350)	**–**	(18 930)
Acquisitions of minority interest	26	**–**	(4 000)	**–**	(4 000)
Increase in loans receivable		**(1 658)**	(649)	**(36 410)**	–
Net cash flows from investing activities		**(36 247)**	(42 820)	**(114 244)**	(34 642)
Cash flows from financing activities					
Proceeds from the issue of share capital		**125 000**	–	**128 602**	–
Share issue expenses		**(1 615)**	(719)	**–**	(719)
Proceeds from the exercise of share options		**10 166**	–	**–**	–
Net proceeds on redeemable preference shares		**107 670**	222 000	**–**	–
(Decrease) increase in loans payable		**(326 858)**	(196 079)	**44 923**	33 189
Net cash flows from financing activities		**(85 637)**	25 202	**173 525**	32 470
Net (decrease) increase in cash and cash equivalents		**(19 461)**	71 690	**81 801**	1 439
Cash and cash equivalents at beginning of the year		**179 110**	107 420	**2 073**	634
Cash and cash equivalents at end of the year	25.4	**159 649**	179 110	**83 874**	2 073

Notes to the financial statements for the years ended 31 December

General information

Enaleni Pharmaceuticals Limited (the "Company") is listed on the Main Board of the JSE Limited and is domiciled in the Republic of South Africa.

These annual financial statements were authorised for issue by the directors on 30 April 2008.

1. Significant accounting policies

   a) Statement of compliance

      The consolidated financial statements and separate Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Financial Reporting Interpretations Committee (IFRIC).

   b) Basis of preparation

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

      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 24 (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.

      Certain comparative amounts have been reclassified to conform to the current year's presentation. In addition the income statement has been re-presented as if the operation discontinued in the current period had been discontinued from the start of the comparative period (refer to note 18). The income statement for the comparative period has also been re-presented on the basis of function; prior year on the basis of nature.

   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.

1. Significant accounting policies continued

c) Basis of consolidation continued

(ii) Special purpose entities

The Group has established a special purpose entity (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. A 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) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for using the book value method. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The difference between the purchase consideration and the Group's carrying amounts are recognised directly in equity.

(iv) 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.

(v) 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.

1. **Significant accounting policies** continued

   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 statement of cash flows. 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 IAS 18 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.

      (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.

1. Significant accounting policies continued

e) Financial instruments continued

(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 income statement 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 straight-line 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 estimated useful lives for the current and comparative periods are as follows:

- buildings and leasehold improvements – up to fifty years;
- plant and machinery – five to fifteen years;
- office and computer equipment – two to ten years; and
- motor vehicles – five to eight 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 minority interests

Goodwill arising on the acquisition of a minority 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 associates, 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.

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.

Computer software, having been transferred from property, plant and equipment has an estimated useful life of 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) Investment 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 minority 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 balance sheet.

1. Significant accounting policies continued

j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially complete. 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.

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 (see 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, 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.

1. Significant accounting policies continued

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.

(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.

Notes to the financial statements for the years ended 31 December

1. Significant accounting policies continued

   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 accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

   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. Applicable borrowing costs are recognised in profit or loss using the effective interest method.

   r) **Income tax expense**

   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.

   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.

1. Significant accounting policies continued

s) Discontinued operations

A discounted operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

t) Earnings per share

The Group presents basic and diluted earnings per share (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.

u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and returns that are different from those of other segments. The Group's primary format for segment reporting is based on business segments. The business segments are determined based on the Group's management and internal reporting structure.

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 that goodwill.

v) 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.

1. **Significant accounting policies** continued

   v) **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.

2. **Segment Reporting**

   Segment information is presented in respect of the Group's business segments. The primary format of the business segments is based on the Group's management and internal reporting structure. Geographical segments have not been presented 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.

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

   The Consumer and Vitality segment has been discontinued during the year.

   Business segments

   The Group comprises the following main business segments:

   Pharmaceutical: Manufacture and supply of pharmaceutical products.

   Consumer and Vitality: Production and distribution of personal care, health, beauty and nutritional products. This segment was disposed of during the year.

2. Segment reporting continued

2007	PHARMA-CEUTICAL R'000	CONSUMER AND VITALITY (discontinued) R'000	ELIMI-NATIONS R'000	GROUP R'000	LESS CONSUMER AND VITALITY (discontinued) R'000	CONTINUING OPERATIONS R'000
Revenue						
External customers	806 234	134 507	–	940 741	(134 507)	806 234
Inter-segment revenue	(11 727)	–	11 727	–	–	–
Total segment revenue	794 507	134 507	11 727	940 741	(134 507)	806 234
Segment result	243 185	9 859	(44 488)	208 556	(9 859)	198 697
Net finance costs				(35 336)	1 670	(33 666)
Share of profit of associate (net of income tax)	317	–	–	317	–	317
Taxation				(65 631)	6 751	(58 880)
Gain on disposals of discontinued operations (net of income tax)				24 910	(24 910)	–
Profit for the year				132 816	(26 348)	106 468
Segment assets	3 015 617	–	(1 085 178)	1 930 439		
Investment in associate	317	–	–	317		
Unallocated tax assets				6 383		
Total assets				1 937 139		
Segment liabilities	1 604 220	–	(968 259)	635 961		
Unallocated tax liabilities				30 804		
Total liabilities				666 765		
Capital expenditure	129 732	2 638	–	132 370		
Significant non-cash expenses						
Depreciation	(4 627)	(776)	–	(5 403)		
Amortisation	(276)	–	–	(276)		
Impairment losses on property, plant and equipment and intangible assets	(10 073)	(76)	865	(9 284)		
Impairment losses on investments in subsidiaries	(6 190)	–	6 190	–		
Gain on disposals of property, plant and equipment and intangible assets	16 496	(13)	(5 658)	10 825		
Excess of assets acquired over purchase price recognised in profit or loss for the year	74	–	–	74		

2. Segment reporting continued

2006	PHARMA-CEUTICAL R'000	CONSUMER AND VITALITY (discontinued) R'000	ELIMI-NATIONS R'000	GROUP R'000	LESS CONSUMER AND VITALITY (discontinued) R'000	CONTINUING OPERATIONS R'000
Revenue						
External customers	673 586	115 908	–	789 494	(115 908)	673 586
Inter-segment revenue	16 732	690	(17 422)	–	(690)	(690)
Total segment revenue	690 318	116 598	(17 422)	789 494	(116 598)	672 896
Segment result	181 806	6 305	12 532	200 643	(6 305)	194 338
Net finance costs				(35 272)	749	(34 523)
Share of profit of associate (net of income tax)				–	–	–
Taxation				(60 856)	752	(60 104)
Gain on disposals of discontinued operations (net of income tax)				–	–	–
Profit for the year				104 515	(4 804)	99 711
Segment assets	3 235 119	98 827	(1 476 030)	1 857 916		
Investment in associate	–	–	–	–		
Unallocated tax assets				10 183		
Total assets				1 868 099		
Segment liabilities	2 069 585	114 240	(1 352 212)	831 613		
Unallocated tax liabilities				38 878		
Total liabilities				870 491		
Capital expenditure	23 262	3 431	–	26 693		
Significant non-cash expenses						
Depreciation	(3 806)	(1 055)	–	(4 861)		
Amortisation	–	–	–	–		
Impairment losses on property, plant and equipment and intangible assets	(4)	(9)	–	(13)		
Impairment losses on investments in subsidiaries	(17 885)	–	17 885	–		
Gain on disposals of property, plant and equipment and intangible assets	119	3 486	–	3 605		
Excess of assets acquired over purchase price recognised in profit or loss for the year	1 184	–	–	1 184		

3. Property, plant and equipment

Group 2007	COST R'000	ACCUMULATED DEPRECIATION R'000	ACCUMULATED IMPAIRMENT R'000	CARRYING VALUE R'000
Buildings and leasehold improvements	3 942	(906)	–	3 036
Plant and machinery	132 203	(3 214)	(7 834)	121 155
Motor vehicles	992	(383)	–	609
Office furniture and computer equipment	10 733	(4 624)	–	6 109
	147 870	(9 127)	(7 834)	130 909

Group Movement summary 2007	OPENING CARRYING VALUE R'000	OTHER ACQUI-SITIONS R'000	TRANS-FERS R'000	DIS-POSALS R'000	DISPOSALS THROUGH SALE OF BUSINESSES R'000	DEPRE-CIATION R'000	IMPAIR-MENT R'000	CLOSING CARRYING VALUE R'000
Buildings and leasehold improvements	2 792	3 086	–	–	(1 844)	(922)	(76)	3 036
Plant and machinery	20 258	113 938	–	(1 528)	(1 926)	(1 753)	(7 834)	121 155
Motor vehicles	1 715	635	–	(969)	(346)	(426)	–	609
Office furniture and computer equipment	5 496	4 855	(244)	(164)	(1 532)	(2 302)	–	6 109
	30 261	122 514	(244)	(2 661)	(5 648)	(5 403)	(7 910)	130 909

Group 2006	COST R'000	ACCUMULATED DEPRECIATION R'000	ACCUMULATED IMPAIRMENT R'000	CARRYING VALUE R'000
Buildings and leasehold improvements	3 321	(529)	–	2 792
Plant and machinery	26 970	(6 712)	–	20 258
Motor vehicles	3 236	(1 521)	–	1 715
Office furniture and computer equipment	14 015	(8 510)	(9)	5 496
	47 542	(17 272)	(9)	30 261

Group Movement summary 2006	OPENING CARRYING VALUE R'000	ACQUISITIONS THROUGH BUSINESS COMBI-NATIONS R'000	OTHER ACQUI-SITIONS R'000	DISPOSALS R'000	DEPRE-CIATION R'000	IMPAIR-MENT R'000	CLOSING CARRYING VALUE R'000
Land	500	–	–	(500)	–	–	–
Buildings and leasehold improvements	4 907	–	2 246	(3 921)	(440)	–	2 792
Plant and machinery	10 061	–	12 124	(410)	(1 517)	–	20 258
Motor vehicles	2 256	–	385	(317)	(609)	–	1 715
Office furniture and computer equipment	5 226	9	2 685	(120)	(2 295)	(9)	5 496
	22 950	9	17 440	(5 268)	(4 861)	(9)	30 261

Land and buildings

Land and buildings is described as remainder of Erf 111 Phoenix Industrial Park Registration divisions FT situated in the Durban Entity Province of KwaZulu-Natal in extent of 8 914 m^2. These were secured in terms of a loan from the Industrial Development Corporation of South Africa Limited. During the 2006 financial period the land and buildings were disposed of.

3. **Property, plant and equipment** continued

Upgrade of site and manufacturing facilities

During the year ended 31 December 2007, the Company commenced the upgrade to its site and manufacturing facilities. The upgrade is due for completion by mid-2008. The investment in the upgrade is expected to cost a total of R175 million by the end of the project.

Included in plant and machinery are borrowing costs capitalised as part of the cost of qualifying assets (refer to note 16), 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 acquisitions of the assets and those in finance and administrative positions who were directly involved in the construction or acquisition of the assets.

For the finance and administrative 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 of the assets 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:

- those individuals who spent 100% of their time on the project e.g. project manager;
- those individuals who spent 0% of their time on the project e.g. administration staff; and
- those individuals who dedicated more time or less time than their department's average time on the project.

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.

Impairment losses

Plant and machinery

As a result of the upgrade newly acquired plant and machinery has been integrated into the manufacturing facility, rendering plant and machinery of R7,8 million as impaired.

Leasehold improvements

During the year ended 31 December 2007, the remaining carrying value of R76 000 worth of improvements expended on leased premises by Aldabri 53 (Proprietary) Limited, were impaired. The subsidiary which forms part of the discontinued segment, will no longer operate from their old premises which were situated on the holding Company's leased premises.

Computer equipment

During 2006, the Group acquired certain computer equipment from Galilee Marketing (Proprietary) Limited to the value of R9 000 which was subsequently considered to have a nil recoverable value. Accordingly, these were fully impaired through profit and loss, within the other operating expenses line item.

Reclassification of computer software from property, plant and equipment to intangible assets

During the year ended 31 December 2007, the Group reclassified certain computer software from property, plant and equipment to intangible assets on its balance sheet. Computer software is required to be classified as an intangible asset in terms of IAS 38, unless the software is an integral part of the related hardware. This adjustment has no impact on the Group's income statement or its net equity. The carrying value of computer software transferred to intangible assets is R244 273.

Security

Leased assets

The Group leases production equipment and motor vehicles under a number of finance lease arrangements as disclosed in note 13. The carrying values of leased assets can be summarised as follows:

3. **Property, plant and equipment** continued

Carrying values of leased assets	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
Plant and machinery	6 736	9 054	6 736	9 054
Motor vehicles	–	888	–	–
Office furniture and computer equipment	–	54	–	–
	6 736	9 996	6 736	9 054

Company 2007	COST R'000	ACCUMULATED DEPRECIATION R'000	ACCUMULATED IMPAIRMENT R'000	CARRYING VALUE R'000
Plant and machinery	118 570	(2 679)	(7 834)	108 057
Motor vehicles	185	(31)	–	154
Office furniture and computer equipment	1 756	(1 079)	–	677
	120 511	(3 789)	(7 834)	108 888

Company Movement summary 2007	OPENING CARRYING VALUE R'000	OTHER ACQUI-SITIONS R'000	DISPOSALS R'000	DEPRE-CIATION R'000	IMPAIR-MENT R'000	CLOSING CARRYING VALUE R'000
Plant and machinery	19 261	99 322	(1 259)	(1 433)	(7 834)	108 057
Motor vehicles	246	336	(350)	(78)	–	154
Office furniture and computer equipment	853	305	(65)	(416)	–	677
	20 360	99 963	(1 674)	(1 927)	(7 834)	108 888

Company 2006	COST R'000	ACCUMULATED DEPRECIATION R'000	CARRYING VALUE R'000
Plant and machinery	20 977	(1 716)	19 261
Motor vehicles	492	(246)	246
Office furniture and computer equipment	1 813	(960)	853
	23 282	(2 922)	20 360

Company Movement summary 2006	OPENING CARRYING VALUE R'000	OTHER ACQUI-SITIONS R'000	DISPOSALS R'000	DEPRE-CIATION R'000	CLOSING CARRYING VALUE R'000
Plant and machinery	9 086	11 586	(281)	(1 130)	19 261
Motor vehicles	491	–	(129)	(116)	246
Office furniture and computer equipment	739	532	(6)	(412)	853
	10 316	12 118	(416)	(1 658)	20 360

4. Intangible assets

Group 2007	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	40 310	–	(1 378)	38 932
Brands	3 261	–	–	3 261
Computer software	518	(276)	–	242
	1 357 085	(276)	(1 378)	1 355 431

Group Movement summary 2007	OPENING CARRYING VALUE R'000	OTHER ACQUI-SITIONS R'000	TRANS-FERS[1] R'000	DIS-POSALS R'000	DISPOSALS THROUGH SALE OF SUBSI-DIARIES R'000	AMORTI-SATION[1] R'000	IMPAIR-MENT[3] R'000	CLOSING CARRYING VALUE R'000
Pharmaceutical dossiers	1 317 145	–	–	(2 316)	(1 833)	–	–	1 312 996
Trademarks and registrations	39 423	4 497	–	(3 600)	(14)	–	(1 374)	38 932
Brands	48 397	–	–	(5 059)	(40 077)	–	–	3 261
Goodwill	942	–	–	–	(942)	–	–	–
Computer software	–	274	244	–	–	(276)	–	242
	1 405 907	4 771	244	(10 975)	(42 866)	(276)	(1 374)	1 355 431

Group 2006	COST R'000	ACCUMULATED AMORTISATION R'000	ACCUMULATED IMPAIRMENT R'000	CARRYING VALUE R'000
Pharmaceutical dossiers	1 317 145	–	–	1 317 145
Trademarks and registrations	39 427	–	(4)	39 423
Brands	48 397	–	–	48 397
Goodwill	942	–	–	942
	1 405 911	–	(4)	1 405 907

Group Movement summary 2006	OPENING CARRYING VALUE R'000	ACQUISITIONS THROUGH BUSINESS COMBI-NATIONS R'000	OTHER ACQUI-SITIONS R'000	RE-CLASSIFI-CATION[2] R'000	AMORTI-SATION R'000	IMPAIR-MENT R'000	CLOSING CARRYING VALUE R'000
Pharmaceutical dossiers	1 118 459	198 686	–	–	–	–	1 317 145
Trademarks and registrations	29 894	280	9 253	–	–	(4)	39 423
Brands	21 648	21 690	–	5 059	–	–	48 397
Goodwill	–	942	–	–	–	–	942
	1 170 001	221 598	9 253	5 059	–	(4)	1 405 907

4. **Intangible assets** continued

Company 2007	COST R'000	ACCUMULATED AMORTISATION R'000	CARRYING VALUE R'000
Brands	1 427	–	1 427
	1 427	–	1 427

Company Movement summary 2007	OPENING CARRYING VALUE R'000	DISPOSALS R'000	AMORTISATION R'000	CLOSING CARRYING VALUE R'000
Trademarks and registrations	3 300	(3 300)	–	–
Brands	1 427	–	–	1 427
	4 727	(3 300)	–	1 427

Company 2006	COST R'000	ACCUMULATED AMORTISATION R'000	CARRYING VALUE R'000
Trademarks and registrations	3 300	–	3 300
Brands	1 427	–	1 427
	4 727	–	4 727

Company Movement summary 2006	OPENING CARRYING VALUE R'000	AMORTISATION R'000	CLOSING CARRYING VALUE R'000
Trademarks and registrations	3 300	–	3 300
Brands	1 427	–	1 427
	4 727	–	4 727

[1] *Reclassification of computer software from property, plant and equipment to intangible assets*
Refer to note 3 for further details.

[2] *Reclassification of investment in option to acquire shares from investments in subsidiaries to intangible assets*

[3] *Impairment loss*
This impairment loss relates to the trademarks and registrations, the carrying value of which is less than its recoverable amount, by virtue that the products manufactured under these trademarks are no longer sold within the Group, resulting in no future cash flows to support the carrying value.

Refer overleaf for the detailed impairment assessment process.

Security

As indicated in note 13 (e), the five-year loan facility of R100 million is secured in part through intellectual property. The carrying value of intellectual property held as security for this facility amounts to R39 million (2006: R35 million).

Trademarks and patents to the value of R26 million were held as security in the prior year for the R24 million term facility which was settled during 2007 (refer to note 13 (g) for further details).

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4. **Intangible assets** continued

Assessment of the Group's intangible assets

Predicting the useful life of an intangible asset requires significant judgement. These 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.

Enaleni 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.

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.

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 fair value of the asset and record an impairment loss if the resulting net present value is less than the carrying value of the intangible asset. If the resulting net present value 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.

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).

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 are significantly greater than those initially forecasted. The calculation of fair value relies heavily on assumptions and estimates and for that reason the Group enlists the assistance of external valuation specialists. 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 opposite for significant estimates and assumptions intrinsic in the calculation of the fair value of the intangible assets.

4. **Intangible assets** continued

Key assumptions applied in value in use calculations

Growth in revenue	Determined from financial budgets approved by management covering a five-year period. The growth rates used range between 5% and 36%. Growth rates ranging between 10% and 21% were used to value Cipla Medpro Holdings (Proprietary) Limited.
Pre-tax operating margin	Based on previous year's margins as well as past valuation assumptions and approved management budgets. This rate ranges between 7% and 44%. For the valuation of Cipla Medpro Holdings (Proprietary) Limited, a rate of 31,2% was used.
Survival periods	15 years (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 16,7%.
Pre-tax risk-free rate	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		COMPANY	
		2007	2006	**2007**	2006
		R'000	R'000	**R'000**	R'000
5. Investment in subsidiaries					
Shares at cost less impairment losses		**–**	–	**34 224**	39 407
Amounts due by subsidiaries – non-current		**–**	–	**763 847**	789 003
Investment in subsidiaries		**–**	–	**798 071**	828 410
Investment in the option to acquire shares	a)	**–**	–	**–**	5 059
Total investment in subsidiaries		**–**	–	**798 071**	833 469
Amounts due by subsidiaries – current		**–**	–	**–**	317 308
Amounts due to subsidiaries – non-current		**–**	–	**(23 337)**	(17 266)
Net investment in subsidiaries		**–**	–	**774 734**	1 133 511
Loans and receivables		**–**	–	**763 847**	1 106 311
Financial liabilities measured at amortised cost		**–**	–	**(23 337)**	(17 266)

a) In April 2005, the Company entered into a call and put option agreement with the shareholders of Universal Pharmaceuticals (Proprietary) Limited, whereby the Company granted the shareholders of Universal Pharmaceuticals (Proprietary) Limited a put option which required Enaleni Pharmaceuticals Limited to purchase 100% of the issued share capital in Universal Pharmaceuticals (Proprietary) Limited on 1 April 2008, for a total consideration of R6 000 000. In substance the transaction was accounted for as a business combination in terms of IFRS 3 Business Combinations and the assets of the business were consolidated into the Group. The option was recognised at the present value of the deferred payment on 1 April 2008 and monthly licence fees attributable to the use of the brands.

The brands held by Universal Pharmaceuticals (Proprietary) Limited were sold to Marico South Africa Consumer Care (Proprietary) Limited on 31 October 2007.

Refer to note 26 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. Investment in associate

The Group's share of profit in its 43% (2006: 43%) held associate, Cipla Agrimed (Proprietary) Limited, for the year ended 31 December 2007 was R317 000 (2006: nil). In previous years, the Group's share of losses made by the associate were recognised to the extent of the Group's interest in the investee. After the Group's interest was reduced to nil, the Group discontinued recognising a share of any further losses made by the associate since the Group had no obligation in respect of losses made. In 2007, the Group resumed recognising its share of profits after setting off the share of losses not previously recognised.

Summary financial information for the associate, not adjusted for the percentage ownership held by the Group:

	GROUP		COMPANY	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
Ownership	**43%**	43%	–	–
Non-current assets	**2 852**	1 811	–	–
Current assets	**9 831**	7 777	–	–
Total assets	**12 683**	9 588	–	–
Non-current liabilities	**3 210**	2 598	–	–
Current liabilities	**8 736**	7 387	–	–
Total liabilities	**11 946**	9 985	–	–
Net equity	**737**	(397)	–	–
Revenue	**17 592**	11 210	–	–
Expenses	**(16 458)**	(11 053)	–	–
Profit	**1 134**	157	–	–

7. Other investments

	GROUP		COMPANY	
Non-current investments				
Financial assets designated at fair value through profit or loss on initial recognition	**11**	12	–	–
	11	12	–	–

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.

		GROUP		COMPANY	
		2007 R'000	2006 R'000	2007 R'000	2006 R'000
8. Loans receivable					
Non-current					
Enaleni Share Incentive Trust	a)	–	–	15 465	18 873
		–	–	15 465	18 873
Current					
Arcay Merchant (Proprietary) Limited	b)	21 735	–	21 735	–
Arcay Merchant (Proprietary) Limited	c)	11 780	–	11 306	–
Marico South Africa Consumer Care (Proprietary) Limited	d)	3 690	–	3 660	
Cipla Agrimed (Proprietary) Limited	e)	4 089	2 694	–	–
Cipla Crop Care (Proprietary) Limited	e)	940	–	–	–
JS Smith	f)	–	759	–	–
		42 234	3 453	36 701	–

a) This loan is in respect of shares issued by the Company to the Enaleni Share Incentive Trust which will be utilised to settle share options granted. The loan is interest-free and has no fixed terms of repayment. Refer to note 24 for further details thereof.

b) This interest-free loan due from Arcay Merchant (Proprietary) Limited resulted from the sale of subsidiary, Bioharmony (Proprietary) Limited, on 30 November 2007. The loan was being repaid in staggered payments and has been settled during April 2008. This loan is secured by the underlying shares and loan accounts in Bioharmony (Proprietary) Limited that were sold to Arcay Merchant (Proprietary) Limited.

c) This interest-free loan due from Arcay Merchant (Proprietary) Limited resulted from the sale of subsidiary, Aldabri 53 (Proprietary) Limited, on 30 November 2007. The loan was being repaid in staggered payments and has been settled during April 2008. The loan is secured by the underlying shares and loan accounts of Aldabri 53 (Proprietary) Limited that were sold to Arcay Merchant (Proprietary) Limited.

d) The loan owing by Marico South Africa Consumer Care (Proprietary) Limited relates to outstanding amounts from the sale of Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited and intellectual property. The loan is due to be repaid in full by April 2008. This loan is secured by the underlying shares and loan accounts in Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited that were sold to Marico South Africa Consumer Care (Proprietary) Limited.

e) The loans to Cipla Agrimed (Proprietary) Limited and Cipla Crop Care (Proprietary) Limited are unsecured and interest-free. There are no fixed terms of repayment. These loans are recorded at cost as there is uncertainty as to the timing of future cash flows.

f) The loan to JS Smith, which was approved by the shareholders in a general meeting, was repaid during January 2007. The loan was unsecured and interest-free, bearing no fixed terms of repayment.

9. Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	ASSETS 2007 R'000	ASSETS 2006 R'000	LIABILITIES 2007 R'000	LIABILITIES 2006 R'000	NET 2007 R'000	NET 2006 R'000
Property, plant and equipment	–	–	237	1 623	237	1 623
Trademarks	–	(785)	1 630	1 352	1 630	567
Inventory	(38)	(252)	–	–	(38)	(252)
Operating leases	(265)	(327)	–	–	(265)	(327)
Employee benefit accruals	(899)	(1 386)	–	–	(899)	(1 386)
Impairment of trade receivables	(32)	(624)	–	–	(32)	(624)
Other	(576)	(667)	4 730	2 015	4 154	1 348
Tax losses carried forward	(4 306)	(8 974)	–	–	(4 306)	(8 974)
Tax (assets) liabilities	(6 116)	(13 015)	6 597	4 990	481	(8 025)
Set off of tax	919	2 856	(919)	(2 856)	–	–
Net tax (assets) liabilities	(5 197)	(10 159)	5 678	2 134	481	(8 025)

Movement in temporary differences during the year	BALANCE 1 JANUARY 2006 R'000	RECOGNISED IN PROFIT OR LOSS R'000	BALANCE 1 JANUARY 2007 R'000	RECOGNISED IN PROFIT OR LOSS R'000	INCLUDED IN DISCONTINUED OPERATIONS (note 18) R'000	BALANCE 31 DECEMBER 2007 R'000
Property, plant and equipment	491	1 132	1 623	(1 287)	(99)	237
Trademarks	(587)	1 154	567	867	196	1 630
Inventory	–	(252)	(252)	180	34	(38)
Operating leases	(209)	(118)	(327)	(125)	187	(265)
Employee benefit accruals	(807)	(579)	(1 386)	(48)	535	(899)
Impairment of trade receivables	(247)	(377)	(624)	270	322	(32)
Other	(53)	1 401	1 348	2 371	435	4 154
Tax losses carried forward	(7 894)	(1 080)	(8 974)	(465)	5 133	(4 306)
Tax (assets) liabilities	(9 306)	1 281	(8 025)	1 763	6 743	481

Company	ASSETS 2007 R'000	ASSETS 2006 R'000	LIABILITIES 2007 R'000	LIABILITIES 2006 R'000	NET 2007 R'000	NET 2006 R'000
Property, plant and equipment	–	–	237	1 479	237	1 479
Operating leases	(185)	(146)	–	–	(185)	(146)
Employee benefit accruals	(247)	(762)	–	–	(247)	(762)
Impairment of trade receivables	(22)	(110)	–	–	(22)	(110)
Other	(575)	–	–	23	(575)	23
Tax losses carried forward	(3 266)	(1 961)	–	–	(3 266)	(1 961)
Tax (assets) liabilities	(4 295)	(2 979)	237	1 502	(4 058)	(1 477)
Set off of tax	237	1 502	(237)	(1 502)	–	–
Net tax (assets)	(4 058)	(1 477)	–	–	(4 058)	(1 477)

9. Deferred tax continued

Movement in temporary differences during the year	BALANCE 1 JANUARY 2006 R'000	RECOGNISED IN PROFIT OR LOSS R'000	BALANCE 1 JANUARY 2007 R'000	RECOGNISED IN PROFIT OR LOSS R'000	BALANCE 31 DECEMBER 2007 R'000
Property, plant and equipment	258	1 221	1 479	(1 242)	237
Operating leases	(138)	(8)	(146)	(39)	(185)
Employee benefit accruals	(204)	(558)	(762)	515	(247)
Impairment of trade receivables	–	(110)	(110)	88	(22)
Other	(16)	39	23	(598)	(575)
Tax losses carried forward	(524)	(1 437)	(1 961)	(1 305)	(3 266)
Tax (assets)	(624)	(853)	(1 477)	(2 581)	(4 058)

During the 2007 financial year, R980 000 (2006: nil) of previously unrecognised tax losses were recognised as management considered it probable that future taxable profits will be available against which these tax losses can be utilised.

There were no adjustments to deferred tax 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 14,5% was used to compute deferred tax for assets and liabilities which will be realised through sale, and a rate of 29% was used for deferred tax balances to be recovered through use.

10. Inventories

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
Raw materials	12 237	18 650	12 237	14 960
Finished goods	68 771	65 414	1 024	615
Work-in-progress	4 348	7 654	4 348	7 654
	85 356	91 718	17 609	23 229
Inventory is shown net of impairment losses	(4 240)	(7 177)	(2 968)	(2 932)
Carrying value of inventories subject to retention of title clauses (held on consignment by outside parties):				
Enaleni Pharmaceuticals Limited	389	–	389	–
Cipla Medpro Holdings (Proprietary) Limited	426	–	–	–
Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited	–	382	–	–

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

Write downs on inventory relate mainly to inventory which has expired as a result of the board's decision to temporarily suspend manufacturing at the Enaleni manufacturing facility – R11,7 million. There were also write offs due to changes in artwork and design of product packaging. Refer to note 15 for impairment losses recognised during the year.

Inventories held as security for loans granted amount to R85 million (2006: R74 million). Refer to note 13 (a) and note 13 (e) for further details.

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
11. Trade and other receivables, including derivatives				
Trade receivables due from related parties	–	–	1 067	5 266
Trade receivables due from external parties	130 766	122 039	29 236	19 900
Other receivables	6 606	3 046	4 988	1 187
Prepayments	3 095	12 496	52	10 097
Loans and receivables	140 467	137 581	35 343	36 450
Derivatives used for economic hedging				
Forward exchange contracts	4	1 564	–	–
Fair value of interest swaps	15 607	5 135	–	–
	156 078	144 280	35 343	36 450
Trade receivables are shown net of impairment losses	(873)	(3 359)	(478)	(907)

As indicated in notes 25.4, 13 (a), 13 (e) and 13 (g), trade receivables of R131 million (2006: R117 million) have been ceded to the bank as security for banking facilities granted.

Financial assets designated at fair value through profit or loss on initial recognition:

Forward exchange contracts

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:

		GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
United States Dollar	($'000)	21 500	1 750	–	–
Average forward exchange rate	(R/$)	6,94	6,10	–	–
Forward Rand value		149 323	10 683	–	–
Mark to market valuation		149 327	12 247	–	–
Recognised fair value gain		4	1 564	–	–
Dates of maturity:					
2007: 30 January 2008 – 28 August 2008					
2006: 26 January 2007 – 27 February 2007					

Fair value of interest swaps

Interest rate swaps were entered into with Nedbank Limited to economically hedge the interest rate exposure of the variable rate preference shares that were entered into by Inyanga Trading 386 (Proprietary) Limited with Nedbank Limited.

The interest rate swaps are stated at fair value. On subsequent measurement, the gains 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:

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
(i) R125 000 000 fixed at 7,4%, linked to the three-month JIBAR, effective 16 January 2006 and expiring on 17 January 2011	2 843	2 137	–	–
(ii) R62 669 654 fixed at 7,35%, linked to the three-month JIBAR, effective 16 January 2006 and expiring on 17 January 2011	9 769	5 476	–	–
(iii) R100 000 000 fixed at 9,18%, linked to the three-month JIBAR, effective 30 April 2007 and expiring on 30 April 2012	2 995	(2 478)	–	–
	15 607	5 135	–	–

	GROUP		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
12. Share capital and reserves				
Authorised share capital				
500 000 000 ordinary shares of 0,1 cent each	500	500	500	500
Issued share capital				
2006: 408 490 792 ordinary shares of 0,1 cent each	–	409	–	409
2007: 443 265 635 ordinary shares of 0,1 cent each	443	–	443	–
Number of shares in issue				
Opening balance	408 490 792	403 010 792	408 490 792	403 010 792
Issue of shares to Enaleni Share Incentive Trust	–	4 480 000	–	4 480 000
General issue of shares for cash	31 250 000	–	31 250 000	–
Issue of shares to other shareholders	3 524 843	1 000 000	3 524 843	1 000 000
Closing balance	443 265 635	408 490 792	443 265 635	408 490 792
Share premium				
Opening balance	890 728	875 218	890 728	875 218
Issue of shares	130 183	18 216	130 183	18 216
Share issue expenses	(1 615)	(2 706)	(1 615)	(2 706)
Closing balance	1 019 296	890 728	1 019 296	890 728

Treasury shares

The treasury share reserve comprises the cost of the Company's shares held by the Group. At 31 December 2007 3 725 951 (2006: 7 131 000) treasury shares were held in the Enaleni Share Incentive 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.

Minority interest

In the prior year minority interest was disclosed as a debit balance as there was a contractual obligation that bound the minority shareholders of Aldabri 53 (Proprietary) Limited and Bioharmony (Proprietary) Limited to share in the losses of the respective subsidiaries.

During the year ended 31 December 2007, the disposal of the Group's 67% ownership in Aldabri 53 (Proprietary) Limited, led to the reduction of the minority interest in the balance sheet.

During the current year, the Group also allocated a share of profits earned by Cipla Vet (Proprietary) Limited (25%) to minority shareholders. In the past, these minorities were not recognised as the Group's share of the losses were limited to the carrying value of the net investment in the company. The minority shareholders of Cipla Dibcare (Proprietary) Limited do not share in the losses made by the subsidiary either and hence, an allocation of losses was not made to the minority shareholders of Cipla Dibcare (Proprietary) Limited during the years ended 2006 or 2007. The minorities of Aldabri 53 (Proprietary) Limited shared in the 2007 profits made by the subsidiary prior to the subsidiary being disposed of.

13. 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 20 and 28.

		GROUP		COMPANY	
		2007	2006	**2007**	2006
Nedbank Limited	a)	**5 072**	72	**5 072**	72
Nedbank Limited	b)	**–**	151	**–**	–
Nedbank Limited	c)	**6 270**	7 971	**6 270**	7 971
Nedbank Limited	d)	**6 466**	8 760	**6 466**	8 760
Nedbank Limited	e)	**100 000**	100 024	**–**	–
Nedbank Limited – preference shares	f)	**329 670**	222 000	**–**	–
Nedbank Limited	g)	**–**	4 000	**–**	–
Nedbank Limited		**447 478**	342 978	**17 808**	16 803
ABSA Bank Limited	h)	**–**	122	**–**	–
Standard Bank Limited	i)	**–**	27	**–**	–
The Strydom Trust and The Van Biljon Trust	j)	**–**	4 622	**–**	–
The Strydom Trust	j)	**–**	444	**–**	–
The Van Biljon Trust	j)	**–**	463	**–**	–
The Azanian Trust	k)	**–**	3 104	**–**	659
The Black Family Trust and The Forman Trust	l)	**–**	5 735	**–**	5 735
STD Pharma Limited and Shelsley Chemicals (Proprietary) Limited	m)	**–**	294 189	**–**	294 189
Abe Edges and Leslie Meyers	n)	**–**	4 911	**–**	4 911
MJB De Ascencao	o)	**–**	2 047	**–**	2 000
Wesbank	p)	**–**	381	**–**	–
Total other		**–**	316 045	**–**	307 494
Total loans and borrowings		**447 478**	659 023	**17 808**	324 297
Comprising:					
Current portion					
Nedbank Limited		**5 072**	4 253	**5 072**	4 101
ABSA Bank Limited		**–**	81	**–**	–
Standard Bank Limited		**–**	27	**–**	–
The Azanian Trust		**–**	2 328	**–**	495
The Black Family Trust and The Forman Trust		**–**	5 735	**–**	5 735
STD Pharma Limited and Shelsley Chemicals (Proprietary) Limited		**–**	294 189	**–**	294 189
MJB De Ascencao		**–**	2 047	**–**	2 000
Wesbank		**–**	262	**–**	–
Total current portion		**5 072**	308 922	**5 072**	306 520
Total non-current portion		**442 406**	350 101	**12 736**	17 777

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
13. Loans and borrowings continued				
Finance lease liabilities				
The future minimum lease payments under finance leases are as follows:				
– Less than one year	**2 574**	3 481	**2 574**	3 033
– Between two and five years	**5 675**	8 314	**5 675**	7 812
– More than five years	**–**	–	**–**	–
Total future minimum lease payments	**8 249**	11 795	**8 249**	10 845
Interest	**(1 783)**	(2 354)	**(1 783)**	(2 085)
Present value of future minimum lease payments	**6 466**	9 441	**6 466**	8 760

a) This loan facility of R16 million will reduce to nil by 30 April 2009. It bears interest at prime (14,5%) less 1,5% and has no fixed repayment terms. This loan is secured by a general notarial bond over inventory, the cession of book debts and plant and equipment of Enaleni Pharmaceuticals Limited.

b) This loan was settled during the year. The loan was secured in terms of two suspensive sale agreements over vehicles which were sold during the year (carrying value 2006: R282 945). The average interest rate varied between 13% and the prime overdraft rate (2006: 10,5% and the prime overdraft rate). These loans were being repaid in equal monthly instalments of R19 194 (2006: R19 160).

c) This loan is repayable in 60 equal monthly instalments of R214 507 (2006: R214 507) ending in September 2010. The loan currently bears interest at rates linked to the prime overdraft rate, and is secured by an unlimited pledge of shares held in Xeragen Laboratories (Proprietary) Limited by Enaleni Pharmaceuticals Limited.

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
R10 million loan facility				
Opening balance	**7 971**	9 596	**7 971**	9 596
Interest capitalised	**873**	949	**873**	949
Repayment of capital and interest	**(2 574)**	(2 574)	**(2 574)**	(2 574)
Closing balance	**6 270**	7 971	**6 270**	7 971

d) This liability relates to the lease of plant and machinery with a carrying value of R6 736 402 (2006: R9 053 571) secured under instalment sale agreements ending in 2009 and 2011. These are repaid in fixed equal monthly instalments of R214 538 (2006: R209 564). Interest is charged at the prime overdraft rate. This liability was fully repaid during March 2008.

13. **Loans and borrowings** continued

e) This loan bore interest at rates linked to the prime overdraft rate until 31 December 2006 and at rates linked to the JIBAR rate thereafter. The loan is repayable in full on 28 September 2011, with interest payable bi-annually. The loan is secured through guarantees and subordination of their claims against Cipla Medpro Holdings (Proprietary) Limited by each of its subsidiaries and its holding company, Inyanga Trading 386 (Proprietary) Limited, the pledge and cession of its shares in Cipla Medpro Holdings (Proprietary) Limited, a general notarial bond over the movable assets of Cipla Medpro Holdings (Proprietary) Limited and its subsidiaries, the cession of trade receivables, cash balances, insurances and claims of the Cipla group and Inyanga Trading 386 (Proprietary) Limited, and the pledge and hypothecation of rights in intellectual property held by Cipla Medpro Holdings (Proprietary) Limited and its subsidiaries.

	GROUP		COMPANY	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
Five-year facility of R100 million				
Opening balance	**100 024**	–	**–**	–
Drawdowns	**–**	100 000	**–**	–
Interest capitalised	**14 274**	987	**–**	–
Repayment of interest	**(14 298)**	(963)	**–**	–
Closing balance	**100 000**	100 024	**–**	–

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 (Proprietary) Limited and Depfin Investments (Proprietary) 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 1 October 2011 and 1 May 2012, depending on the date of issue of the preference share. 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 Enaleni Pharmaceuticals Limited of Inyanga Trading 386 (Proprietary) Limited's obligations under the agreement with Depfin Investments (Proprietary) Limited and a cession of the Company's shareholding in Inyanga Trading 386 (Proprietary) Limited and the subsidiary companies of Cipla Medpro Holdings (Proprietary) Limited.

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

Subsequent to year end, a further R60 100 000 worth of 'A' and 'B' preference shares have since been redeemed.

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
13. Loans and borrowings continued				
Compulsory redeemable preference shares				
Par value –1 cent each				
Subscription price – R10 000 each				
Opening balance including accrued interest	**227 147**	–	**–**	–
Issue of shares				
– A shares	**–**	175 000	**–**	–
– B shares	**29 000**	47 000	**–**	–
– C shares	**125 000**	–	**–**	–
Interest capitalised				
– A shares	**16 118**	20 122	**–**	–
– B shares	**6 578**	1 146	**–**	–
– C shares	**9 626**	–	**–**	–
Redemption of shares				
– A shares	**(35 000)**	–	**–**	–
– B shares	**(11 330)**	–	**–**	–
Repayment of interest				
– A shares	**(16 000)**	(16 121)	**–**	–
– B shares	**(5 846)**	–	**–**	–
– C shares	**(6 148)**	–	**–**	–
Subtotal	**339 145**	227 147	**–**	–
Interest disclosed in trade and other payables	**(9 475)**	(5 147)	**–**	–
Closing balance	**329 670**	222 000	**–**	–

g) This five-year term facility of R24 million, originally granted to Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited in October 2006, was settled during December 2007, as part of the disposal of the Bioharmony division from Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited to Bioharmony (Proprietary) Limited. The loan bore interest at rates linked to the JIBAR rate and was secured through:

- the pledge and hypothecation of rights to the trademarks and patents acquired through the purchase of the net assets of Bioharmony (Proprietary) Limited and Galilee Marketing (Proprietary) Limited;
- the pledge and cession of the book debts, cash deposits, insurances and claims of Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited, Bioharmony (Proprietary) Limited and Galilee Marketing (Proprietary) Limited; and
- a guarantee by Bioharmony (Proprietary) Limited, Galilee Marketing (Proprietary) Limited, Inyanga Trading 386 (Proprietary) Limited and Cipla Medpro Holdings (Proprietary) Limited and its group of companies.

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
13. Loans and borrowings continued				
Five-year term facility of R24 million				
Opening balance including accrued interest	4 419	–	–	–
Drawdowns	18 800	28 000	–	–
Interest capitalised	1 964	419	–	–
Repayment of capital	(22 800)	(24 000)	–	–
Repayment of interest	(2 383)	–	–	–
Subtotal	–	4 419	–	–
Interest disclosed in trade and other payables	–	(419)	–	–
Closing balance	–	4 000	–	–

h) These loans were either settled during the year or disposed of with the sale of Aldabri 53 (Proprietary) Limited and Bioharmony (Proprietary) Limited. During the year ended 31 December 2006, the loans were secured in terms of suspensive sale agreements over vehicles having a carrying value of R193 071 and computer equipment having a carrying value of R26 485. Interest was being charged at rates linked to the prime overdraft rate, with final settlement date being March 2009.

i) This loan, secured in terms of suspensive sale agreements over computer equipment with a carrying value of R27 735 at 31 December 2006, was disposed of with the sale of subsidiary, Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited. The loan was being repaid in equal monthly instalments of R2 254 (2006: R2 248), with interest being charged at a rate linked to the prime overdraft rate which was 14,174% just before the disposal of the subsidiary (2006: an effective rate of 0,674% above the prime overdraft rate).

j) Of the outstanding amount at 31 December 2006, R2 820 751 owing to The Van Biljon Trust was acquired by the remaining shareholders of Aldabri 53 (Proprietary) Limited viz. Enaleni Pharmaceuticals Limited (67%) and The Strydom Trust (33%). These loans were then disposed of as part of the sale of Aldabri 53 (Proprietary) Limited to Arcay Merchant (Proprietary) Limited. The loans were unsecured, interest-free and had no fixed terms of repayment before disposal.

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
The Strydom and The Van Biljon Trusts				
Opening balance	5 529	5 643	–	–
Enaleni Pharmaceuticals Limited acquires a further 16% (2006: 1%) of the shares and loan accounts in Aldabri 53 (Proprietary) Limited from the above Trusts	(1 805)	(114)	–	–
Sale of Aldabri 53 (Proprietary) Limited to Arcay Merchant (Proprietary) Limited	(3 724)	–	–	–
Closing balance	–	5 529	–	–

13. **Loans and borrowings** continued

k) This loan was settled in July 2007. It bore interest at rates linked to the CPIX rate. The loan was repayable in 36 equal monthly instalments of R194 000 ending on 30 April 2008.

	GROUP		COMPANY	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
The Azanian Trust				
Opening balance	**3 104**	5 432	**659**	1 155
Interest capitalised	**67**	228	**21**	75
Repayment of capital	**(3 104)**	(2 328)	**(659)**	(496)
Repayment of interest	**(67)**	(228)	**21**	(75)
Closing balance	**–**	3 104	**–**	659

l) During the year, the remaining portion of this deferred liability was settled in full via three separate issues of 1 000 000 shares each in the Company at R2,00 per share. This liability represented the present value of the deferred purchase consideration payable for the acquisition of Xeragen Laboratories (Proprietary) Limited in September 2005. The loan was interest-free with final settlement date being 1 September 2007.

	GROUP		COMPANY	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
The Black Family Trust and The Forman Trust				
Opening balance	**5 735**	7 155	**5 735**	7 155
Unwinding of discount on deferred purchase consideration	**265**	580	**265**	580
Repayment via issue of shares	**(6 000)**	(2 000)	**(6 000)**	(2 000)
Closing balance	**–**	5 735	**–**	5 735

m) This amount was settled during April 2007 in part by funds raised through the issue of preference shares in Inyanga Trading 386 (Proprietary) Limited (refer 13 (f) above) and through cash reserves of the Group. This liability represented the present value of the deferred purchase consideration payable for the acquisition of Cipla Medpro Holdings (Proprietary) Limited. Until 31 December 2006, the contingent portion of the deferred purchase consideration was dependent upon predetermined earn-out figures, which were achieved during the 2007 year. The loan was interest-free and the repayment date was set at 30 April 2007.

	GROUP		COMPANY	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
STD Pharma Limited and Shelsley Chemicals (Proprietary) Limited				
Opening balance	**294 189**	91 896	**294 189**	91 896
Contingent consideration becomes probable	**–**	195 810	**–**	195 810
Unwinding of discount on deferred purchase consideration	**5 811**	6 483	**5 811**	6 483
Repayment	**(300 000)**	–	**(300 000)**	–
Closing balance	**–**	294 189	**–**	294 189

13. Loans and borrowings continued

n) This liability was settled during September 2007. It represented the deferred payment of the option of the Company to acquire the shares in Universal Pharmaceuticals (Proprietary) Limited on 1 April 2008. The option was recognised at the present value of the deferred consideration and the monthly licence fees. The loan was interest-free.

	GROUP		COMPANY	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
Abe Edges and Leslie Meyers				
Opening balance	**4 911**	4 950	**4 911**	4 950
Unwinding of discount/adjustment to deferred purchase consideration	**270**	(39)	**270**	(39)
Repayment	**(5 181)**	–	**(5 181)**	–
Closing balance	**–**	4 911	**–**	4 911

o) This liability was settled during February 2007, via the issue of 524 934 shares in Enaleni Pharmaceuticals Limited. The liability was interest-free and the portion above R2 million bore no fixed terms of repayment.

	GROUP		COMPANY	
	2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
MJB De Ascencao				
Opening balance	**2 047**	1 599	**2 000**	–
Enaleni Pharmaceuticals Limited acquires the remaining 49% shareholding and loan accounts in Bioharmony (Proprietary) Limited from the minority shareholder	**–**	2 000	**–**	2 000
Repayment via issue of shares	**(2 000)**	–	**(2 000)**	–
Repayment in cash	**(47)**	(1 552)	**–**	–
Closing balance	**–**	2 047	**–**	2 000

p) This loan was settled during the year. The liability was secured in terms of suspensive sale agreements over vehicles having a carrying value of R411 709 at 31 December 2006. The average interest rate varied between 9,4% and the prime overdraft rate, repayable in monthly instalments of R12 844 with original settlement date being December 2010.

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
14. Trade and other payables, including derivatives				
Trade payables due to related parties	–	–	14	315
Trade payables due to external parties	143 056	127 095	9 113	15 841
Other payables and accruals	33 934	36 858	16 664	13 930
Interest payable on preference shares	9 475	5 147	–	–
Trade and other payables held at amortised cost	186 465	169 100	25 791	30 086
Derivative used for economic hedging				
Forward exchange contracts	975	–	975	–
	187 440	169 100	26 766	30 086

Interest payable on preference shares

This relates to interest payable on variable rate cumulative redeemable preference shares in issue. Refer to note 13 (f) for the terms thereof.

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
Arrear interest payable:				
14 000 'A' preference shares (2006: 17 500 shares)	4 119	4 001	–	–
6 467 'B' preference shares (2006: 4 700 shares)	1 878	1 146	–	–
12 500 'C' preference shares (2006: nil)	3 478	–	–	–
	9 475	5 147	–	–

Financial liabilities designated at fair value through profit or loss on initial recognition:

Forward exchange contracts

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:

		GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
United States Dollar	($'000)	2 657	–	2 657	–
Average forward exchange rate	(R/$)	7,30	–	7,30	–
Forward Rand value		19 355	–	19 355	–
Mark to market valuation		18 380	–	18 380	–
Recognised fair value loss		975	–	975	–
Dates of maturity:					
2007: 31 January 2008 – 16 May 2008					

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
15. Profit (loss) before finance costs and income tax				
Profit (loss) before finance costs and income tax is stated after:				
Income				
Gain on disposals of property, plant and equipment	(232)	(130)	(20)	–
Gain on disposals of intangible assets	(10 871)	–	(11 952)	–
Gain on disposals of subsidiaries	(29 524)	–	(37 801)	–
Gain on fair value adjustment of listed investment	–	(3)	–	–
Excess of assets acquired over purchase price (negative goodwill)	(74)	(1 184)	–	–
Unrealised gain on forward exchange contracts	–	(1 564)	–	–
Unrealised gain on foreign exchange	–	(56)	–	(56)
Expenditure				
Loss on disposals of property, plant and equipment	–	11	–	11
Loss on disposals of intangible assets	265	–	–	–
Depreciation (gross amount)	4 627	3 806	1 927	1 658
Amortisation	276	–	–	–
Unrealised loss on forward exchange contracts	2 535	–	975	–
Unrealised loss on foreign exchange	163	–	4 912	–
Staff costs	116 137	87 363	30 974	23 198
– equity-settled share-based payment transactions (refer to note 24 for detailed disclosure of share options)	131	607	131	607
– defined contribution costs	1 137	853	1 137	438
– directors' remuneration (refer to note 22 for detailed disclosure of emoluments paid to the Company's directors)	30 845	20 797	16 473	8 734
– other staff costs	84 024	65 106	13 233	13 419
Auditors' remuneration	1 072	2 077	566	1 206
– audit fees	935	1 756	542	890
– other	137	321	24	316
Lease rentals	11 706	6 379	3 644	222
Impairment losses	22 502	2 622	24 268	20 381
– property, plant and equipment	7 834	–	7 834	–
– intangible assets	1 374	4	–	–
– trade receivables	3	130	3	96
– inventories	13 291	2 488	11 664	2 400
– investments in subsidiaries	–	–	4 767	17 885
Realised losses on foreign exchange	1 363	3 806	–	–
Research costs	1 051	–	–	–

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		GROUP		COMPANY	
		2007 R'000	2006 R'000	2007 R'000	2006 R'000
16. Finance costs and finance income					
Interest expense on financial liabilities measured at amortised cost	a)	39 174	22 777	787	2 125
Fair value gain on interest rate swaps	b)	(10 471)	(5 135)	–	–
Interest rate swap settlements		4 370	420	–	–
Interest expense on bank overdrafts		65	989	–	–
Notional interest on deferred settlements		6 342	7 581	530	1 382
Notional interest on extended credit terms	c)	13 272	10 635	360	–
Raising fees		–	3 000	–	3 000
Interest expense on suspensive sale agreements and finance leases		1 143	464	1 103	412
Other interest paid		287	1 226	65	1 043
Finance costs		54 182	41 957	2 845	7 962
Dividend income	d)	(2 892)	–	(2 892)	(17 885)
Interest rate swap settlements		(9 063)	(1 220)	–	–
Interest on bank balances		(8 561)	(6 214)	(1 723)	(372)
Finance Income		(20 516)	(7 434)	(4 615)	(18 257)
Net finance costs and income		33 666	34 523	(1 770)	(10 295)
The above finance costs and finance income include the following in respect of (assets) liabilities not at fair value through profit or loss:					
Total finance income on financial assets		(11 453)	(6 214)	(4 615)	(18 257)
Total finance costs on financial liabilities		60 283	46 672	2 845	7 962

a) During the year ended 31 December 2007, borrowing costs of R8 216 322 (2006: nil) 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.

b) Finance costs are shown net of the fair value gain of R10 470 987 (2006: R5 135 375) earned on interest rate swaps, as the interest rate swaps economically hedge the Group's interest rate risk exposure to the variable rate redeemable cumulative preferences shares.

c) 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 an interest expense over the period of financing. The application of the circular has the effect of decreasing cost of sales and increasing the interest expense by R10 635 417 in the prior year.

d) A dividend of R20 million declared by Galilee Marketing (Proprietary) Limited to the Company during the year ended 31 December 2006, is included in the Company's finance income above, and has been eliminated at Group level. Of this amount, R2,1 million declared out of pre-acquisition profits reduced the cost of the investment in Galilee Marketing (Proprietary) Limited.

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
17. Income tax expense				
Current tax expense				
Current period	60 193	56 432	–	–
Adjustment for prior periods	(212)	518	–	–
	59 981	56 950	–	–
Deferred tax expense				
Origination and reversal of temporary differences	2 627	1 327	(1 601)	(853)
Adjustment for prior periods	(864)	(46)	(980)	–
	1 763	1 281	(2 581)	(853)
Secondary taxation on companies				
Current period	3 887	2 625	–	–
Income tax expense excluding tax on disposals of discontinued operations	65 631	60 856	(2 581)	(853)
Income tax expense from continuing operations	58 880	60 104	(2 581)	(853)
Income tax expense from discontinued operations (excluding gain on disposals of discontinued operations)	6 751	752	–	–
	65 631	60 856	(2 581)	(853)
Income tax on gain on disposals of discontinued operations	4 614	–	–	–
Total income tax expense	70 245	60 856	(2 581)	(853)

GROUP *Reconciliation of effective tax rate*	2007 %	2007 R'000	2006 %	2006 R'000
Profit for the period		132 816		104 515
Total income tax expense		70 245		60 856
Profit excluding income tax		203 061		165 371
Income tax using the Company's domestic tax rate	29,00	58 888	29,00	47 958
Non-deductible expenses net of tax exempt income	4,15	8 435	5,34	8 821
Recognition of previously unrecognised tax losses	(0,48)	(980)	–	–
Current year losses for which no deferred tax asset was recognised	0,05	111	0,59	980
Secondary taxation on companies	1,91	3 887	1,59	2 625
Current tax – prior period adjustments	(0,10)	(212)	0,31	518
Deferred tax – prior period adjustments	0,06	116	(0,03)	(46)
	34,59	70 245	36,80	60 856
COMPANY				
Profit for the period		17 919		(10 271)
Total income tax expense		(2 581)		(853)
Profit excluding income tax		15 338		(11 124)
Income tax using the Company's domestic tax rate	29,00	4 448	29,00	(3 226)
Non-deductible expenses net of tax exempt income	(39,65)	(6 081)	(12,52)	1 393
Recognition of previously unrecognised tax losses	(6,39)	(980)	–	–
Current year losses for which no deferred tax asset was recognised	0,21	32	(8,81)	980
	(16,83)	(2 581)	7,67	(853)

18. Discontinued operations

During the year ended 31 December 2007, the Group disposed of all its subsidiaries within the Consumer and Vitality segment; the segment was not a discontinued operation nor classified as held for sale at 31 December 2006. The comparative income statement has been restated to show the discontinued operation separately from continuing operations. Management committed to a plan to sell these subsidiaries during mid-2007 due to the strategic decision to place greater focus on the Group's key competencies, being the pharmaceutical business. The effective disposal dates were as follows:

Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited – 100% ownership (including wholly-owned subsidiary CPF International (Proprietary) Limited)	31 October 2007
Bioharmony (Proprietary) Limited – 100% ownership	30 November 2007
Aldabri 53 (Proprietary) Limited – 67% ownership	30 November 2007

	GROUP	
Results of discontinued operations	**2007 R'000**	2006 R'000
Revenue	134 507	115 908
Net operating expenses	(124 648)	(109 603)
Results from operating activities before finance costs and income tax	9 859	6 305
Net finance costs	(1 670)	(749)
Results before income tax	8 189	5 556
Income tax expense	(6 751)	(752)
Results from operating activities, net of income tax	1 438	4 804
Gain on disposals of discontinued operations	29 524	–
Income tax on gain on disposals of discontinued operations	(4 614)	–
Profit for the year	26 348	4 804
Attributable to:		
Equity holders of the parent	25 525	4 368
Minority interest	823	436
Profit for the year	26 348	4 804
Earnings per share		
Basic earnings per share (cents)	6,0	1,1
Diluted earnings per share (cents)	6,0	1,1
Headline earnings per share		
Headline earnings per share (cents)	0,2	0,3
Diluted headline earnings per share (cents)	0,2	0,3
Cash flows (used in) generated from discontinued operations		
Net cash flows (used in) generated from operating activities	(6 033)	639
Net cash flows generated from (used in) investing activities	13 292	(15 806)
Net cash flows (used in) generated from financing activities	(8 475)	19 113
Net cash flows (used in) generated from discontinued operations	(1 216)	3 946
Effect of disposal on the financial position of the Group		
Property, plant and equipment	(5 648)	
Intangible assets	(42 866)	
Deferred tax liabilities	(6 743)	
Inventories	(19 652)	
Income tax receivable (net)	5 313	
Trade and other receivables	(26 335)	
Cash and cash equivalents	(4 570)	
Non-current loans and borrowings	3 778	
Bank overdrafts	2 224	
Current loans and borrowings	68	
Trade and other payables	21 348	
Net assets and liabilities disposed of	(73 083)	
Consideration received, satisfied in cash	75 641	
Cash disposed of	(2 346)	
Net cash inflow	73 295	

19. Earnings per share

Basic earnings per share

The calculation of basic earnings per share at 31 December 2007 is based on the profit attributable to ordinary shareholders of R131 841 000 (2006: R104 079 000) and a weighted average number of ordinary shares outstanding of 425 602 619 (2006: 400 609 107), calculated as follows:

	GROUP	
	2007 R'000	2006 R'000
Profit attributable to ordinary shareholders:		
Continuing operations	**106 316**	99 711
Discontinued operations	**25 525**	4 368
Total operations	**131 841**	104 079
Weighted average number of ordinary shares:		
Issued ordinary shares at 1 January	**408 490 792**	403 010 792
Effect of own shares held included above (treasury shares)	**(7 131 000)**	(2 651 000)
Effect of share options exercised	**725 705**	–
Effect of shares issued in October 2006	**–**	249 315
Effect of shares issued in January 2007	**997 260**	–
Effect of shares issued in February 2007	**463 012**	–
Effect of shares issued in April 2007	**750 685**	–
Effect of shares issued in May 2007	**20 804 795**	–
Effect of shares issued in July 2007	**501 370**	–
Weighted average number of ordinary shares	**425 602 619**	400 609 107
Total basic earnings per share (cents)	**31,0**	26,0

Diluted earnings per share

The calculation of diluted basic earnings per share at 31 December 2007 is based on the profit attributable to ordinary shareholders of R131 841 000 (2006: R104 079 000) and a weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares of 426 550 418 (2006: 408 529 608), calculated as follows:

	GROUP	
	2007 R'000	2006 R'000
Profit attributable to ordinary shareholders:		
Continuing operations	**106 316**	99 711
Discontinued operations	**25 525**	4 368
Total operations	**131 841**	104 079
Weighted average number of ordinary shares (diluted):		
Weighted average number of ordinary shares	**425 602 619**	400 609 107
Effect of share options in issue	**947 799**	7 395 658
Effect of contingently issuable ordinary shares	**–**	524 843
Weighted average number of ordinary shares (diluted)	**426 550 418**	408 529 608
Total diluted earnings per share (cents)	**30,9**	25,5

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.

19. **Earnings per share** continued

Headline earnings per share

The calculation of headline earnings per share at 31 December 2007 is based on the headline earnings attributable to ordinary shareholders of R104 976 000 (2006: R99 822 000) and a weighted average number of ordinary shares outstanding of 425 602 619 (2006: 400 609 107), calculated as follows:

	GROUP	
	2007 R'000	2006 R'000
Reconciliation of headline earnings:		
Profit attributable to ordinary shareholders	131 841	104 079
Adjusted for the after tax effects of:	(26 865)	(4 257)
Gain on disposals of property, plant and equipment	(188)	(3 073)
Gain on disposals of intangible assets	(8 236)	–
Gain on disposals of discontinued operations	(24 642)	–
Excess of assets acquired over purchase price (negative goodwill)	(74)	(1 184)
Impairment of property, plant and equipment	5 616	–
Impairment of intangible assets	976	–
Share of profit of associate	(317)	–
Headline earnings	104 976	99 822
Continuing operations	104 296	98 428
Discontinued operations	680	1 394
Total operations	104 976	99 822
Total headline earnings per share (cents)	24,7	24,9

Diluted headline earnings per share

The calculation of diluted headline earnings per share at 31 December 2007 is based on the headline earnings attributable to ordinary shareholders of R104 976 000 (2006: R99 822 000) and a weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares of 426 550 418 (2006: 408 529 608):

	GROUP	
	2007 R'000	2006 R'000
Total diluted headline earnings per share (cents)	24,6	24,4

20. 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 risk 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 Audit and Risk Committee is assisted in its oversight role by an independent firm of internal auditors. 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.

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 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, 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 director approval; these limits are reviewed regularly. Customers that fail to meet the Group's benchmark for 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 four 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 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 may have a secured claim. 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 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. The loss allowance is determined based on historical data of payment statistics for similar assets.

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 25.4 for further details.

20. **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 sixty 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 note 13 and note 25.4 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, whilst optimising the return.

The Group buys and sells derivatives in the ordinary course of business, 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. South African Rand (ZAR). The currencies giving rise to this risk are primarily United States Dollar (USD), Euro (€) and Pound Sterling (GBP).

The Group economically 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 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 monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding minority interests. The board of directors has made the decision to use all earnings generated by the Group to fund growth opportunities and to repay debt.

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, instalment sale and deferred purchase consideration obligations 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 intercompany receivables and payables with no fixed repayment or interest terms.

21. Related parties

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.

Enaleni Pharmaceuticals Limited is the ultimate holding company. The Group has a related party relationship with its holding company, fellow subsidiaries, and with its directors and key management personnel.

Transactions with directors and key management personnel

a) Loans (direct/indirect)

At 31 December 2006 Cipla Medpro Holdings (Proprietary) Limited, a subsidiary company in the Group, had a loan outstanding of R758 871 owed by JS Smith, a director of Cipla Medpro Holdings (Proprietary) Limited. This loan was repaid during January 2007.

At 31 December 2007 Cipla Medpro Holdings (Proprietary) Limited, a subsidiary company in the Group, had a loan receivable of R4 088 646 (2006: R2 693 957) from associate company Cipla Agrimed (Proprietary) Limited, of which JS Smith is also a director. This loan is unsecured, interest-free and has no fixed terms of repayment.

As disclosed in note 13 (m), the deferred purchase consideration due to STD Pharma Limited and Shelsley Chemicals (Proprietary) Limited for the 2005 acquisition of Cipla Medpro Holdings (Proprietary) Limited, was settled during April 2007. JS Smith, C Aucamp, AD Watermeyer and N de Jongh are directors within the Group as well as directors of Shelsley Chemicals (Proprietary) Limited.

At 31 December 2006 Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited, a subsidiary company in the Group, had a loan payable of R46 616 to MJB De Ascencao, a director of Bioharmony (Proprietary) Limited. The loan was settled during the year. It was unsecured, interest-free and bore no fixed terms of repayment.

At 31 December 2006 Enaleni Pharmaceuticals Limited had a loan payable of R2 000 000 to MJB De Ascencao, a director of Bioharmony (Proprietary) Limited. This represented the balance owing for the purchase of the remaining 49% shareholding in Bioharmony (Proprietary) Limited. This loan was settled in February 2007.

At 31 December 2006 Aldabri 53 (Proprietary) Limited, a subsidiary company in the Group, had the following outside shareholder loans payable to trusts of which the directors of the subsidiary were beneficiaries; these were interest-free and bore no fixed terms of repayment. These loans were disposed of during the year as part of the sale of Aldabri 53 (Proprietary) Limited to Arcay Merchant (Proprietary) Limited.

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
The Strydom Trust and The Van Biljon Trust	–	4 622	–	–
The Strydom Trust	–	444	–	–
The Van Biljon Trust	–	463	–	–
	–	5 529	–	–

At 31 December 2006 Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited, a subsidiary company in the Group, and Enaleni Pharmaceuticals Limited had loans payable to The Azanian Trust amounting to R3 104 000. These loans were settled during July 2007. They bore interest at rates linked to the CPIX rate. DJ Cullen was a director of Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited and a trustee of The Azanian Trust.

21. **Related parties** continued

Transactions with directors and key management personnel continued

b) **Property leases**

During the year Cipla Medpro Holdings (Proprietary) Limited leased property from JSSTD Properties (Proprietary) Limited. JS Smith is a director of both Cipla Medpro Holdings (Proprietary) Limited and JSSTD Properties (Proprietary) Limited. Lease rentals paid during the year amounted to R563 667 (2006: R465 072), with an amount of R244 626 (2006: R352 188) still outstanding at 31 December 2007.

During the years ended 31 December 2006 and 2007 Xeragen Laboratories (Proprietary) Limited leased property from The Glen Park Trust. T Edwards and D Black were directors of Xeragen Laboratories (Proprietary) Limited and trustees of The Glen Park Trust at the time. Lease rentals paid during the year amounted to R147 943 (2006: R108 200). There were no amounts outstanding at the end of the year (2006: nil).

During the year Xeragen Laboratories (Proprietary) Limited leased property from Phormpak SA (Proprietary) Limited. D Black was a director of both Xeragen Laboratories (Proprietary) Limited and Phormpak SA (Proprietary) Limited. Lease rentals paid during the year amounted to R295 886 (2006: R233 096). There were no amounts outstanding at the end of the year (2006: nil).

c) **Purchases**

During the year ended 31 December 2007 Cipla Medpro (Proprietary) Limited, a wholly-owned subsidiary of Cipla Medpro Holdings (Proprietary) Limited, purchased OTC inventory from L'amar (France) Pharmatec (Proprietary) Limited. JS Smith and C Aucamp are both directors and hold an immaterial interest in this company.

d) **Compensation**

In addition to their salaries, the Group also provides non-cash benefits in the form of share options to directors. Refer to note 24 for details of share options granted to directors.

Key management personnel participate in the Group's share option programme. As set out in note 24, 250 000 share options were granted to key management personnel during the previous financial year, with a total of 691 000 (2006: 2 581 000) share options outstanding at the end of 31 December 2007.

Transactions with subsidiaries

The Group is controlled by Enaleni Pharmaceuticals Limited. The Group's subsidiaries are as follows:

Direct interest

Galilee Marketing (Proprietary) Limited
Inyanga Trading 386 (Proprietary) Limited
Kamillen Pharmaceuticals (Proprietary) Limited
Kamillen Products (Botswana) (Proprietary) Limited
Universal Pharmaceuticals (Proprietary) Limited
Xeragen Laboratories (Proprietary) Limited
Zedchem (Proprietary) Limited

Indirect interest

Adroit Pharmaceuticals (Proprietary) Limited
Cipla Medpro Holdings (Proprietary) Limited

Indirect interest through Cipla Medpro Holdings (Proprietary) Limited

Cipla Dibcare (Proprietary) Limited – 67%
Cipla Health Care (Proprietary) Limited
Cipla Life Sciences (Proprietary) Limited
Cipla-Medpro (Proprietary) Limited
Cipla Medpro ARV (Proprietary) Limited
Cipla Medpro Cardio Respiratory (Proprietary) Limited
Cipla Medpro Distribution Centre (Proprietary) Limited
Cipla Medpro Manufacturing (Proprietary) Limited

21. **Related parties** continued

Transactions with subsidiaries continued

Indirect interest through Cipla Medpro Holdings (Proprietary) Limited continued

Cipla Personal Care (Proprietary) Limited
Cipla Vet (Proprietary) Limited – 75%
Gardian Cipla (Proprietary) Limited
Medpro Gen (Proprietary) Limited
Medpro Holdings (Proprietary) Limited
Medpro-On-Line (Proprietary) Limited
Medpro Pharmaceutica (Proprietary) Limited
Smith and Couzin (Proprietary) Limited

Cipla Agrimed (Proprietary) Limited – 43% held associate

The Group also includes the Enaleni Pharmaceuticals Share Incentive Trust.

Transactions conducted with the subsidiaries that were disposed of during the year (refer to note 18) have also been disclosed as related party transactions below. No amounts were due to or due from these disposed subsidiaries at year end.

a) **Transactions**

The following transactions were carried out by Enaleni Pharmaceuticals Limited with related parties:

		GROUP		COMPANY	
		2007 R'000	2006 R'000	**2007 R'000**	2006 R'000
(i)	**Revenue**				
	Bioharmony (Proprietary) Limited	–	–	(432)	(4 715)
	Xeragen Laboratories (Proprietary) Limited	–	–	(619)	(1 935)
	Cipla Medpro Holdings (Proprietary) Limited	–	–	–	(689)
	Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited	–	–	(10 470)	(9 393)
		–	–	(11 521)	(16 732)
(ii)	**Management fees**				
	Cipla Medpro Holdings (Proprietary) Limited	–	–	(10 260)	(12 363)
	Xeragen Laboratories (Proprietary) Limited	–	–	(876)	(457)
	Aldabri 53 (Proprietary) Limited	–	–	–	(100)
	Bioharmony (Proprietary) Limited	–	–	(114)	(87)
	Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited	–	–	(1 683)	(676)
		–	–	(12 933)	(13 683)
(iii)	**Interest on inter-company loan**				
	Cipla Medpro Holdings (Proprietary) Limited	–	–	–	654
(iv)	**Dividends received**				
	Galilee Marketing (Proprietary) Limited	–	–	–	(20 000)

The following transactions were carried out by Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited with related parties:

(v) **Revenue**

Zedchem (Proprietary) Limited – nil (2006: R89 000).

The following transactions were carried out by Cipla Medpro Holdings (Proprietary) Limited with related parties:

(vi) **Dividends paid**

Inyanga Trading 386 (Proprietary) Limited – R177 064 804 (2006: R20 000 000).

21. **Related parties** continued

Transactions with subsidiaries continued

b) **Amounts due to (from) holding Company:**

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
Xeragen Laboratories (Proprietary) Limited	–	–	**(8 008)**	(3 098)
Zedchem (Proprietary) Limited	–	–	**(613)**	(599)
Universal Pharmaceuticals (Proprietary) Limited	–	–	**(4 604)**	–
Aldabri 53 (Proprietary) Limited	–	–	**–**	6 606
Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited	–	–	**–**	38 424
Inyanga Trading 386 (Proprietary) Limited	–	–	**763 785**	1 057 907
Cipla Medpro Holdings (Proprietary) Limited – indirectly	–	–	**(10 051)**	(10 195)
	–	–	**740 509**	1 089 045

Refer to Annexure A for the terms and conditions of the above balances.

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
c) **Amounts due from Share Incentive Trust**				
Enaleni Share Incentive Trust	–	–	**15 465**	18 873
d) **Trade and other receivables/payables due to (from) holding Company**				
Xeragen Laboratories (Proprietary) Limited	–	–	**92**	462
Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited	–	–	**–**	4 804
Cipla Medpro Holdings (Proprietary) Limited – indirectly	–	–	**961**	(315)
	–	–	**1 053**	4 951

e) **Amounts due between fellow subsidiaries**

Due from Inyanga Trading 386 (Proprietary) Limited to Cipla Medpro Holdings (Proprietary) Limited – R163 938 180 (2006: R180 814 702).

Due from Adroit Pharmaceuticals (Proprietary) Limited to Xeragen Laboratories (Proprietary) Limited – R268 596 (2006: R268 597).

Due from CPF International (Proprietary) Limited to Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited – nil (2006: R35 951).

Due from Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited to Bioharmony (Proprietary) Limited – nil (2006: R5 120 861).

Due from Cipla Medpro Holdings (Proprietary) Limited to Xeragen Laboratories (Proprietary) Limited – R1 337 309 (2006: nil).

f) **Related party guarantees and securities**

Refer to note 13 and note 25.4 for details of any guarantees given or received by Group companies.

22. Directors' emoluments

31 December 2007	FEES FOR OTHER SERVICES[1] R'000	BASIC SALARY FOR SERVICES AS A DIRECTOR R'000	BONUS R'000	OTHER BENEFITS[2] R'000	RETIREMENT AND MEDICAL BENEFITS[3] R'000	COMPEN-SATION FOR LOSS OF OFFICE R'000	TOTAL 2007 R'000
Executive directors							
JS Smith (CEO)	–	5 743	482	206	56	–	6 487
C Aucamp (CFO)[5]	–	1 724	180	133	31	–	2 068
TD Edwards (CEO)[4]	–	1 685	1 084	1 415	1 567	5 000	10 751
AG Hall (CFO)[4]	–	1 094	289	106	236	522	2 247
U Parusnath[4]	–	818	–	196	78	–	1 092
PA Pillay[4]	–	430	100	132	101	–	763
S Whitfield[4]	–	–	37	1 102	–	–	1 139
Total A	–	11 494	2 172	3 290	2 069	5 522	24 547
Non-executive directors							
PCS Luthuli (Chairman)	218	–	–	–	–	–	218
BM Caga[5]	10	–	–	–	–	–	10
T Dingaan[4]	108	–	–	–	–	–	108
GS Mahlati	89	–	–	–	–	–	89
MD Mokone[5]	–	–	–	–	–	–	–
MT Mosweu[5]	56	–	–	–	–	–	56
EM Rapoo[4]	–	–	–	–	–	–	–
Total B	481	–	–	–	–	–	481
Total directors' emoluments paid (A + B)	481	11 494	2 172	3 290	2 069	5 522	25 028
Emoluments paid by:							
Enaleni Pharmaceuticals Limited	481	4 027	1 510	2 951	1 982	5 522	16 473
Cipla Medpro Holdings (Proprietary) Limited *(Subsidiary)*	–	7 467	662	339	87	–	8 555

22. Directors' emoluments continued

31 December 2006	FEES FOR OTHER SERVICES[1] R'000	BASIC SALARY FOR SERVICES AS A DIRECTOR R'000	BONUS R'000	OTHER BENEFITS[2] R'000	RETIREMENT AND MEDICAL BENEFITS[3] R'000	TOTAL 2006 R'000
Executive directors						
TD Edwards (CEO)	–	1 507	84	1 201	365	3 157
AG Hall (CFO)	–	636	–	152	141	929
U Parusnath	–	499	68	139	56	762
PA Pillay	–	360	52	116	80	608
NM Sithole	–	226	31	101	24	382
JS Smith	–	5 601	63	190	38	5 892
S Whitfield	–	1 103	75	947	76	2 201
DE Wolfson	–	237	35	109	78	459
Total A	**–**	**10 169**	**408**	**2 955**	**858**	**14 390**
Non-executive directors						
PCS Luthuli (Chairman)	135	–	–	–	–	135
T Dingaan	46	–	–	–	–	46
GS Mahlati	39	–	–	–	–	39
MT Mosweu	–	–	–	–	–	–
EN Rapoo	16	–	–	–	–	16
Total B	**236**	**–**	**–**	**–**	**–**	**236**
Total directors' emoluments paid (A + B)	236	10 169	408	2 955	858	14 626
Emoluments paid by:						
Enaleni Pharmaceuticals Limited	236	4 568	345	2 765	820	8 734
Cipla Medpro Holdings (Proprietary) Limited *(Subsidiary)*	–	5 601	63	190	38	5 892

1 Fees for other services include payments for attendance at Board, Audit and Risk Committee and Remuneration Committee meetings, as well as retainer fees.

2 Other benefits includes an allocation of IFRS 2 Share-based Payments expenses.

3 These payments relate to the employer contributions to the defined contribution plan and medical aid.

4 These directors resigned during the year. Refer to the directors' report for further details.

5 These directors were appointed during the year. Refer to the directors' report for further details.

Refer to note 24 which provides further details of share options in issue to directors.

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
23. Commitments				
Operating lease commitments (as lessee)				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– Less than one year	**7 459**	9 149	**3 095**	2 453
– Between two and five years	**22 232**	26 126	**12 380**	11 372
– More than five years	**10 059**	21 225	**10 059**	15 388
	39 750	56 500	**25 534**	29 213

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 2007, R13 218 000 was recognised (straight-line) as an expense in the income statement in respect of operating leases (2006: R8 203 000).

Capital commitments: contracted but not provided for

The total cost of the upgrade of the Enaleni site and manufacturing facilities is estimated at R175 million. At 31 December 2007, R101 million had been expended on the project and subsequent to year end, R9 million has been spent on the upgrade.

Material contracts entered into with suppliers at inception of the upgrade amounted to $11 440 000 (2006: nil). At year end, $1 012 000 of this amount was still to be performed under the contract.

In respect of the upgrade, Enaleni has outstanding orders for plant and machinery due to be delivered from abroad. Management has hedged the purchase of some of these items of equipment before the year end. As indicated in note 14, open forward exchange contracts to the value of $2 657 000 hedging the purchase of the said plant and machinery remain open at year end.

The upgrade is due for completion by mid-2008.

24. Share options and share-based payments

In May 2005 the Company established a broad-based employee share plan that allowed 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 in 2005.

In May 2005 the Company also established a share incentive scheme that 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 R1 792 000 (2006: R2 882 000) was expensed during the year ended 31 December 2007.

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 method which takes into account the share price on the grant date, 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 Enaleni Pharmaceuticals Limited shares preceding the option grant date, unless otherwise authorised by the shareholders at a general meeting. All vested share options must be exercised, paid for and taken up within seven years of grant 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.

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 income statement over the vesting period of the share options. The fair value of each option granted in Enaleni Pharmaceuticals Limited 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.

DATE OF GRANT	NUMBER OF OPTIONS GRANTED '000	NUMBER OF OPTIONS OUTSTANDING 2007 '000	NUMBER OF OPTIONS OUTSTANDING 2006 '000	EXPECTED LIFE OF OPTIONS (years)	SHARE PRICE AT GRANT DATE (cents)	EXERCISE PRICE (cents)	EXPECTED VOLATILITY (A) %	EXPECTED DIVIDEND YIELD (B) %	RISK-FREE RATE (C) %
June 2005	2 651	**1 366**	2 651	2 – 5	120	100	25 – 29	–	7,08 – 7,60
December 2005*	4 480	**2 360**	4 480	2 – 5	331	300	25 – 27	–	7,17 – 7,34
July 2006	400	–	400	2 – 5	400	395	27 – 29	–	8,55 – 8,60
October 2006	250	**250**	250	2 – 5	473	458	27 – 31	–	8,13 – 8,64

* The share options were granted to employees in December 2005, but issued to the Share Incentive Trust during the 2006 financial year.

A 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.

B The expected dividend yield is the best estimate of the forward-looking dividend yield over the expected life of the option. Management has assumed that no dividend will be declared over the vesting period of the grant.

C The risk-free rate is the GOVI index as supplied by the Bond Exchange as a proxy for the risk-free rate.

24. Share options and share-based payments continued

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
Share-based payments recognised in retained earnings				
The movement in IFRS 2 Share-based Payments expense is as follows:				
Opening balance	3 120	238	3 120	238
Share options expensed during the year	1 792	2 882	1 792	2 882
Closing balance	4 912	3 120	4 912	3 120
Employee expenses				
Comprising:				
Share options granted during 2005	1 742	2 728	1 742	2 728
Share options granted during 2006	50	154	50	154
Share options granted during 2007	–	–	–	–
Total expense recognised as employee costs	1 792	2 882	1 792	2 882
Share options outstanding				
The movement in share options can be reconciled as follows:				
Opening balance	7 781	7 131	7 781	7 131
Granted during the year*	–	650	–	650
Forfeited during the year	(1 232)	–	(1 232)	–
Settled in cash during the year	(40)	–	(40)	–
Exercised during the year**	(3 405)	–	(3 405)	–
Forfeitures that can be granted in the future	872	–	872	–
Closing balance	3 976	7 781	3 976	7 781
Exercisable at 31 December	35	–	35	–

* Not yet issued to the Share Incentive Trust.

** The weighted average share price at the date of exercise of these share options was:

Exercised during the 2007 year	NUMBER OF OPTIONS EXERCISED '000	WEIGHTED AVERAGE SHARE PRICE cents
June	(1 042)	408
December	(243)	391
December	(2 050)	405
December	(70)	410
	(3 405)	

24. 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 Enaleni Pharmaceuticals Share Incentive Scheme amounted to nil (2006: 650 000). Of these, 3 976 000 (2006: 7 781 000) share options were outstanding at the end of the year, calculated as follows:

	OPTIONS OUTSTANDING ON 31 DECEMBER		OPTIONS GRANTED DURING THE YEAR		EXERCISE PRICE	EXPIRY DATE
	2007	2006	**2007**	2006		
	'000	'000	**'000**	'000	cents	
TD Edwards*	**116**	232	**–**	–	100	June 2012
TD Edwards*	**1 150**	2 300	**–**	–	300	December 2012
U Parusnath*	**–**	46	**–**	–	100	June 2012
U Parusnath*	**–**	100	**–**	–	300	December 2012
PA Pillay*	**–**	42	**–**	–	100	June 2012
PA Pillay*	**–**	70	**–**	–	300	December 2012
S Whitfield*	**105**	210	**–**	–	100	June 2012
S Whitfield*	**900**	1 800	**–**	–	300	December 2012
A Hall*	**–**	400	**–**	400	395	July 2013
	2 271	5 200	**–**	400		
Other key personnel	**691**	2 581	**–**	250		
Other ex- key personnel	**81**	–	**–**	–		
Unallocated options	**933**	–	**–**	–		
Total	**3 976**	7 781	**–**	650		

* Resigned during the year.

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
25. Notes to the cash flow statements				
25.1 Cash generated (utilised) by operations				
Profit (loss) before taxation	203 061	165 371	15 338	(11 124)
Adjustments for:				
Depreciation	5 403	4 861	1 927	1 658
Amortisation	276	–	–	–
Finance costs	55 935	42 718	2 845	7 962
Finance income	(20 599)	(7 446)	(4 615)	(18 257)
Share of profit of associate (net of tax)	(317)	–	–	–
Excess of assets acquired over purchase price (negative goodwill)	(74)	(1 184)	–	–
(Gain) loss on foreign exchange	(4 319)	10 590	4 912	(56)
(Gain) loss on disposals of property, plant and equipment	(220)	(3 605)	(20)	11
Gain on disposals of intangible assets	(10 605)	–	(11 952)	–
Gain on disposals of discontinued operations	(29 524)	–	–	–
Fair value adjustment of listed investments	–	(3)	–	–
Fair value adjustment of forward exchange contracts	2 535	(4 871)	975	–
Fair value adjustment of interest rate swaps	(10 471)	(5 135)	–	–
Equity-settled share-based payment expenses	1 792	2 882	1 792	2 882
Impairment losses	9 284	13	12 601	17 885
Adjustment to contingent purchase price	292	–	292	–
Straight-lining of leases	–	924	–	582
Operating profit before working capital changes	202 449	205 115	24 095	1 543
(Increase) decrease in inventories	(16 304)	(30 922)	5 620	(4 013)
(Increase) decrease in trade and other receivables	(29 628)	(23 983)	700	7 423
Increase (decrease) in trade and other payables	28 394	7 135	(9 160)	(15 448)
	184 911	157 345	21 255	(10 495)
25.2 Reconciliation of taxation paid				
Balance at beginning of year	(35 176)	(21 002)	12	12
Income statement charge	(64 595)	(56 950)	–	–
Disposal (acquisition) of subsidiaries	5 313	(1 297)	–	–
Balance at end of year	22 942	35 176	(1 117)	(12)
	(71 516)	(44 073)	(1 105)	–

	GROUP		COMPANY	
	2007 R'000	2006 R'000	2007 R'000	2006 R'000
25. Notes to the cash flow statements continued				
25.3 Reconciliation of STC paid				
Balance at beginning of year	**(1 544)**	(750)	–	–
Income statement charge	**(3 887)**	(2 625)	–	–
Acquisition of subsidiaries	–	(255)	–	–
Balance at end of year	**998**	1 544	–	–
	(4 433)	(2 086)	–	–
25.4 Cash and cash equivalents				
Bank balances	**22 614**	181 105	**5 012**	893
Call deposits	**137 806**	1 180	**78 862**	1 180
Cash and cash equivalents	**160 420**	182 285	**83 874**	2 073
Bank overdrafts used for cash management purposes	**(771)**	(3 175)	–	–
Cash and cash equivalents in the statement of cash flows	**159 649**	179 110	**83 874**	2 073

Enaleni Pharmaceuticals Limited has a multi-option facility comprising overdrafts, letters of guarantee and letters of credit for an amount of R5 million (2006: R2 million), a revolving credit facility of R15 million (2006: R15 million), letters of guarantee amounting to R450 000 (2006: R450 000), letters of credit amounting to R67 383 444 (2006: nil), and a derivative facility of R7 618 498 (2006: R722 772) held with Nedbank Limited.

These are all secured through:

- a deed of cession of the Company's right, title and interest in the Prudential Portfolio Manager's Dividend Income Fund and Sanlam Alternative Income Fund account; and
- incoming bank guarantee by Standard Corporate and Merchant Bank Limited.

Xeragen Laboratories (Proprietary) Limited has an overdraft facility of R5 million held with First National Bank Limited. This is secured through a cession of trade debtors.

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

- guarantee of the obligations of Cipla Medpro Holdings (Proprietary) Limited and its subsidiaries;
- pledge and cession of Inyanga Trading 386 (Proprietary) Limited's shares;
- pledge and cession of Inyanga Trading 386 (Proprietary) Limited's investment in and claims against Cipla Medpro (Proprietary) Limited and its subsidiaries; and
- cession of Inyanga Trading 386 (Proprietary) Limited's trade debtors, deposits, cash, rights to insurances and government authorisations.

A R5 million general banking facility comprising overdrafts, guarantees, CFCs and letters of credit from ABSA Bank Limited granted to Medpro Pharmaceuticals (Proprietary) Limited, a subsidiary company of Cipla Medpro Holdings (Proprietary) 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 (Proprietary) Limited; and
- the cession of the loan account by Cipla Medpro Holdings (Proprietary) Limited in Medpro Pharmaceutica (Proprietary) Limited.

26. Acquisitions of subsidiaries and minority interests

Acquisitions of subsidiaries

Business combinations

On 2 October 2006 the Company acquired 100% of the shares in Galilee Marketing (Proprietary) Limited for R20 million. The business of the newly acquired subsidiary was onsold to Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited on 3 October 2006 for R20 million. After the sale of the net assets to Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited, the investment in the subsidiary was impaired in the books of the Company. There is no effect on the Group figures, as the subsidiary still retains its value within the Group. Galilee Marketing (Proprietary) Limited has been in the business of selling and marketing pharmaceutical products. During the year ended 31 December 2006 and a portion of the 2007 year, Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited marketed and sold all product lines of Galilee Marketing (Proprietary) Limited. The revenue and profit earned by Galilee Marketing (Proprietary) Limited for the seven-month period prior to acquisition date were R13 million and R2 million respectively.

During the year ended 31 December 2007, the business of Galilee Marketing (Proprietary) Limited was sold to Group subsidiary Bioharmony (Proprietary) Limited; Bioharmony (Proprietary) Limited was subsequently sold to Arcay Merchant (Proprietary) Limited on 30 November 2007.

On 1 September 2006 Xeragen Laboratories (Proprietary) Limited, a subsidiary of Enaleni Pharmaceuticals Limited, acquired 100% of the shares in Adroit Pharmaceuticals (Proprietary) Limited for R1,4 million. The company is in the business of selling and marketing pharmaceutical products. During the 2006 year and part of the 2007 year, Xeragen Laboratories (Proprietary) Limited marketed and sold all product lines of Adroit Pharmaceuticals (Proprietary) Limited. During the six-month period prior to acquisition date, Adroit Pharmaceuticals (Proprietary) Limited did not engage in any significant trading activities.

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

During the year ended 31 December 2006, the acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

Acquiree's net assets at acquisition date	GALILEE MARKETING (PROPRIETARY) LIMITED DIRECT INTEREST R'000	ADROIT PHARMACEUTICALS (PROPRIETARY) LIMITED INDIRECT INTEREST R'000	SUBTOTAL R'000
Property, plant and equipment	9	–	9
Intangible assets	15	265	280
Inventories	494	–	494
Trade and other receivables	3 535	–	3 535
Cash and cash equivalents	1 070	2	1 072
Loans and borrowings – non-current	–	(269)	(269)
Current tax liability	(1 307)	–	(1 307)
Secondary tax on companies	(255)	–	(255)
Trade and other payables	(1 446)	(4)	(1 450)
Pre-acquisition carrying values	2 115	(6)	2 109
Fair value adjustments on intangible assets	17 419	2 316	19 735
Recognised values on acquisition	19 534	2 310	21 844
Shareholder loans acquired	–	269	269
Goodwill on acquisition	466	–	466
Excess over purchase consideration	–	(1 157)	(1 157)
Total purchase consideration	20 000	1 422	21 422
Cash acquired	(1 070)	(2)	(1 072)
Net cash outflow	**18 930**	**1 420**	**20 350**

26. **Acquisitions of subsidiaries and minority interests** continued

Acquisitions of subsidiaries continued

Pre-acquisition carrying amounts were determined based on the applicable IFRS immediately before the acquisition. The values of assets, liabilities, and contingent liabilities recognised on acquisition are their estimated fair values.

The goodwill recognised on the acquisition of Galilee Marketing (Proprietary) Limited is attributable mainly to the synergies expected to be achieved from integrating the company into the Group's existing consumer business.

Acquisitions of minority interests

In April 2007, the Group acquired a further 16% interest in subsidiary Aldabri 53 (Proprietary) Limited, and a portion of the shareholder loan account from a minority shareholder for R1 737 600. The total purchase consideration was settled in cash. This increased the Group's ownership in the subsidiary from 51% to 67%. The carrying amount of Aldabri 53 (Proprietary) Limited's net liabilities in the consolidated financial statements on the date of the acquisition was a R37 206. The excess of the net shareholder loan account acquired over the purchase price paid for the loan (loan account acquired at a discount) of R73 764 was recognised by the Group, as well as a decrease in minority interests of R5 953. Negative goodwill was calculated as the residual after measuring the cost of the additional investment of R1 737 600 and 16% of the fair value of the identifiable net assets at the date of exchange of R5 953, and the additional shareholder loan account acquired of R1 805 281.

The Group's interest in the share capital and loan accounts held in Aldabri 53 (Proprietary) Limited were sold to Arcay Merchant (Proprietary) Limited on 30 November 2007 for R8 578 357.

The acquisition of the 16% interest in Aldabri 53 (Proprietary) Limited can be illustrated as follows:

	2007 R'000
Purchase consideration – cash component	1 737
Purchase consideration – liability component	–
Total purchase consideration	1 737
Shareholder loans acquired	(1 805)
Total cost of the additional 16% of the shares	(68)
Comprising:	
Minority interest	6
Excess of net shareholder loan account acquired over purchase price	(74)

26. Acquisitions of subsidiaries and minority interests continued

Acquisitions of minority interests continued

During August 2006, the Group acquired the remaining 49% interest in Bioharmony (Proprietary) Limited for R3,9 million, and the shareholder loan account for R2,1 million. The total purchase consideration of R6 million was settled in cash of R4 million and by the issue of R2 million worth of ordinary shares in the Company. Ordinary shares amounting to 524 843 were issued to the minority shareholder at a price of R3,81, representing a 30-day volume weighted average price on the effective date of the sale. This increased the Group's ownership in the subsidiary from 51% to 100%. The carrying amount of Bioharmony (Proprietary) Limited's net assets in the consolidated financial statements on the date of the acquisition was R7 million. The Group recognised intangible assets at fair value of R4,3 million, goodwill of R476 000 and a decrease in minority interests of R910 000. Goodwill was calculated as the residual after measuring the cost of the additional investment of R3,9 million and 49% of the fair value of the identifiable net assets at the date of exchange of R3,4 million.

The business of Bioharmony (Proprietary) Limited was onsold to Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited on 3 October 2006 for R5,1 million.

The acquisition of the 49% interest in Bioharmony (Proprietary) Limited can be illustrated as follows:

	2006 R'000
Purchase consideration – cash component	4 000
Purchase consideration – liability component	2 000
Total purchase consideration	6 000
Shareholder loans acquired	(2 089)
Total cost of the additional 49% of the shares	3 911
Comprising:	
Brands acquired	4 345
Minority interest	(910)
Goodwill	476

The Group's interest in the share capital and loan accounts held in Bioharmony (Proprietary) Limited were sold to Arcay Merchant (Proprietary) Limited on 30 November 2007 for R26 597 310.

27. New standards and interpretations not yet adopted

During the current year, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2007. 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 8 Operating Segments. IFRS 8 was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2009. It 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, Enaleni'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. IFRS 8 will be formally adopted in the Group's 2009 financial statements.

- IFRIC 11 Group and Treasury Share Transactions is applicable to annual periods beginning on or after 1 March 2007. Early adoption is permitted. The International Financial Reporting Interpretations Committee (IFRIC) issued IFRIC 11 Group and Treasury Share Transactions in November 2006. The Interpretation clarifies the application of IFRS 2 Share-based Payments to certain share-based payment arrangements involving the entity's own equity instruments and to arrangements involving equity instruments of the entity's parent. IFRIC 11 will be adopted by the Group in 2008.

- IAS 1 (Revised) Presentation of Annual Financial Statements is applicable to annual periods beginning on or after 1 January 2009. The standard sets out the presentation of shareholder changes in equity and the presentation of a comprehensive income statement (either part of the income statement or separately). The revised version of the standard will be formally adopted in the Group's 2009 annual financial statements.

- IAS 23 (Revised) Borrowing Costs becomes applicable to annual periods beginning on or after 1 January 2009. The revised standard 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 revised standard will become mandatory for the Group's 2009 annual financial statements. If the Group had early-adopted this standard, it would have had no significant impact as all qualifying borrowing costs were capitalised during the current financial year.

- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (amendments) are effective for annual periods beginning on or after 1 January 2009, with early adoption permitted. The 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.

27. **New standards and interpretations not yet adopted** continued

- IFRS 2 Share-based Payments (amendment) – vesting conditions and cancellations. The IASB has amended IFRS 2 Share-based Payments to clarify the terms "vesting conditions" and "cancellations".

- IFRS 3 Business Combinations, IAS 27 Consolidated and Separate Financial Statements and IAS 28 Investments in Associates (all revised). The amendments are 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 high degree of convergence between IFRS and US GAAP in the above areas.

- IFRIC 12 – Service Concession Arrangements provides guidance on certain recognition and measurement issues to private sector operators involved in the provision of public sector infrastructure assets and services, such as schools and roads. The interpretation becomes mandatory for the Group's 2008 financial statements, but is not expected the have any impact on the consolidated financial statements.

- IFRIC 13 – Customer Loyalty Programmes addresses the accounting by entities that provide their customers with incentives to buy goods or services by providing awards (called "award credits" in the Interpretation) as part of a sales transaction. IFRIC 13, which becomes mandatory for the Group's 2009 financial statements, is not expected the have any impact on the consolidated financial statements.

- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction will become mandatory for the Group's 2008 financial statements, but is not expected the have any impact on the consolidated financial statements.

28. Financial instruments
Credit risk
Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure.

	GROUP 2007 R'000	GROUP 2006 R'000	COMPANY 2007 R'000	COMPANY 2006 R'000
The maximum exposure to credit risk at the reporting date was:				
Financial assets designated at fair value through profit or loss	11	12	–	–
Loans and receivables – other	42 234	3 453	52 166	18 873
Loans and receivables – trade	140 467	137 581	35 343	36 450
Loans and receivables – inter-company	–	–	763 847	1 106 311
Loans and receivables – cash and cash equivalents	160 420	182 285	83 874	2 073
Interest rate swaps used for hedging	15 607	5 135	–	–
Forward exchange contracts used for hedging	4	1 564	–	–
	358 743	330 030	935 230	1 163 707
At the reporting date the maximum exposure to credit risk for trade receivables by type of customer was:				
Wholesale customers	94 115	72 782	29 297	19 345
Retail customers	9 126	25 730	–	411
Tender customers	27 525	23 527	1 006	5 410
	130 766	122 039	30 303	25 166
Impairment losses				
The aging of trade receivables at reporting date was:				
Not past due	98 102	89 487	26 122	21 972
Gross	98 102	89 487	26 122	21 972
Impairment	–	–	–	–
Past due 0 – 30 days	24 192	25 938	898	953
Gross	24 192	25 938	898	953
Impairment	–	–	–	–
Past due 31 – 120 days	8 252	6 614	3 283	2 241
Gross	9 125	9 630	3 761	3 148
Impairment	(873)	(3 016)	(478)	(907)
More than one year	220	–	–	–
Gross	220	343	–	–
Impairment	–	(343)	–	–
	130 766	122 039	30 303	25 166
The movement in the allowance for impairment in respect of trade receivables during the year was as follows:				
Balance at 1 January	3 359	1 718	907	713
Impairment loss recognised (derecognised)	(4 620)	1 641	(429)	194
Sale of subsidiaries	2 134	–	–	–
Balance at 31 December	873	3 359	478	907

Based on past experience the Group believes that the impairment provision is adequate based on the exposure and the Credit Guarantee Insurance Cover. 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. The impairment provision arises from a combination of porfolio and specific risk.

28. **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:

Group 31 December 2007	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN TWELVE MONTHS	BETWEEN ONE AND FIVE YEARS	MORE THAN FIVE YEARS
Non-derivative financial liabilities					
Secured bank loans	111 342	168 529	22 784	145 745	–
Redeemable preference shares	329 670	449 915	86 633	363 282	–
Finance lease liabilities	6 466	8 249	2 574	5 675	–
Trade and other payables (excluding derivatives)	176 990	176 990	176 990	–	–
Bank overdrafts	771	771	771	–	–
	625 239	804 454	289 752	514 702	–
Derivative financial liabilities (assets)					
Interest rate swaps used for hedging	(15 607)	(15 607)	–	(15 607)	–
Forward exchange contracts used for hedging – inflow	(4)	(4)	(4)	–	–
Forward exchange contracts used for hedging – outflow	975	975	975	–	–
	(14 636)	(14 636)	971	(15 607)	–
31 December 2006					
Non-derivative financial liabilities					
Secured bank loans	112 067	183 803	20 827	162 976	–
Redeemable preference shares	222 000	286 397	66 923	219 474	–
Finance lease liabilities	9 441	11 795	3 481	8 314	–
Trade and other payables (excluding derivatives)	163 953	163 953	163 953	–	–
Bank overdrafts	3 175	3 175	3 175	–	–
	510 636	649 123	258 359	390 764	–
Derivative financial liabilities (assets)					
Interest rate swaps used for hedging	(5 135)	(5 135)	–	(5 135)	–
Forward exchange contracts used for hedging – inflow	(1 564)	(1 564)	(1 564)	–	–
	(6 699)	(6 699)	(1 564)	(5 135)	–

28. **Financial instruments** continued

Liquidity risk continued

Company **31 December 2007**	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	LESS THAN TWELVE MONTHS	BETWEEN ONE AND FIVE YEARS	MORE THAN FIVE YEARS
Non-derivative financial liabilities					
Secured bank loans	11 342	12 631	7 821	4 810	–
Finance lease liabilities	6 466	8 249	2 574	5 675	–
Inter-company loans payable	23 337	23 337	–	–	23 337
Trade and other payables (excluding derivatives)	25 791	25 791	25 791	–	–
	66 936	70 008	36 186	10 485	23 337
Derivative financial liabilities					
Forward exchange contracts used for hedging – outflow	975	975	975	–	–
	975	975	975	–	–
31 December 2006					
Non-derivative financial liabilities					
Secured bank loans	8 043	9 725	2 646	7 079	–
Finance lease liabilities	8 760	10 845	3 033	7 812	–
Inter-company loans payable	17 266	17 590	324	–	17 266
Trade and other payables (excluding derivatives)	30 086	30 086	30 086	–	–
	64 155	68 246	36 089	14 891	17 266
Derivative financial liabilities	–	–	–	–	–

Currency risk

Exposure to currency risk

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

	USD	Euro	GBP	ZAR	PROFIT (LOSS) ZAR
Trade payables – USD	18 290	–	–	124 508	(12 451)
Trade payables – Euro	–	359	–	3 598	(360)
Trade payables – GBP	–	–	4	61	(6)

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 South African Rand 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 11 and 14 for the Group's exposure to foreign currency risk relating to forward exchange contracts. At year end there are no open forward exchange contracts to cover the entities' exposure to Euro and GBP denominated trade payables as these amounts were considered to be immaterial at year end.

The following significant spot rates applied at reporting date for the Group:	**2007**	2006
USD	**6,81**	6,98
Euro	**10,04**	9,19
GBP	**13,58**	13,69

28. Financial instruments continued

Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
Fixed rate instruments				
Financial assets	**–**	–	**–**	–
Financial liabilities	**–**	–	**–**	–
	–	–	**–**	–
Variable rate instruments				
Financial assets	**15 611**	6 699	**–**	–
Financial liabilities	**448 453**	343 508	**18 783**	16 803
	464 064	350 207	**18 783**	16 803

Interest rate sensitivity analysis

A change of 100 basis points in interest rates at the reporting date would have decreased equity and profit by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2006.

	GROUP		COMPANY	
	2007	2006	**2007**	2006
	R'000	R'000	**R'000**	R'000
Variable rate instruments	**1 426**	99	**–**	–
Interest rate swap (realised)	**469**	80	**–**	–
	1 895	179	**–**	–

Exposure to equity price risk

As indicated in note 7 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 multi-national 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.

Fair values versus carrying amounts

The fair values of the financial assets and liabilities approximate their carrying amounts. Refer to accounting policy (v) and to note 20 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:

28. Financial instruments continued

Categories of financial instruments and fair values continued

Fair values versus carrying amounts continued

Group 2007	CARRYING VALUE	FAIR VALUE
Financial assets		
Financial assets designated at fair value through profit or loss	15 622	15 622
Listed equity securities	11	11
Forward exchange contracts	4	4
Interest rate swaps	15 607	15 607
Loans and receivables	343 121	343 121
Trade and other receivables (excluding derivatives)	140 467	140 467
Short-term loans receivable	42 234	42 234
Cash and cash equivalents	160 420	160 420
Financial liabilities		
Financial liabilities designated at fair value through profit or loss	(975)	(975)
Forward exchange contracts	(975)	(975)
Financial liabilities held at amortised cost	(634 215)	(634 215)
Secured bank loans	(111 342)	(111 342)
Redeemable preference shares	(329 670)	(329 670)
Finance lease liabilities	(6 466)	(6 466)
Accrued operating leases	(272)	(272)
Trade and other payables (excluding derivatives)	(176 990)	(176 990)
Dividends on redeemable preference shares	(9 475)	(9 475)
Bank overdrafts	(771)	(771)
Group 2006		
Financial assets		
Financial assets designated at fair value through profit or loss	6 711	6 711
Listed equity securities	12	12
Forward exchange contracts	1 564	1 564
Interest rate swaps	5 135	5 135
Loans and receivables	323 319	232 319
Trade and other receivables (excluding derivatives)	137 581	137 581
Short-term loans receivable	3 453	3 453
Cash and cash equivalents	182 285	182 285
Financial liabilities		
Financial liabilities held at amortised cost	(828 438)	(822 893)
Secured bank loans	(112 067)	(112 067)
Redeemable preference shares	(222 000)	(222 000)
Finance lease liabilities	(9 441)	(9 441)
Accrued operating leases	(315)	(315)
Deferred purchase consideration	(306 835)	(301 290)
Loans from minority shareholders	(5 529)	(5 529)
Other secured loans	(3 151)	(3 151)
Trade and other payables (excluding derivatives)	(163 953)	(163 953)
Dividends on redeemable preference shares	(5 147)	(5 147)
Bank overdrafts	(3 175)	(3 175)

28. **Financial instruments** continued

Categories of financial instruments and fair values continued

Fair values versus carrying amounts continued

Company 2007	CARRYING VALUE	FAIR VALUE
Financial assets		
Loans and receivables	969 454	969 454
Trade and other receivables (excluding derivatives)	35 343	35 343
Long-term loans receivable	779 312	779 312
Long-term unlisted investments	34 224	34 224
Short-term loans receivable	36 701	37 701
Cash and cash equivalents	83 874	83 874
Financial liabilities		
Financial liabilities designated at fair value through profit or loss	(975)	(975)
Forward exchange contracts	(975)	(975)
Financial liabilities held at amortised cost	(43 599)	(43 599)
Secured bank loans	(11 342)	(11 342)
Finance lease liabilities	(6 466)	(6 466)
Trade and other payables (excluding derivatives)	(25 791)	(25 791)
Company 2006		
Financial assets		
Loans and receivables	1 208 173	1 208 173
Trade and other receivables (excluding derivatives)	36 450	36 450
Long-term loans receivable	807 876	807 876
Long-term unlisted investments	44 466	44 466
Short-term loans receivable	317 308	317 308
Cash and cash equivalents	2 073	2 073
Financial liabilities		
Financial liabilities held at amortised cost	(371 649)	(366 104)
Secured bank loans	(8 043)	(8 043)
Finance lease liabilities	(8 760)	(8 760)
Deferred purchase consideration	(306 835)	(301 290)
Other secured loans	(659)	(659)
Inter-company loans payable	(17 266)	(17 266)
Trade and other payables (excluding derivatives)	(30 086)	(30 086)

29. Reclassification of prior year figures

Presentation of the income statement

IAS 1 Presentation of Financial Statements provides guidance relating to the presentation of expenditure in the income statement. In applying this guidance the Group has reclassified certain expenditure from presentation on the basis of nature to presentation on the basis of function. The reclassification has no effect on the earnings or equity of the Group.

Presentation of the balance sheet

Certain comparative amounts have been reclassified to conform to current year's presentation.

Annexure A

Interest in subsidiary companies

All subsidiary companies within the Group with the exception of Kamillen Products (Botswana) (Proprietary) Limited, were incorporated and are domiciled in the Republic of South Africa.

Company	DATE ACQUIRED	SHARE CAPITAL R
Direct interest		
Xeragen Laboratories (Proprietary) Limited	1 September 2005	120
Zedchem (Proprietary) Limited	1 July 2005	100
Aldabri 53 (Proprietary) Limited	50% on 1 April 2004	
	1% on 1 June 2005	
	16% on 1 April 2007	100
Bioharmony (Proprietary) Limited	51% on 1 May 2005	
	49% on 1 July 2006	100
Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited	8% on 31 December 2004	
	92% on 1 January 2005	4 577
Kamillen Pharmaceuticals (Proprietary) Limited	2 July 2004	100
Kamillen Products (Botswana) (Proprietary) Limited	2 July 2004	Pula 100
Inyanga Trading 386 (Proprietary) Limited	15 December 2005	100
Galilee Marketing (Proprietary) Limited	2 October 2006	100
Universal Pharmaceuticals (Proprietary) Limited	1 April 2005	2 000
Total direct interest		
Indirect interest		
Cipla Medpro Holdings (Proprietary) Limited	16 January 2006[4]	10
Adroit Pharmaceuticals (Proprietary) Limited	1 September 2006	100
CPF International (Proprietary) Limited	8% on 31 December 2004	
	92% on 1 January 2005[3]	100
Total indirect interest		
Total interest		

1 The Company's 67% shareholding in Aldabri 53 (Proprietary) Limited was sold on 30 November 2007.

2 The Company's 100% shareholding in Bioharmony (Proprietary) Limited was sold on 30 November 2007.

3 The Company's 100% shareholdings in Enaleni Pharmaceuticals Consumer (Proprietary) Limited and CPF International (Proprietary) Limited were sold on 31 October 2007.

4 Cipla Medpro Holdings (Proprietary) Limited was effectively purchased by Enaleni Pharmaceuticals Limited on 1 November 2005, with control passing to Enaleni on 1 December 2005. On 16 January 2006, Cipla Medpro Holdings (Proprietary) Limited was purchased by Inyanga Trading (386) Proprietary Limited, both of which are wholly-owned subsidiaries of Enaleni Pharmaceuticals Limited. Refer to note 21 for a list of subsidiaries of which Cipla Medpro Holdings (Proprietary) Limited is the holding company.

5 Investment in Adroit Pharmaceuticals (Proprietary) Limited was fully impaired at year end.

6 All amounts owing by (to) subsidiaries are unsecured and non-interest-bearing, with the exception of R10 million loaned by Cipla Medpro Holdings (Proprietary) Limited to Enaleni Pharmaceuticals Limited. During 2006, this loan bore interest at rates linked to the prime overdraft rate (2007: nil). There are no specific repayment terms attached to the above loans.

EFFECTIVE GROUP HOLDING		COMPANY'S INTEREST			
		SHARES AT COST		AMOUNTS OWING BY/(TO) SUBSIDIARIES[6]	
2007	2006	2007	2006	2007	2006
%	%	R	R	R	R
100	100	31 274 203	31 274 203	(8 008 448)	(3 098 151)
100	100	2 949 309	2 949 309	(613 014)	(599 351)
–[1]	51	–	75 051	–	6 606 480
–[2]	100	–	5 103 606	–	–
–[3]	100	–	4 576	–	38 423 705
100	100	–	–	(1)	–
100	100	–	–	–	–
100	100	100	100	763 785 154	1 057 907 182
100	100	100	100	–	–
100	100	100	–	(4 603 592)	–
		34 223 812	39 406 945	750 560 099	1 099 239 865
100	100	1 391 053 876	1 391 053 876	(10 050 564)	(10 194 619)
100	100	–[5]	1 423 000	–	–
–[3]	100	–	13 700 000	–	–
		1 391 053 876	1 406 176 876	(10 050 564)	(10 194 619)
		1 425 277 688	1 445 583 821	740 509 535	1 089 045 246

Interest in subsidiary companies continued

Amounts due by (to) subsidiaries

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

	2007 R	2006 R
Non-current portion of inter-company loans		
Xeragen Laboratories (Proprietary) Limited	(8 008 448)	(3 238 775)
Zedchem (Proprietary) Limited	(655 603)	(599 351)
Kamillen Pharmaceuticals (Proprietary) Limited	(1)	–
Universal Pharmaceuticals (Proprietary) Limited	(4 622 654)	–
Aldabri 53 (Proprietary) Limited	–	(3 232 856)
Cipla Medpro Holdings (Proprietary) Limited	(10 050 564)	(10 194 619)
Amounts due to subsidiaries	(23 337 270)	(17 265 601)
Zedchem (Proprietary) Limited	42 589	–
Universal Pharmaceuticals (Proprietary) Limited	19 062	–
Aldabri 53 (Proprietary) Limited	–	9 055 022
Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited	–	15 945 527
Inyanga Trading 386 (Proprietary) Limited	763 785 154	764 002 702
Amounts due by subsidiaries	763 846 805	789 003 251
Total non-current portion of inter-company loans	740 509 535	771 737 650
Current portion of inter-company loans		
Amounts due to subsidiaries	–	–
Zedchem (Proprietary) Limited		
Xeragen Laboratories (Proprietary) Limited	–	140 624
Aldabri 53 (Proprietary) Limited	–	784 314
Enaleni Pharmaceuticals Consumer Division (Proprietary) Limited	–	22 478 177
Inyanga Trading 386 (Proprietary) Limited	–	293 904 480
Amounts due by subsidiaries	–	317 307 595
Total current portion of inter-company loans	–	317 307 595
Net amounts owing by subsidiaries	740 509 535	1 089 045 245

Analysis of shareholders

Issued number of shares: 443 265 635

	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
Shareholder spread				
1 – 1 000 shares	834	23,27	528 695	0,12
1 001 – 10 000 shares	1 852	51,68	7 824 261	1,77
10 001 – 100 000 shares	708	19,75	21 982 814	4,96
100 001 – 1 000 000 shares	133	3,71	46 380 740	10,46
1 000 001 shares and over	57	1,59	366 549 125	82,69
	3 584	**100,00**	**443 265 635**	**100,00**
Public/non-public shareholders				
Non-public shareholders	7	0,20	113 291 916	25,56
Directors of the Company	4	0,11	25 714 389	5,80
Strategic holdings (more than 10%)	1	0,03	82 000 000	18,50
Empowerment	1	0,03	1 851 936	0,42
Share trust	1	0,03	3 725 591	0,84
Public shareholders	3 577	99,80	329 973 719	74,44
	3 584	**100,00**	**443 265 635**	**100,00**
Beneficial shareholders holding 5% or more				
Sweet Sensations 67 (Pty) Limited			82 000 000	18,50
STANLIB Funds			41 700 000	9,41
Liberty Group			37 482 004	8,46

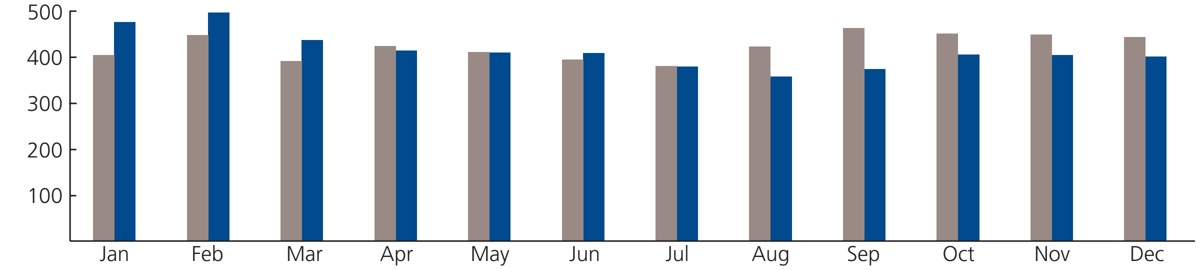
Share trading statistics for the years ended 31 December

Enaleni Pharmaceuticals Limited ordinary shares

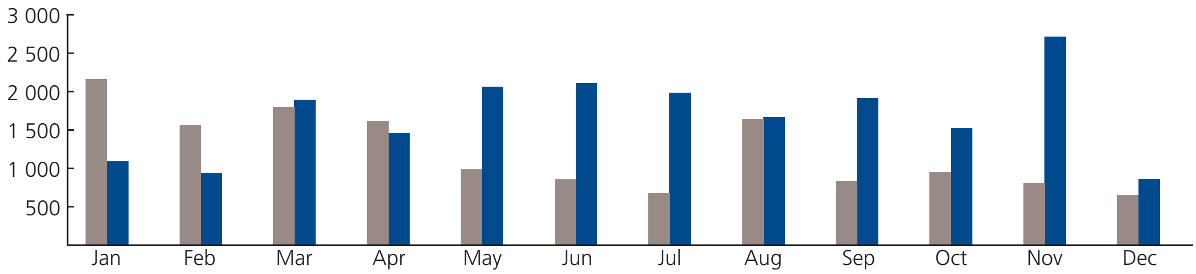
MONTH	HIGH	LOW	CLOSE	VOLUME	VALUE	NUMBER OF TRANSACTIONS
January	545	426	535	5 400 995	26 289 412	1 099
February	539	440	489	7 889 411	38 982 989	952
March	489	396	428	17 866 144	76 375 732	1 901
April	434	400	418	15 969 886	65 993 960	1 466
May	430	380	410	33 631 286	139 593 558	2 072
June	445	383	385	35 371 283	146 346 703	2 118
July	400	336	380	28 789 227	108 216 561	1 993
August	377	330	365	17 468 509	62 582 360	1 672
September	415	350	406	24 194 548	91 720 505	1 919
October	425	388	405	27 771 648	112 513 686	1 528
November	438	375	395	39 978 666	275 280 962	2 726
December	412	384	403	26 918 231	107 871 443	871
				281 249 834	1 251 767 871	20 317

Market price per share (cents)		2007	2006
High	(cents)	**545**	500
Low	(cents)	**330**	333
Year end	(cents)	**403**	447
Volume of shares traded		**281 249 834**	162 426 987
Volume as % of number of shares in issue	(%)	**63,5**	39,8
Value of shares traded		**1 251 767 871**	683 704 515
Number of transactions		**20 317**	14 659
Earnings yield at year end	(%)	**7,7**	5,8
Dividend yield at year end	(%)	**–**	–
Price earnings ratio at year end	(times)	**13,0**	17,2
Market capitalisation at year end net of treasury shares	(R'000)	**1 771 345**	1 794 078
Market capitalisation to shareholders' equity at year end	(times)	**1,4**	1,8

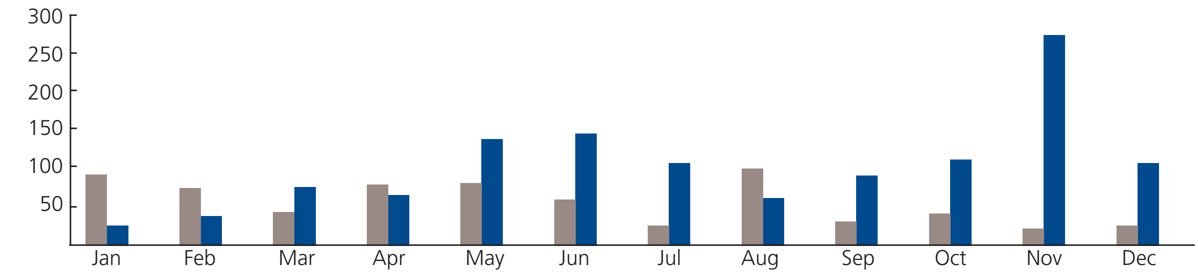
Average share price (cents)



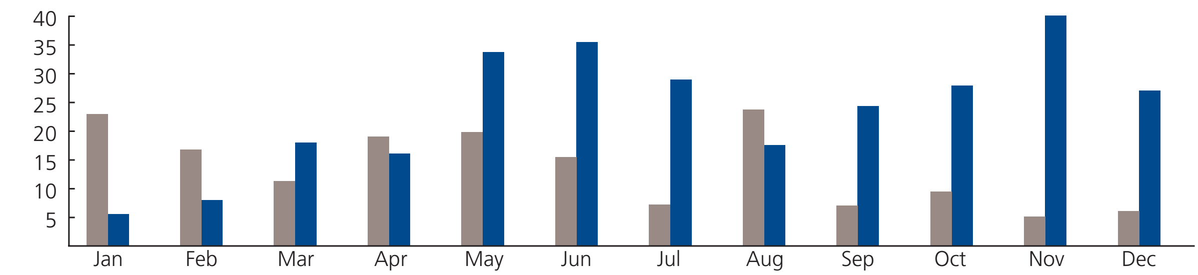
Number of transactions



Value of shares traded (millions)



Volume traded (millions)



Key 2006 2007

Business overview

Commentary

Financial statements

Notice of annual general meeting

Enaleni Pharmaceuticals Limited
(Incorporated in the Republic of South Africa)
(Registration number 2002/018027/06)
(JSE code: ENL and ISIN: ZAE000067740)
("Enaleni" or "the Company")

Notice is hereby given that the annual general meeting of the Company will be held at the Cape of Good Hope Room, 5th Floor, BoE Building, Clock Tower Precinct, V&A Waterfront, Cape Town at 11:00 on 24 July 2008 for the following purposes:

1. To receive, consider and adopt the annual financial statements of the Company for the financial year ended 31 December 2007.

2. To elect directors of the Company, namely:

   2.1 Mr C Aucamp

   2.2 Mr BM Caga

   2.3 Ms ND Mokone

   2.4 Mr PCS Luthuli

   2.5 Dr GS Mahlati

   2.6 Mr JS Smith

   who, in the case of the individuals in paragraphs 2.1, 2.2 and 2.3 above, whose appointments are being ratified in terms of the Articles of Association by reason of having been appointed by the board subsequent to the last annual general meeting, and who in the case of the individuals in paragraphs 2.4, 2.5 and 2.6 retire by rotation in terms of the Company'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 2 above appears on pages 14 and 15 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.

3. Ordinary resolution number 1
   Appointment of auditors
   "To appoint Mazars Moores Rowland as the auditors of the Company for the ensuing year and to authorise the directors to determine the remuneration of the auditors."

4. Ordinary resolution number 2
   Control of authorised but unissued shares
   "Resolved that all of the ordinary shares in the authorised but unissued share capital of the Company 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 the Company and the Listings Requirements of the JSE Limited ("JSE") 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."

5. Ordinary resolution number 3
   Approval to issue shares for cash
   "Resolved that the directors of the Company 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 the Company for cash, as and when they in their

discretion deem fit, subject to the Companies Act, the Articles of Association of the Company, 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 10% (ten per cent) of the Company'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 the Company'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 the Company."

Ordinary Resolution Number 3 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 4
   Amendment to the Enaleni Pharmaceuticals Share Incentive Scheme
   "Resolved that the Enaleni Pharmaceuticals Share Incentive Scheme, and amendments thereto, in terms of which the current Enaleni Pharmaceuticals Share Incentive Scheme is governed, and a copy of which has been initialled by the Chairman of the annual general meeting for purposes of identification and tabled at this annual general meeting, be and is hereby amended to include the amendments as set out in Annexure 1 to this notice of annual general meeting. The board of directors is authorised to do all things necessary and incidental to the implementation of the before mentioned, including the signature of the scheme rules referred to above and all related or ancillary documents on behalf of the Company."

7. Ordinary resolution number 5
   Approval to perform limited secretarial duties
   "Resolved that the auditors of the Company may from time to time perform limited secretarial duties for the Company, while at the same time not being prohibited from appointment as the Company's auditors."

8. Ordinary resolution number 6
   Directors' authorisation
   "Resolved that any director of the Company 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."

9. Special resolution number 1
Approval to repurchase shares

"Resolved that the Company and/or any subsidiary of the Company 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 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, 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 the Company and the counterparty;
- this general authority shall only be valid until the Company'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 the Company's ordinary shares are acquired by the Company in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% (ten per cent) 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 the Company;
- the acquisitions of ordinary shares in the aggregate in any one financial year do not exceed 20% (twenty per cent) of the Company's issued ordinary share capital from the date of the grant of this general authority;
- the Company 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 the Company first acquiring securities under this general approval;
- the assets of the Company and the Group, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the liabilities of the Company and the Group at the time of the Company first acquiring securities under this general approval;
- the ordinary capital and reserves of the Company and the Group are adequate for a period of 12 (twelve) months from the Company first acquiring securities under this general approval;
- the available working capital is adequate to continue the operations of the Company and the Group for a period of 12 (twelve) months from the Company first acquiring securities under this general approval;
- upon entering the market to proceed with the repurchase, the Company's Sponsor has complied with its responsibilities contained in Schedule 25 of the JSE Listings Requirements;
- after such repurchase the Company will still comply with paragraphs 3.37 to 3.41 of the JSE Listings Requirements concerning shareholder spread requirements;
- the Company or its subsidiaries will not repurchase securities during a prohibited period as defined in paragraph 3.67 of the JSE Listings Requirements;
- when the Company 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
- the Company 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 the Company 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 the Company, subject to the limitations set out above.

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

10. Special resolution number 2
Approval to change the name
"Resolved that the Company name, Enaleni Pharmaceuticals Limited, be changed to Cipla Medpro South Africa Limited."

Reason for and effect of Special Resolution Number 2
The reason and effect for Special Resolution Number 2 is to better reflect the Company's positioning in the pharmaceutical industry and the effect of this special resolution is that the Company will in future be known as Cipla Medpro South Africa Limited. Shareholders will be advised of the effective date of the name change in due course.

11. Material change
There have been no material changes in the affairs or financial position of Enaleni 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 page 32 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 page 32 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.

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 the Company. 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 Enaleni 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 (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg 2001 (PO Box 61051, Marshalltown, 2107) by no later than 11:00 on 22 July 2008.

By order of the board.

MW Daly
Company secretary

Durban
13 June 2008

Annexure 1

Amendments to the Enaleni Pharmaceuticals Limited Share Incentive Scheme

Amendments to the Enaleni Pharmaceuticals Limited Share Incentive Scheme ("the incentive scheme") are proposed to ensure that the incentive scheme continues to incentivise employees to promote the continued growth of the Company. In order to bring the existing share incentive scheme in line with similar market related employee share schemes and to improve the attractiveness to current and potential participants, it is proposed to amend the incentive scheme trust deed by making the following amendments:

A copy of the amended incentive scheme trust deed will be available for inspection during normal business hours at the Company's registered office from the date of this notice of annual general meeting to the date and time of the annual general meeting.

Clause 2.1 is amended by the insertion, after the definition of "beneficiary" of the following definition:

"Board Resolution Date – the date on which the board resolves to instruct the Trustees to offer to an Offeree the opportunity to participate in this Scheme on either of the bases set forth in this Scheme, and upon the relevant Offer Terms";

Clause 10.5.3 is amended to read:

> "the price per share and the total price payable for all the Shares offered, being either the Market Price applicable on the **Board Resolution Date** **[Acceptance Date],** or such **other** price as may be stipulated in the Offer (which other price, **in order to be applicable,** must have been approved of by the shareholders of the Company in general meeting), including the deposit (if any) payable in terms of 10.4, and that the agreement is conditional as provided in 10.4;" **[Note: Part in bold and underlined has been added and part in square brackets deleted]**

Clause 10.2.1 is amended to read:

> "The Beneficiary shall have purchased and the Trustees shall have sold the Scheme Shares concerned at the Market Price applicable at the **Board Resolution Date** **[Acceptance Date]** or such **other** price as may be stipulated in the Offer (which other price, **in order to be effective**, must have been approved of by the shareholders of the Company in general meeting), and the Beneficiary shall be obliged to pay the Purchase Price on the Acceptance Date of the Offer. "

Clause 10.3.1 is amended to read:

> "The Beneficiary will have the Option to purchase Scheme Shares at the Market Price applicable at the **Board Resolution Date** **[Acceptance Date]**, or such **other** price as may be stipulated in the Offer (which price, **in order to be effective**, must have been approved of by the shareholders of the Company in general meeting), in the proportions and within the periods set out in 12."

Clause 12.1 is amended by the insertion after 12.1.3 of a proviso applying to clauses 12.1.1, 12.1.2 and 12.1.3, which proviso shall read:

> "provided that the board may, when resolving to make an Offer to a Beneficiary under the Share Purchase Terms or the Share Option Terms, determine such other period/s after which and/or percentage/s of Scheme Shares in respect of which, a Beneficiary shall be entitled to the release and/or delivery of, in which event such other period/s and/or percentages shall apply to and shall be included in the Offer to the Beneficiary concerned."

In all other respects the Deed shall remain unaltered.

Designed by motiv
Printed by INCE

Form of proxy

Enaleni Pharmaceuticals Limited
(Incorporated in the Republic of South Africa)
(Registration number 2002/018027/06)
(JSE code: ENL and ISIN: ZAE000067740)
("Enaleni" or "the Company")

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 the Company to be held at the Cape of Good Hope Room, 5th Floor, BoE Building, Clock Tower Precinct, V&A Waterfront, Cape Town 11:00 on 24 July 2008.

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 the Company 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	To receive, consider and adopt the annual financial statements of the Company for the financial year ended 31 December 2007			
2	Election of directors 2.1 To elect as a director, Mr C Aucamp 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 BM Caga in terms of the Articles of Association by reason of having been appointed by the board subsequent to the last annual general meeting			
	2.3 To elect as a director, Ms ND Mokone in terms of the Articles of Association by reason of having been appointed by the board subsequent to the last annual general meeting			
	2.4 To re-elect as a director, Mr PCS Luthuli who is retiring by rotation			
	2.5 To re-elect as a director, Dr GS Mahlati who is retiring by rotation			
	2.6 To re-elect as a director, Mr JS Smith who is retiring by rotation			
3	Ordinary resolution number 1 – appointment of auditors			
4	Ordinary resolution number 2 – control of authorised but unissued shares			
5	Ordinary resolution number 3 – approval to issue shares for cash			
6	Ordinary resolution number 4 – amendment to the "Enaleni Pharmaceuticals Share Incentive Scheme"			
7	Ordinary resolution number 5 – approval to perform limited secretarial duties			
8	Ordinary resolution number 6 – directors' authorisation			
9	Special resolution number 1 – approval to repurchase shares			
10	Special resolution number 2 – approval to change the name			

Signed at on 2008

Signature

Assisted by (where applicable)

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

Notes

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 the Company. 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 the Company 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 the Company.
11. Where there are joint holders of shares:
    - any one holder may sign the form of proxy;
    - 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 the Company'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 (Proprietary) Limited:

    Hand deliveries to:
    Computershare Investor Services (Proprietary) Limited
    Ground Floor, 70 Marshall Street
    Johannesburg, 2001

    Postal deliveries to:
    Computershare Investor Services (Proprietary) Limited
    PO Box 61051
    Marshalltown, 2107

    to be received by no later than 11:00 on 22 July 2008 (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.

Shareholders' diary

Annual general meeting	24 July 2008
Interim reporting period	30 June 2008
Interim report	August 2008
Financial year end	31 December 2008

Corporate information

Enaleni Pharmaceuticals Limited
Registration number 2002/018027/06
JSE code: ENL
ISIN: ZAE000067740

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