

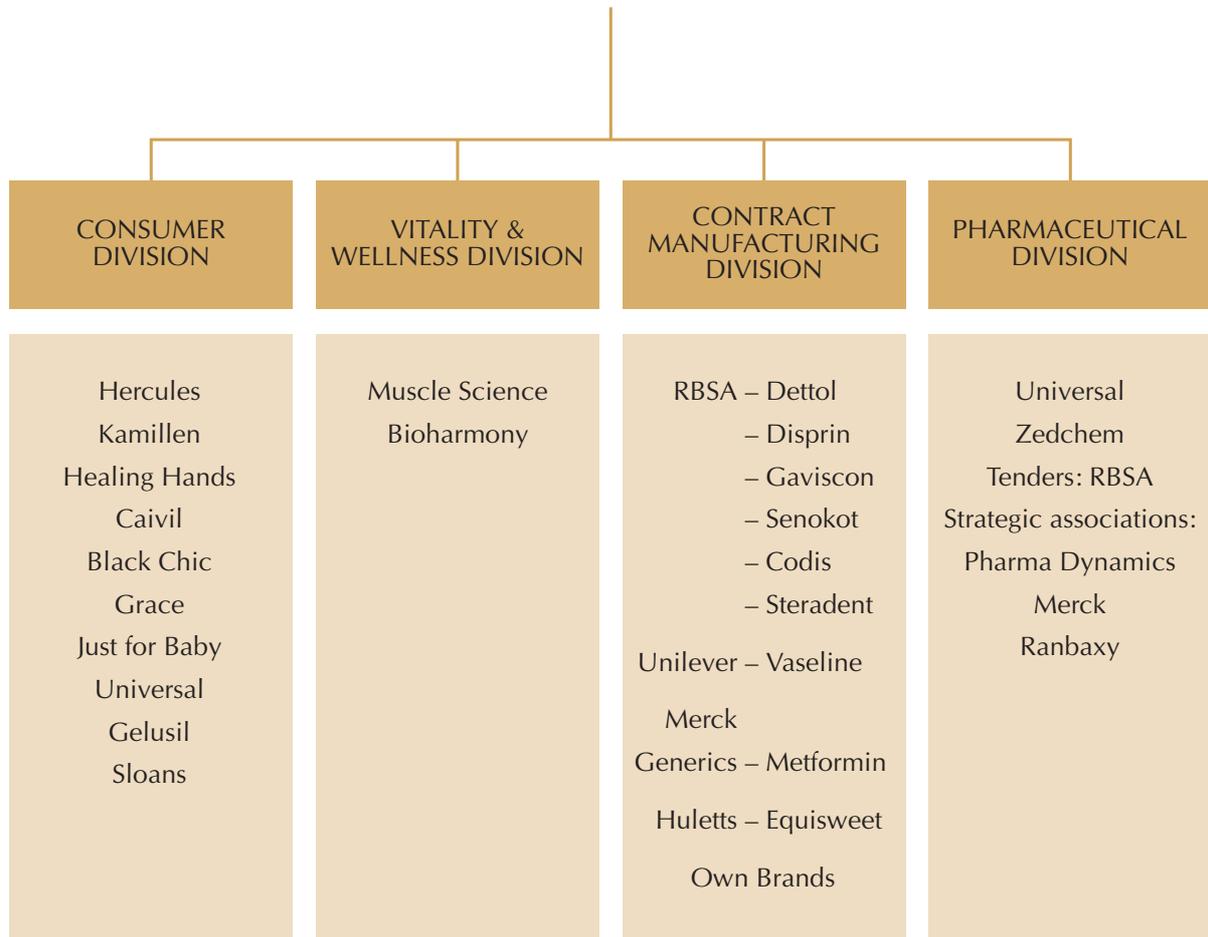


# PROSPECTUS 2005

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At the height of the Zulu Kingdom's strength, when Shaka ruled and the land provided her people with an abundance of wealth in the form of succulent grazing for the cattle and healthy crops for the people, a word was created to embody the idea of a place of promise and opportunity – that word was "Enaleni".



# Enaleni Pharmaceuticals Limited

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

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## PROSPECTUS

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**Prepared and issued in terms of the Listings Requirements ("the Listings Requirements") of the JSE Securities Exchange South Africa ("the JSE") relating to a private placing of Enaleni ordinary shares by way of an offer for subscription of 10 000 000 ordinary shares at an issue price of 100 cents per share in the share capital of Enaleni, thereby raising R10 000 000 before expenses ("the private placing") and the subsequent listing of the ordinary shares of Enaleni on the Alternative Exchange ("ALT<sup>x</sup>") of the JSE.**

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Opening date of private placing at 09:00 on	Monday, 30 May 2005
Closing date of private placing at 12:00 on*	Monday, 6 June 2005
Anticipated listing date on ALT <sup>x</sup> on	Friday, 10 June 2005

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*\*Shareholders wishing to receive shares in dematerialised form must advise their Central Securities Depository Participant ("CSDP") or broker of their acceptance of the offer to subscribe for shares in the manner and cut-off time stipulated by their CSDP or broker.*

This prospectus is not an invitation to the general public to subscribe for shares in Enaleni. This is an offer to selected members of the public to subscribe for shares in Enaleni and is issued in compliance with the Listings Requirements of the JSE and the Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), for the purpose of providing information to the public and investors with regard to Enaleni.

The authorised share capital of Enaleni comprises 500 000 000 ordinary shares of a par value of 0.1 cent each. The issued ordinary share capital of Enaleni currently comprises 103 545 024 ordinary shares of a par value of 0.1 cent each and, after the private placing, shall comprise 113 545 024 ordinary shares of a par value of 0.1 cent each.

The Enaleni ordinary shares issued in terms of the private placing will rank *pari passu* with all other Enaleni ordinary shares issued by Enaleni. Applications must be for a minimum of 5 000 shares and in multiples of 1 000 shares thereafter.

Subject to the required spread of public shareholders in terms of the Listings Requirements being obtained pursuant the private placing, the JSE has granted Enaleni a listing on ALT<sup>x</sup> under the abbreviated name "Enaleni", share code "ENL" and ISIN ZAE000067740, with effect from the commencement of business on Friday, 10 June 2005.

The directors of Enaleni, whose names are set out in paragraph 8 of this prospectus accept, collectively and individually, full responsibility for the accuracy of the information contained herein and certify that to the best of their knowledge and belief, there are no omissions or material facts or consideration which would make any statement of fact or opinion contained in this prospectus false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this prospectus contains all information required by law and the Listings Requirements.

KPMG Inc, whose reports are included in this prospectus, have given and have not, prior to publication, withdrawn their written consent to the inclusion of their reports in the form and context in which they appear. The Designated Adviser, attorneys, commercial banker and transfer secretaries, whose names are included in this prospectus, have given and have not, prior to registration, withdrawn their written consents to the inclusion of their names in the capacities stated.

An English copy of this prospectus, accompanied by the documents referred to under "Documents available for inspection" as set out in paragraph 30 of this prospectus, was registered by the Registrar of Companies on Thursday, 26 May 2005 in terms of section 155(1) of the Act.

**Warning: The listing of ordinary shares in the company is on ALT<sup>x</sup>. Investors are advised of the risks of investing in a company listed on ALT<sup>x</sup>. Investors are advised that the JSE does not guarantee the viability or the success of a company listed on ALT<sup>x</sup>. In terms of the Listings Requirements, the company is obliged to appoint and retain a Designated Adviser, which is required to, *inter alia*, attend all board meetings held by the company to ensure that all the Listings Requirements and applicable regulations are complied with, approve the Financial Director of the company and guide the company in a competent, professional and impartial manner. If the company fails to retain a Designated Adviser, it must make arrangements to appoint a new Designated Adviser within 10 business days, failing which the company faces suspension of trading of its securities. If a Designated Adviser is not appointed within 30 days of its suspension, the company faces the termination of its listing without the prospect of an appropriate offer to minority shareholders.**

**The Registrar of Companies has scrutinised the information disclosed in this prospectus. The Registrar of Companies does not express a view on the risk for investors or the price of the shares.**

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Designated Adviser



Auditors and reporting accountants



Attorneys



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## CORPORATE INFORMATION

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### Directors

P C S Luthuli\* (*Chairperson*)

D D T Tambo\*

T D Edwards

U Parusnath

P A Pillay

N M Sithole

S Whitfield†

D E Wolfson

(\* *Non-executive*)

(† *British*)

### Company secretary and registered office

Stanley Whitfield (FCA)

1474 South Coast Road

Mobeni

KwaZulu-Natal, 4060

(PO Box 32003, Mobeni, 4060)

Telephone: (031) 451 3800

Facsimile: (031) 469 2674

### Designated adviser

Exchange Sponsors (Pty) Limited

(Registration number 1999/024433/07)

39 First Road

Hyde Park, 2196

(PO Box 411216, Craighall, 2024)

Telephone: (011) 447 2951

Facsimile: (011) 447 1929

### Transfer secretaries

Computershare Investor Services 2004 (Pty) Limited

(Registration number 2004/003647/07)

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70 Marshall Street

Johannesburg, 2001

(PO Box 61051, Marshalltown, 2107)

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### Auditors and reporting accountants

KPMG Inc

(Registration number 1999/021543/21)

20 Kingsmead Boulevard

Durban, 4001

(PO Box 1496, Durban, 4000)

Telephone: (031) 327 6000

Facsimile: (031) 337 1157

### Attorneys

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22 Gardiner Street

Durban, 4001

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Telephone: (031) 367 8800

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### Commercial banker

Nedbank Limited

(Registration number 1951/000009/06)

90 Ordnance Road

Durban, 4001

(PO Box 5662, Durban, 4000)

Telephone: (031) 364 1111

Facsimile: (031) 364 2932

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## SALIENT FEATURES

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The salient features are a summary only. For full appreciation, this prospectus should be read in its entirety. The definitions commencing on page 8 of this prospectus apply *mutatis mutandis* to the salient features.

### 1. INCORPORATION AND HISTORY

- 1.1 Enaleni, Zulu for “place of promise”, has created a significant platform to become the leading empowerment pharmaceutical company in South Africa and the largest in KwaZulu-Natal through the initial successful implementation of a MBO in January 2003 of the South African pharmaceutical manufacturing plant of RBSA and selective acquisitions in the growing emerging pharmaceutical, personal care, and vitality and wellness markets.
- 1.2 Enaleni Pharmaceuticals (Pty) Limited was incorporated as a private company on 25 July 2002 and on 19 May 2005, the company converted to a public company under registration number 2002/018027/06.
- 1.3 The authorised share capital of Enaleni at incorporation of R1 000, comprising 1 000 ordinary shares of R1.00 each was sub-divided into 1 000 000 ordinary shares of 0.1 cent each and increased to 500 000 000 ordinary shares of 0.1 cent each on 19 May 2005.
- 1.4 On 19 May 2005, Enaleni completed the recent capital raising in terms of which it raised R20 million by the way of issue of an additional 22 880 000 ordinary shares that increased the issued ordinary shares of Enaleni to 103 545 024 before the private placing.

### 2. NATURE OF BUSINESS AND PROSPECTS

- 2.1 Enaleni is a marketer and manufacturer of pharmaceutical, personal care, vitality and wellness products and is ideally positioned through the aggressive development of existing brands, and the acquisition of well-established brands, as set out in paragraphs 2.4.1.1 and 2.4.2.1, to target the growing emerging market.
- 2.2 Enaleni reflects the successful transformation to a thriving empowerment company, where the empowerment component and the BEE executive directors hold, at the last practicable date, over 35% of the shares in Enaleni. Enaleni is committed to broad-based BEE and the economic transformation process.
- 2.3 Enaleni owns well-established brands that target the growing emerging markets and the vitality and wellness market. Major opportunities exist to expand these brands into new distribution channels, such as pharmacies, formal retail and export markets. Major retailers are actively increasing their purchases from BEE suppliers. This initiative bodes well for Enaleni considering the group’s BEE status. Enaleni will continue to acquire profitable brands/companies through outright purchases and joint ventures, thereby becoming one of South Africa’s leading pharmaceutical and personal care companies.
- 2.4 Enaleni’s current group structure comprises:

#### 2.4.1 Consumer Division

- 2.4.1.1 The Consumer Division includes the OTC pharmaceutical and the personal care markets. The major brands within the Consumer Division are: Hercules, Caivil, Just for Baby, Black Chic, Grace, Kamillen, Healing Hands, Universal, Gelusil, Sloans and Just for Kids.

## **2.4.2 Vitality & Wellness Division**

2.4.2.1 The Vitality & Wellness Division operates in the nutraceutical market, in the vitamin and mineral, herbal, sports nutrition, herbal teas, slimming, health bars and food supplement categories. The Division manufactures and markets the following core brands:

- Muscle Science; and
- Bioharmony.

The original 49% owner-managers still manage this Division.

## **2.4.3 Contract Manufacturing Division**

2.4.3.1 Enaleni's pharmaceutical manufacturing facility, which comprises a 10 000 m<sup>2</sup> climate controlled facility in Durban, KwaZulu-Natal is approved by the MCC and presently produces 7 000 tons of liquids and 850 million tablets per annum. Enaleni presently leases some of the manufacturing equipment from RBSA, but intends to negotiate the purchase thereof at the end of 2005. The building in which the pharmaceutical manufacturing facility is located is leased from Investec Bank as set out in paragraph 20.

2.4.3.2 Enaleni's pharmaceutical manufacturing facility has manufacturing capabilities in tablets, liquids, creams, powders, sachet filling, hard gelatine capsules, effervescent, granulations and labelling. It is also able to undertake laboratory testing and is in the process of acquiring additional capabilities in tablet coating, tube filling and blister packing.

2.4.3.3 Enaleni has an exclusive manufacturing agreement to produce market leading branded pharmaceuticals on behalf of RBSA. These brands are: Dettol, Disprin, Gaviscon, Senokot, Codis and Steradent.

2.4.3.4 Enaleni has also secured contract manufacturing from large multi-nationals such as Unilever, Hulets and others that are actively outsourcing their manufacturing in line with international trends with a preference towards appointing empowerment contract manufacturers.

## **2.4.4 Pharmaceutical Division**

2.4.4.1 Enaleni finalised a strategic association agreement in May 2005 with RBSA and is in the process of finalising a similar arrangement with another multi-national pharmaceutical company to tender for the manufacture and supply of pharmaceutical products to the Government, thereby establishing an important bridgehead into the Government market. The Government is increasingly supportive of, and also offers incentives and discounts to, local companies competing in the tender market. This platform will also enable Enaleni to market Kamillen's and Universal's pharmaceutical products into the tender market. Universal owns certain dossiers, which will be the nucleus of the Enaleni Pharmaceutical Division. The acquisition in January 2005, by way of a 50% owned joint venture with Pharma Dynamics (Pty) Limited, of Gelusil and Sloans has further strengthened this operating Division.

2.4.4.2 Enaleni has acquired the entire issued share capital of Zedchem. Zedchem has a significant share in the tender market for disinfectants and electrolytes replacement products. The market for these types of products are rapidly growing because of the incidence of AIDS in Southern Africa and because of the Government's policy of affordable health for all.

2.4.4.3 Enaleni has created a platform, which enables the company to acquire pharmaceutical brands and companies. The integration of these brands and companies into the Enaleni manufacturing platform will result in substantial synergies, economies of scale and cost savings.

### 3. THE PRIVATE PLACING

#### 3.1 Salient features

**3.1.1** The salient features of the private placing are as follows:

– Offer price per ordinary share (cents)	100
– Par value per ordinary share (cents)	0.1
– Premium per ordinary share (cents)	99.9
– Number of ordinary shares offered in terms of private placing	10 000 000
– Issue consideration before expenses	R10 million

**3.1.2** The opening and closing dates of the private placing are as follows:

– Opening date of the private placing at 09:00 on	Monday, 30 May 2005
– Closing date of private placing at 12:00 on	Monday, 6 June 2005
– Anticipated listing date on ALT <sup>x</sup> on	Friday, 10 June 2005

**3.1.3** The purpose of the private placing is to:

- enhance investor and general public awareness of Enaleni's activities;
- afford specifically identified members of the investment community, current shareholders, clients, selected financial institutions and business associates of Enaleni the opportunity to participate directly or increase their participation in Enaleni;
- broaden Enaleni's shareholder base, facilitate empowerment and obtain the spread of shareholders required for the listing of Enaleni's shares in terms of the Listings Requirements;
- raise further capital for expansion and to provide the flexibility of listed shares to allow the company to take advantage of acquisitive growth opportunities;
- attract and retain intellectual capital through the incentive of meaningful equity participation.

**3.1.4** Those private individuals, corporations and institutions that have been invited to apply should do so by completing the attached private placing application in accordance with the provisions of this prospectus and the instructions contained in the private placing application.

**3.1.5** No offer will be made to the general public in terms of the private placing. The private placing will be made to selected applicants only.

**3.1.6** Applications must be for a minimum of 5 000 shares and in multiples of 1 000 shares thereafter.

### 4. THE LISTING

Subject to the achievement of the required spread of public shareholders, the JSE has formally approved the listing of 113 545 024 ordinary shares in the share capital of Enaleni on ALT<sup>x</sup> with effect from commencement of business on Friday, 10 June 2005. The shares will trade under the abbreviated name "Enaleni", with the code "ENL" and ISIN ZAE000067740.

### 5. SUMMARY OF HISTORICAL AND FORECAST INCOME STATEMENTS

Set out below is a summary of the historical and forecast financial information of Enaleni for the financial periods ended 31 December 2004, ending 31 December 2005 and 31 December 2006, the preparation of which is the responsibility of the directors. The forecasts should be read in conjunction with KPMG Inc's report thereon as set out in Annexure 4.

## 5.1 Extracts from historical and forecast income statements

	<b>Audited 31 December 2004 R'000</b>	<b>Forecast 31 December 2005 R'000</b>	<b>Forecast 31 December 2006 R'000</b>
<b>Revenue<sup>(1)</sup></b>	<b>120 473</b>	<b>213 704</b>	<b>260 994</b>
Gross profit	38 245	104 598	136 903
Less: Staff costs	(14 007)	(33 188)	(38 106)
Share-based payments	–	(600)	–
Retrenchment costs	–	(1 706)	–
Other operating expenses	(18 454)	(53 629)	(70 137)
<b>EBITDA</b>	<b>5 784</b>	<b>15 475</b>	<b>28 660</b>
Depreciation	(766)	(2 927)	(3 893)
Profit before interest and taxation	5 018	12 548	24 767
Net interest paid	(1 118)	(2 928)	(1 763)
<b>Profit before taxation</b>	<b>3 900</b>	<b>9 620</b>	<b>23 004</b>
Taxation	(848)	(2 551)	(6 671)
<b>Profit after taxation</b>	<b>3 052</b>	<b>7 069</b>	<b>16 333</b>
Minority interests	277	(603)	(1 350)
<b>Earnings attributable to ordinary shareholders</b>	<b>3 329</b>	<b>6 466</b>	<b>14 983</b>
Add: Net non-recurring costs for headline earnings <sup>(2)</sup>	–	745	–
<b>Headline earnings attributable to ordinary shareholders</b>	<b>3 329</b>	<b>7 211</b>	<b>14 983</b>
Weighted average shares in issue <sup>(4)</sup>	47 770 700	98 478 686	113 545 024
Earnings per share (cents)	7.0	6.6	13.2
Headline earnings per share (cents)	7.0	7.3	13.2
Dividend per share (cents)	0.7	–	–

### Notes:

- (1) The increase in revenue from 2004 to 2005 is mainly attributable to the fact that the annualised effect of the acquisitions made by Enaleni in 2004 is fully appreciated in 2005. In addition Enaleni acquired other companies and brands after 31 December 2004 as set out in paragraph 21 of this prospectus.
- (2) The non-recurring costs refer to retrenchment costs, which are set out in paragraph 10.3 of this prospectus.
- (3) The assumptions upon which the forecast income statements are based are set out in paragraph 10.3 of this prospectus.
- (4) *Pro forma* calculation for 31 December 2004 is based on the conversion of the original 100 weighted number of ordinary shares in issue to 47 770 700 on 19 May 2005.
- (5) Additional non-recurring costs will be incurred in 2005 that refer to share-based payments and restructuring costs to the amount of R1.066 million to reflect sustainable earnings for Enaleni of R8.277 million, being 8.4 cents per share, and is set out in paragraph 10.3 of this prospectus.

## 6. COPIES OF THE PROSPECTUS

Copies of the prospectus, in English, may be obtained, during business hours, prior to the closing of the private placing, from the registered offices of Enaleni, Exchange Sponsors and the transfer secretaries, details of which are set out in the “Corporate information” section of this prospectus.

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## IMPORTANT DATES AND TIMES

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### 2005

Abridged prospectus released on SENS on	Monday, 30 May
Opening date of the private placing at 09:00 on	Monday, 30 May
Closing date of private placing at 12:00 on	Monday, 6 June
Listing of Enaleni on ALT <sup>x</sup> at 09:00 on	Friday, 10 June
Safe custody accounts at CSDP or broker updated in respect of dematerialised shareholders on or about <sup>(1)</sup>	Friday, 10 June
Posting of share certificates in respect of certificated shareholders on or about	Monday, 13 June
Refund of surplus private placing application monies received (where applicable) on	Wednesday, 15 June

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#### Notes:

- (1) CSDP's effect payment on a delivery versus payment basis.
- (2) The above dates are subject to change. Any such change will be released on SENS.
- (3) Shareholders wishing to receive shares in dematerialised form must advise their CSDP or broker of their acceptance of the offer to subscribe for shares in the manner and cut-off time stipulated by their CSDP or broker.

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## DEFINITIONS

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In this prospectus, annexures and the attachment hereto, unless the context indicates otherwise, references to the singular include the plural and *vice versa*, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa* and words in the first column hereunder have the meanings stated opposite them in the second column, as follows:

“the Act”	the Companies Act, 1973 (Act 61 of 1973), as amended;
“Act 90 of 1997” or “Act 90”	the Medicines and Related Substances Control Amendment Act, 90 of 1997;
“ALT <sup>x</sup> ”	the Alternative Exchange of the JSE;
“applicants”	selected private individuals, corporations and institutions that have been invited to subscribe for Enaleni shares in terms of the private placing;
“auditors” or “independent reporting accountants”	KPMG Inc (Registration number 1999/021543/21), a company incorporated in accordance with the laws of South Africa;
“BEE”	as defined in the Broad-Based Black Economic Empowerment Act, 53 of 2003, and which means the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies;
“Bioharmony”	Bioharmony CC (Registration number 1990/011900/23), a close corporation incorporated in accordance with the laws of South Africa, currently being converted to a private company, or the product brand name;
“business day”	any day other than a Saturday, Sunday or official public holiday in South Africa;
“certificated shares”	shares which have not yet been dematerialised, title to which is represented by a share certificate or other documents of title;
“CHIETA”	Chemical Industries Education and Training Authority;
“common monetary area”	the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho;
“Consumer Division”	includes the trading activities of the Enaleni subsidiaries, Enaleni Pharmaceuticals Consumer Division (Pty) Limited, trading as Modex Cosmetics, Kamillen Pharmaceuticals (Pty) Limited, the assets acquired of Kenmel Products (Pty) Limited (Registration number 1950/036520/07), CPF International (Pty) Limited (Registration number 1995/007913/07), the joint venture between Enaleni and Pharma Dynamics (Pty) Limited (Registration number 2001/001124/07) and the licence under which brands owned by Universal Pharmaceuticals (Pty) Limited are manufactured by Enaleni;
“CPIX”	Consumer Price Index;
“CSDP”	Central Securities Depository Participant accepted as a participant in terms of the Custody and Administration of Securities Act, 1992 (Act 85 of 1992), appointed by an individual shareholder for purposes of, and in regard to the dematerialisation of documents of title for purposes of incorporation into the STRATE system;
“dematerialised shares”	shares which have been incorporated into the STRATE System and which are not evidenced by certificates or physical documents of title;
“Designated Adviser”	Exchange Sponsors (Pty) Limited (Registration number 1999/024433/07), a company incorporated in accordance with the laws of South Africa, a Designated Adviser as contemplated in the Listings Requirements;

“the directors” or “the board of directors”	the directors of Enaleni, further details of whom appear in paragraph 8;
“documents of title”	share certificates, certified transfer deeds in respect of balance receipts and electronic statements and dematerialised shares or any other documents of title acceptable to Enaleni in respect of shares;
“the DTI”	the Department of Trade and Industry South Africa;
“EBITDA”	earnings before interest, taxation, depreciation and amortisation;
“Enaleni” or “the company”	Enaleni Pharmaceuticals Limited (Registration number 2002/018027/06), a public company incorporated in accordance with the laws of South Africa;
“emigrant”	an emigrant from South Africa, whose address is outside the common monetary area;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961, as amended, promulgated in terms of section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended;
“Government”	the Government of the Republic of South Africa;
“group”	collectively, the company and its subsidiaries;
“HDSA’s”	historically disadvantaged South African citizens, being South African citizens who were socially, politically and economically disadvantaged by the legacy of the political disposition prior to 28 April 1994;
“incorporation”	the date of incorporation of Enaleni, being 25 July 2002;
“the issue consideration”	the total issue consideration of the private placing, being R10 million;
“JSE”	JSE Securities Exchange South Africa;
“Kamillen”	Kamillen Pharmaceuticals (Pty) Limited (Registration number 1969/006528/07), a private company incorporated in accordance with the laws of South Africa, or the product brand name;
“the last practicable date”	the last practicable date prior to the finalisation of this prospectus, which date was Thursday, 19 May 2005;
“the listing”	the proposed listing of the entire issued ordinary share capital of Enaleni on ALT <sup>x</sup> , which listing is anticipated to commence at 09:00 on Friday, 10 June 2005;
“Listings Requirements”	the Listings Requirements of the JSE;
“MAC”	Manufacturing Advisory Council;
“MBO”	the management-buy-out in January 2003 of the exclusive rights to manufacture RBSA pharmaceutical products in South Africa;
“MCC”	Medicines Control Council of South Africa;
“Modex Cosmetics”	Enaleni Pharmaceuticals Consumer Division (Pty) Limited, trading as Modex Cosmetics (Registration number 1977/001752/07), a private company incorporated in accordance with the laws of South Africa;
“Muscle Science” or “Aldabri 53 (Pty) Limited, trading as Muscle Science”	Aldabri (Pty) Limited, trading as Muscle Science (Registration number 2004/002183/07), a private company incorporated in accordance with the laws of South Africa, or the product brand name;
“NEF”	the National Empowerment Trust, Trust No. IT10145/00, with its principal place of business at 230 Jan Smuts Avenue, Dunkeld West, Johannesburg, that operates as a catalyst for BEE in South Africa;
“non-resident”	a person whose registered address is outside the common monetary area and who is not an emigrant;
“OTC”	Over-the-Counter pharmaceutical products;

“own-name registration”	shareholders who hold shares that have been dematerialised and are recorded by the CSDP on the register kept by that CSDP in the name of such shareholder;
“ordinary shares” or “shares”	ordinary shares of 0.1 cent each in the share capital of the company;
“PMA”	Pharmaceutical Manufacturers’ Association South Africa;
“prime”	the prime interest rate quoted by Nedbank Limited from time to time, nominal annual compounded monthly in arrears, as certified by any manager or director of such bank (whose appointment it shall not be necessary to prove) which certificate shall be final and binding on the parties;
“private placing”	the private placing by Enaleni of 10 000 000 ordinary shares at an issue price of 100 cents per ordinary share with applicants;
“the private placing application”	the application form in respect of the placing, attached to and forming part of this prospectus;
“the private placing shares”	the 10 000 000 new Enaleni shares offered for subscription in terms of the private placing;
“this prospectus”	this bound document, dated 26 May 2005, including all annexures and the attachment hereto;
“Rand” or “R”	South African Rand;
“the recent capital raising”	the raising of R20 million by Enaleni from select investors during April 2005 and until 19 May 2005 by the issue of 22 880 000 Enaleni ordinary shares;
“the register”	the register of shareholders;
“the Registrar”	the Registrar of Companies in South Africa;
“RBSA”	Reckitt Benckiser South Africa (Pty) Limited (Registration number 1970/014554/07) a private company incorporated in accordance with the laws of South Africa;
“SENS”	the Securities Exchange News Service of the JSE;
“shareholders”	registered holders of ordinary shares in Enaleni;
“share incentive schemes”	the Enaleni Pharmaceuticals Share Incentive Scheme and the Enaleni Broad-Based Share Incentive Scheme, the salient features of which are set out in Annexure 8;
“South Africa”	the Republic of South Africa;
“STRATE”	the settlement and clearing system used by the JSE, managed by STRATE Limited (Registration number 1998/022242/06), a public company incorporated in South Africa and which is a registered central securities depository in terms of the Custodian and Administration of Securities Act, 85 of 1992, as amended;
“transfer secretaries”	Computershare Investor Services 2004 (Pty) Limited (Registration number 2004/003647/07), a private company incorporated in South Africa of Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107);
“Universal”	Universal Pharmaceuticals (Pty) Limited (Registration number 1957/003065/07), a private company incorporated in accordance with the laws of South Africa;
“Vitality & Wellness Division”	includes the trading activities of the Enaleni subsidiaries, Aldabri 53 (Pty) Limited, trading as Muscle Science and Bioharmony (Pty) Limited; and
“Zedchem”	Zedchem (Pty) Limited (Registration number 1995/013898/07), a private company incorporated in accordance with the laws of South Africa.



## Enaleni Pharmaceuticals Limited

(Incorporated in the Republic of South Africa)

(Registration number 2002/018027/06)

(JSE code: ENL ISIN: ZAE000067740)

("Enaleni" or "the company")

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### Directors

P C S Luthuli\* (*Chairperson*)

D D T Tambo\*

T D Edwards

U Parusnath

P A Pillay

N M Sithole

S Whitfield †

D E Wolfson

(\* *Non-executive*)

(† *British*)

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## PROSPECTUS

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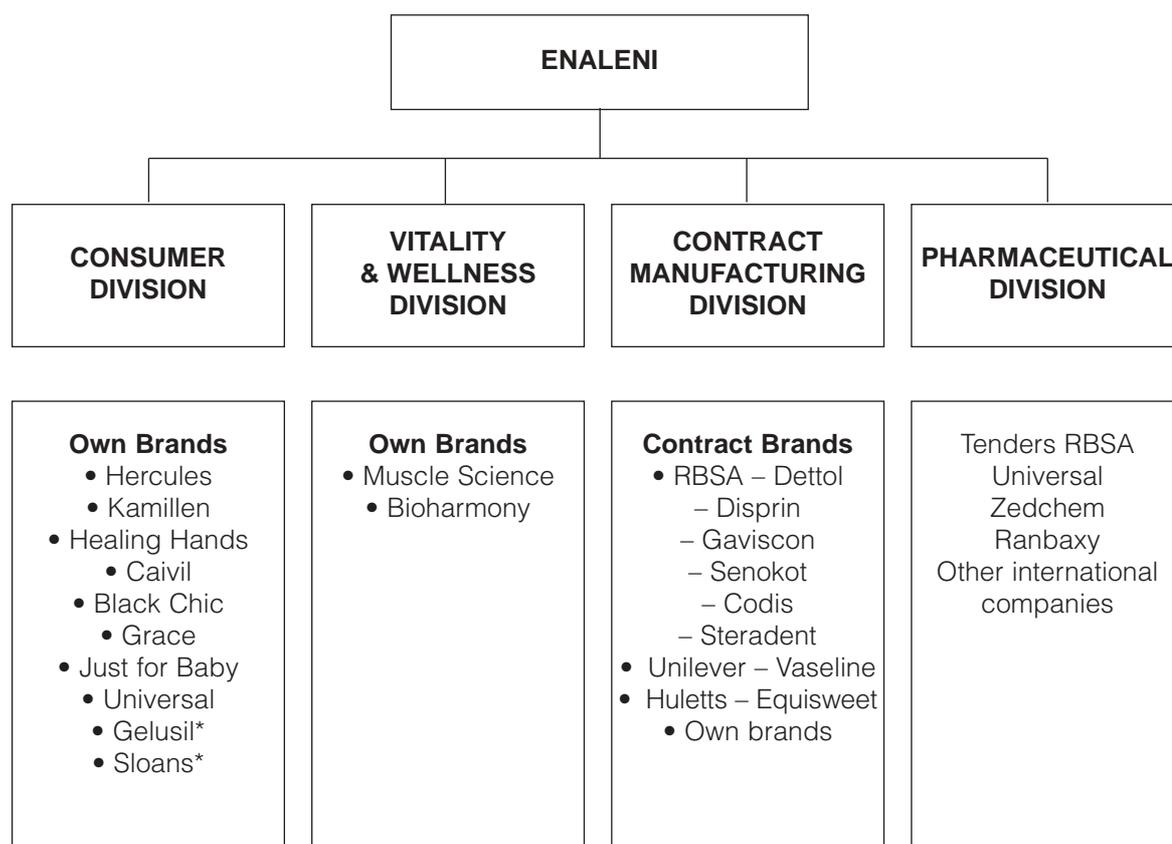
### 1. INTRODUCTION AND HISTORY

- 1.1 Enaleni, Zulu for "place of promise", has created a significant platform to become the leading empowerment pharmaceutical company in South Africa and the largest in KwaZulu-Natal through the initial successful implementation of the MBO in January 2003 of the South African pharmaceutical manufacturing plant of RBSA and selective acquisitions in the growing emerging pharmaceutical, personal care, vitality and wellness markets.
- 1.2 The first acquisition was made in April 2004 by Enaleni when the business of Muscle Science, which focuses on the fast growing vitality and wellness market, was acquired into Aldabri 53 (Pty) Limited, a company now owned 51% by Enaleni and 49% by the previous owners of Muscle Science. In July 2004 established brands that focus on the growing emerging consumer markets were acquired through the acquisition of 100% of the shareholding of Kamillen and the purchase of the net assets of Kenmel Products (Pty) Limited. In December 2004 100% of CPF International (Pty) Limited, the owner of the Caivil hair care brands, was acquired.
- 1.3 On 1 January 2005 Enaleni acquired 100% of Modex Cosmetics, a marketer and manufacturer of consumer care products. Thereafter Enaleni acquired 51% of Bioharmony, 100% of Zedchem, established a joint venture with Pharma Dynamics (Pty) Limited for the manufacture of Gelusil and Sloans, and a licence agreement with Universal to manufacture its products, together with an option to acquire its entire issued share capital. No separate historical financial information is provided on the individual subsidiaries acquired by Enaleni since 1 January 2005 as the historical profits of these subsidiaries do not exceed 10% of the historical profits of Enaleni and are therefore not considered material in terms of the Listings Requirements. Paragraph 21 contains information of Enaleni subsidiaries and Annexure 9 details the group structure.
- 1.4 The Enaleni management team has successfully transformed the group from a pharmaceutical contract manufacturer, with contract manufacturing previously accounting for 100% of sales, to a brand owner with more than 50% of sales being derived from its own brands, as well as from the pharmaceutical, personal care, vitality and wellness markets and contract manufacturing customers, other than RBSA.

- 1.5** A key strategy in the acquisition of suitable, strategically aligned brands and/or companies, is to ensure that the acquired brands can be manufactured either in Enaleni's pharmaceutical manufacturing facility in Mobeni, KwaZulu-Natal, or in the Enaleni Consumer Division's manufacturing facility in Phoenix, KwaZulu-Natal. This leads to substantial cost savings and economies of scale.
- 1.6** Enaleni has developed into KwaZulu-Natal's leading pharmaceutical manufacturing and personal care company and one of South Africa's leading empowerment pharmaceutical companies.
- 1.7** Enaleni Pharmaceuticals (Pty) Limited was incorporated as a private company on 25 July 2002 and, on 19 May 2005, the company converted to a public company under registration number 2002/018027/06.
- 1.8** The authorised share capital of Enaleni at incorporation of R1 000, comprising 1 000 ordinary shares of R1.00 each, was sub-divided into 1 000 000 ordinary shares of 0.1 cent each and was increased to 500 000 000 ordinary shares of 0.1 cent each on 19 May 2005.
- 1.9** On 19 May 2005, Enaleni completed the recent capital raising in terms of which it raised R20 million by the way of issue of an additional 22 880 000 ordinary shares as set out in paragraph 9.6 of this prospectus, that increased the issued ordinary shares to 103 545 024 before the private placing.
- 1.10** During the preceding three years, Enaleni has not offered shares to the public, either for subscription or for sale.

## 2. GROUP STRUCTURE

**2.1** A diagram of the operational structure and key brands is as follows:



\* 50% Joint venture with Pharma Dynamics (Pty) Limited, refer to paragraph 3.2.4.1.

Paragraph 21 below contains information of Enaleni's subsidiaries and Annexure 9 details the legal group structure that reflects the percentage holdings of each subsidiary.

### **3. NATURE OF BUSINESS**

**3.1** Enaleni is a marketer and manufacturer of pharmaceutical, consumer care, vitality and wellness products and is ideally positioned through the development and growth of existing brands and its acquisition of well-established brands, to target the growing emerging markets in South Africa.

**3.2** Enaleni's operations take place as follows:

#### **3.2.1 Consumer Division**

3.2.1.1 The Consumer Division includes the OTC pharmaceutical and the personal care markets. The major brands within the Consumer Division are: Hercules, Caivil, Just for Baby, Black Chic, Grace, Kamillen, Healing Hands, Universal, Gelusil, Sloans and Just for Kids.

3.2.1.2 The products of the Consumer Division are manufactured in the company owned 4 600 m<sup>2</sup> plant in Phoenix, KwaZulu-Natal that operates at 40% of its capacity, having substantial capacity for increased production.

#### **3.2.2 Vitality & Wellness Division**

3.2.2.1 The Vitality & Wellness Division operates in the exciting nutraceutical market in the vitamin and mineral, herbal, sports nutrition, herbal teas, slimming and food supplement categories. The Division manufactures and markets the following core brands:

- Muscle Science; and
- Bioharmony.

The original 49% owner-managers still manage this Division.

#### **3.2.3 Contract Manufacturing Division**

3.2.3.1 Enaleni's pharmaceutical manufacturing facility is approved by the MCC and presently produces 7 000 tons of liquids and 850 million tablets per annum in its 10 000 m<sup>2</sup> climate controlled facility in Durban, KwaZulu-Natal that operates at 50% of its capacity. Enaleni presently leases some of the manufacturing equipment from RBSA but intends to negotiate the purchase thereof at the end of 2005. The building in which the pharmaceutical manufacturing facility is located is leased from Investec Bank as set out in paragraph 20 below.

3.2.3.2 Enaleni's pharmaceutical manufacturing facility has manufacturing capabilities in tablets, liquids, creams, powders, sachet filling, hard gelatine capsules, effervescent, granulations and labelling. It is also able to undertake laboratory testing and is in the process of acquiring additional capabilities in tablet coating, tube filling and blister packing.

3.2.3.3 Enaleni has an exclusive manufacturing agreement to produce market leading branded pharmaceuticals on behalf of RBSA. These brands are: Dettol, Disprin, Gaviscon, Senokot, Codis and Steradent. Enaleni has also secured contract manufacturing from large multi-nationals such as Unilever, Hulets and others that are actively appointing empowerment contract manufacturers.

#### **3.2.4 Pharmaceutical Division**

3.2.4.1 Enaleni finalised a strategic association agreement in May 2005 with RBSA and is in the process of finalising a similar arrangement with another multi-national pharmaceutical company to tender on their behalf for the supply of pharmaceutical products to the Government, thereby establishing an important bridgehead into the Government market. This platform will enable Enaleni to market Kamillen and Universal's pharmaceutical products into the tender market. Universal owns certain dossiers, which will be the nucleus of the Enaleni Pharmaceutical Division. It should be noted that the Government offers substantial incentives and discounts for local companies competing in the tender market. The acquisition, by way of a 50% owned joint venture in January 2005 with Pharma Dynamics (Pty) Limited of Gelusil and Sloans, where Enaleni is responsible for the manufacturing and the marketing of the Gelusil and Sloans products in food stores and Pharma Dynamics (Pty) Limited is responsible for the marketing of the products in retail pharmacies, will further strengthen this operating Division.

3.2.4.2 Enaleni acquired the entire issued share capital of Zedchem in May 2005, which has a significant share in the tender market for infection control and electrolytes replacement products. The market for these types of products are rapidly growing because of the incidence of AIDS in Southern Africa and because of the Government's policy of affordable health for all. Zedchem has entered into a strategic relationship with Ranbaxy to market Zedchem's Gastrolyte brand into the private market.

- 3.3** Each business division is separately managed and run by highly experienced executive teams focused on realising maximum value and potential for shareholders and other stakeholders.
- 3.4** Due to the convenient location in KwaZulu-Natal, and Enaleni's high volume cost effective manufacturing facilities, there is a substantial opportunity for export business over the medium term.
- 3.5** The businesses in the Enaleni group do not receive any Government protection, but investment incentives have been introduced by the DTI for new manufacturing concerns, for which Enaleni qualifies. These incentives have not been taken into account in the profit forecasts due to the uncertainty of the timing of distribution thereof to Enaleni, once approved by the DTI.
- 3.6** There have been no material changes in the business of Enaleni since incorporation, other than set out in this prospectus in paragraphs 17 and 21 below.

## **4. PROSPECTS**

Enaleni is uniquely positioned to provide affordable healthcare for the growing emerging pharmaceutical, personal care, and vitality and wellness markets. Enaleni's strong empowerment credentials provide it with excellent growth prospects in these markets.

### **4.1 Pharmaceutical market**

**4.1.1** The pharmaceutical industry is under pressure to transform itself and to comply with the policy of the Government to provide affordable, quality healthcare for all South Africans. Enaleni, as the leading BEE pharmaceutical company, is ideally positioned to provide contract manufacturing services to healthcare brand and product owners and also to benefit as an owner and manufacturer of its own brands and products. The Minister of Health, Dr Manto Tshabalala-Msimang, has committed herself to forming a Health Charter. The cosmetics industry has recently established a working group to explore the implementation of the Cosmetics Industry Charter. Enaleni is well-positioned to capitalise on opportunities that will emerge as a result of these developments since the company is acknowledged to be one of South Africa's leading empowerment pharmaceutical and personal care companies.

### **4.2 Consumer Division**

- 4.2.1** The brands acquired to date are well-established and target the growing emerging markets. Major opportunities exist to expand these brands into new distribution channels, such as pharmacies, formal retail and export markets. Major retailers are actively increasing their purchases from BEE suppliers. This initiative bodes well for Enaleni considering the group's BEE status.
- 4.2.2** Enaleni will aggressively grow existing brands, and will continue to acquire profitable brands/companies through outright purchase and joint ventures, thereby reinforcing its position as one of South Africa's leading pharmaceutical and personal care companies.
- 4.2.3** The success of the Consumer Division is based on the development of "power" brands which are competing in high growth markets, and which enjoy significant category and market share leadership.

### **4.3 Vitality & Wellness Division**

**4.3.1** Enaleni has adopted a strategy to become a major player in the rapidly growing vitality and wellness market. This includes positioning its brands (Muscle Science – sports nutrition, active lifestyle and Bioharmony – the natural alternative) to allow the company to compete for market leadership within a three-year period.

### **4.4 Pharmaceutical Division**

**4.4.1** The major opportunity in the pharmaceutical industry lies in the affordable healthcare market, which includes targeting the Essential Drug List and tenders. Enaleni is well-positioned to capitalise on and establish itself as a major player in this industry. Enaleni will pursue acquisitions and progress strategic alliances with local and international companies and will develop its own brands to compete in this market.

### **4.5 Contract Manufacturing Division**

**4.5.1** Enaleni will continue to manufacture brands for leading international and South African companies. There are exciting prospects for Enaleni to secure new business because of international companies moving towards outsourcing in line with international trends and with a view to meeting BEE requirements.

## **5. BEE PROFILE**

**5.1** Enaleni reflects the successful transformation of a thriving empowerment company, where the empowerment component and the BEE executive directors hold, at the last practicable date, over 35% of the shares in Enaleni. Enaleni supports skills transfer in the BEE environment and has instigated a constant mentoring process of HDSA executives in order to develop their skills and enhance experience. One of the successes to date has been the appointment of Umesh Parusnath as Managing Director of Enaleni's Contract Manufacturing Division.

**5.2** Enaleni fits the profile of a true empowerment company. Empowerdex, the economic empowerment rating agency has awarded the Enaleni group with an "A" rating. In addition:

- up to 35% of all purchases of products and services are from empowerment companies;
- Enaleni is involved in a substantial Skills Development Programme through the assistance of KwaZulu-Natal MAC and CHIETA;
- Enaleni finances bursaries for black pharmacists at the University of KwaZulu-Natal;
- Enaleni supports the Enaleni Secondary School in KwaZulu-Natal; and
- Enaleni is involved in BEE business enterprise development.

**5.3** Refer to Annexure 11 for a summary of BEE and other Enaleni awards.

## **6. INDUSTRY OVERVIEW**

**6.1** In May 2004, after lengthy debate and delay, the Department of Health implemented the final section of Act 90 of 1997 that amended Act 101 of 1965. The purpose of the amendment to such Act was largely to accomplish the objective of the national drug policy. The new legislation focuses on the provision of an equitable health service for all South Africans with emphasis on accessibility and affordability.

**6.2** When fully implemented the main impact of the amendment to Act 90 of 1997 will be felt through the following provisions:

- introduction of the Pharmaceutical Pricing Committee;
- allowance of parallel importation, which the Government has put on the table to the industry if the costs of medicines in South Africa do not decrease. If the industry does not drive the cost of medicines down, the Government or other stakeholders will parallel import by tender;
- compulsory licensing;

- “single exit pricing”, which is geared to provide a transparent pricing system for medicines with the ultimate intention of reducing the price of medicines;
  - generic substitutions;
  - elimination of “perverse incentives”;
  - fast track registration – for generic products; and
  - implementation of the marketing code of practice for all health professionals.
- 6.3** The South African pharmaceutical industry is characterised by a high level of domestic production that is predominantly the finishing of products from imported raw materials or semi-finished packs. Many of the major international manufacturers are present either through direct manufacturing facilities, licensing agreements with local producers or distribution operations.
- 6.4** The high level of care given by the private sector ensures that the latest drugs are in demand, while the Government’s reform plans ensure that demand for lower end drugs, especially generics, will continue to be strong. According to IMS Health (a New York Stock Exchange Inc listed company, providing pharmaceutical market information, research analysis and services to over 100 countries) data, generics accounted for 20% of the private drug market by value and 40% by volume in 2004 in South Africa. Considering the country’s HIV status, potential demand for affordable HIV/AIDS drugs is immense.
- 6.5** For many years this industry has operated in a protected environment, which was self-regulated with minimum interference from the Government. This market has always been divided into two sectors:
- Private Sector – drug spending accounts for 82.4% of the industry in terms of value worth approximately R15 billion in 2004; and
  - Public Sector – drug spending accounts for 17.6% of the industry in terms of value worth approximately R2.64 billion in 2004.
- 6.6** According to the PMA the pharmaceutical industry output or domestic production was worth R5.79 billion in 2000. There are high barriers to entry, due to the cost of investment to remain competitive in the global market and to compete with the supply of cheap drugs from abroad, which should further increase with the Government’s pharmaceutical regulatory reform that permit parallel trade and international tendering.

## 7. MAJOR SHAREHOLDERS

- 7.1** The shareholders, other than a director, that are, directly, beneficially interested in 5% or more of the issued ordinary share capital of Enaleni, at the last practicable date, are as follows:

Name of shareholder	Number of shares	Percentage held
Old Mutual Life Assurance Company (South Africa) Limited	10 367 756	10.0
Nedbank Limited	9 566 161	9.2
	<b>19 933 917</b>	<b>19.2</b>

- 7.2** No other shareholder will, insofar as the directors of Enaleni are aware, directly or indirectly, hold 5% or more of the issued share capital of Enaleni following the capital raising and private placing. The company will have a public shareholding of at least 100 shareholders that will hold a minimum of 10% of the ordinary shares on the day of listing. There is no controlling shareholder in Enaleni.
- 7.3** There will be no change in the controlling shareholder as a result of the recent capital raising and private placing.
- 7.4** There have been no changes in the controlling shareholders and trading objects of Enaleni and its subsidiaries since incorporation.

## 8. DIRECTORS AND EXECUTIVE MANAGEMENT

### 8.1 Details of directors

**8.1.1** The full names, ages, occupation and business addresses of the directors of Enaleni are outlined below:

<b>Full name</b>	<b>Age</b>	<b>Occupation</b>	<b>Business address</b>
Penuell Cornwell Sibusiso Luthuli* (Chairperson)	32	Managing Director of Ithala Limited	13 Crompton Road Pinetown, KwaZulu-Natal 3601
Dali David Thabo Tambo *	46	Chairperson and Chief Executive Officer of Koketso Holdings (Pty) Limited	13 Erlswold Way Saxonwold, Gauteng 2196
Trevor Doyle Edwards	47	Chief Executive Officer	1474, South Coast Road Mobeni, KwaZulu-Natal 4060
Umesh Parusnath	34	Managing Director Contract Manufacturing	1474, South Coast Road Mobeni, KwaZulu-Natal 4060
Pamela Adline Pillay	48	Logistics Director	1474, South Coast Road Mobeni, KwaZulu-Natal 4060
Nhlanhla Maxwell Sithole	44	Production and Business Transformation Leader	1474, South Coast Road Mobeni, KwaZulu-Natal 4060
Stanley Whitfield	54	Chief Financial Officer	1474, South Coast Road Mobeni, KwaZulu-Natal 4060
David Ellis Wolfson	46	Quality Assurance, Business Integration and Information Technology	1474, South Coast Road Mobeni, KwaZulu-Natal 4060

\* Non-executive

**8.1.2** All directors, other than Stanley Whitfield who is British, are South African citizens.

### 8.2 Experience of directors and senior management

#### 8.2.1 S'bu Luthuli (Non-Executive Chairperson) CA(SA)

S'bu Luthuli is the managing director of Ithala Limited, a financial organisation that provides financial resources and support services to the people of KwaZulu-Natal. Before joining Ithala he spent three years at Nedbank in the Specialised Property and Asset Finance Division. S'bu is a member of SAICA Southern Region Council, a Trustee and Treasurer of the Project Preparation Trust, a member and Chairman of the Audit Committee of UKZN Council, a member of Ethekwini Municipality Audit Committee and a director of the Richards Bay IDZ company. S'bu was also previously a director at Cerebos Salt Limited.

#### 8.2.2 Dali Tambo (Non-Executive Director) BA International Affairs and Political Science

Since Dali's highly successful "People of the South" programme that was aired on SABC for over eight years towards the end of the 1990's, he has been focusing on business opportunities, specifically in Information Technology Communications, Insurance and Resources. Through his wide network base and through entering into strategic relationships, Dali has managed to secure a number of gold and diamond concessions in a number of African countries. He founded Koketso Holdings (Pty) Limited in 2003 with its main objective to actively enable and participate in meaningful economic growth, transfer and broader transformation in Southern Africa and Africa.

### **8.2.3 Trevor Edwards (Chief Executive Officer)**

Trevor Edwards was the Sales and Marketing Director at Pharma Natura (Pty) Limited for eight years. Trevor played a major role in developing Pharma Natura (Pty) Limited into a market leader in the vitality and wellness market. Trevor also gained valuable experience at a senior management level in SmithKline Beecham and Swartzkop.

Trevor left Pharma Natura (Pty) Limited in 1994 and purchased the Steers KwaZulu-Natal Regional licence (with Stanley Whitfield), followed by the Debonairs Pizza Master Franchise. They, together with partners, grew annual turnover of this business to over R200 million in five years. These businesses were then sold to Famous Brands in 1999. On two occasions Debonairs Pizza was voted Franchisor of the Year by the Franchise Association of Southern Africa.

In 1999 following the sale, Trevor Edwards was recruited as the Managing Director of Modex Cosmetics to turn around the Modex Cosmetics and the Modisons Cosmetics group, a manufacturer and retailer of ethnic hair care and beauty products. Trevor and Stanley, together with management and Brait Merchant Bank, purchased Modex Cosmetics/Modisons and sold the Modisons retail division to New Clicks as part of the restructuring of the company. Trevor then joined Discom on a management contract, where he mentored a new managing director.

Since January 2003 Trevor has led the creation of South Africa's leading empowerment pharmaceutical company, Enaleni.

Trevor is also a non-executive director of and investor in Scooters Pizza, which has grown into the number two home delivery pizza chain in South Africa.

### **8.2.4 Stanley Whitfield (Chief Financial Officer) FCA**

Stanley was the Financial Director at Pharma Natura (Pty) Limited for 15 years. Stanley played a major role in developing Pharma Natura (Pty) Limited into a market leader in the vitality and wellness market.

Stanley left Pharma Natura (Pty) Limited in 1994 and purchased the Steers KwaZulu-Natal Regional licence (together with Trevor Edwards), followed by the Debonairs Pizza Master Franchise. They, together with partners, grew annual turnover of this business to over R200 million in five years. These businesses were then sold to Famous Brands in 1999.

In 2000 Stanley joined Trevor Edwards to help turn around the Modex Cosmetics and the Modisons Cosmetics group, a manufacturer and retailer of ethnic hair care and beauty products. Trevor and Stanley, together with management and Brait Merchant Bank, purchased Modex Cosmetics/Modisons.

When Trevor left the Modex Cosmetics group following the sale of its retail division to New Clicks, Stanley acted as operations director and Executive Chairman of Modex Cosmetics and mentored the new financial and managing directors. Since January 2003 Stanley has played a major role in the creation of South Africa's leading empowerment pharmaceutical company, Enaleni.

Stanley is also a non-executive director of and investor in Scooters Pizza, which has grown into the number two home delivery pizza chain in South Africa.

### **8.2.5 Umesh Parusnath (Managing Director Contract Manufacturing ) BSc (Pharm)**

Umesh is a qualified pharmacist and gained valuable experience in production, logistics, quality assurance and product development at GD Searle. Umesh served his internship at GD Searle, before holding positions as pharmaceutical packaging pharmacist, head of manufacturing and later head of logistics. Umesh relocated to Durban in 2000, where he joined RBSA, progressing to the position of production manager shortly after his initial appointment. Umesh is responsible for the leadership of the Enaleni Contract Manufacturing Division, which includes sharing best practice skills across the entire Enaleni group. This has resulted in Enaleni becoming a cost effective, customer focused business. Umesh is also responsible for securing new business for the Enaleni Contract Manufacturing Division. Umesh and his team are responsible for developing new products to ensure that they are launched into the market quickly and successfully.

### **8.2.6 Michael Chalmers (Executive Manager – Consumer Division) BA**

Mike is responsible for the management of the Consumer Division. Mike has 25 years' experience in the Pharmaceutical and Consumer industries with multi-national companies such as Unilever and Wilkinson Sword, and has held senior positions at Reckitt Benckiser, Sara Lee South Africa and Sara Lee Zimbabwe, where he was the managing director for three years. Before joining Enaleni, Mike was the managing director of Alberto Culver, where he assumed full responsibility for sub-Saharan Africa.

### **8.2.7 Pamela Pillay (Logistics Director)**

Pamela is responsible for all procurement of raw materials, as well as inbound and outbound logistics. Pamela worked in a senior capacity for RBSA for over 20 years, where she was responsible for procurement, planning, distribution and stores management. She also worked for a short period of time as a senior procurement manager at Alusaf in Richards Bay. Pamela is responsible for Key Customer Relationships. Pamela's additional responsibilities are ensuring best practices, in respect of procurement and logistics, across the entire Enaleni group. Under Pamela's leadership the Enaleni group has enjoyed significant cost reductions in materials and packaging.

### **8.2.8 Max Sithole (Production and Business Transformation Leader) BSc and BPharm**

Max is responsible for pharmaceutical production. Max is a qualified pharmacist and has 12 years' experience in pharmaceutical manufacturing, project management, stores control and quality control with RBSA after which he was promoted to the Pharmaceuticals Production Manager. Max has also received comprehensive training in industrial relations and conflict resolution. His responsibility is to transform the manufacturing facility and the team and culture so that Enaleni can deliver world-class customer service.

### **8.2.9 Dave Wolfson (Quality Assurance, Business Integration and Information Technology) DPharm**

Dave is a qualified pharmacist and has previously managed his own pharmacy. He is responsible for quality assurance, information technology and business integration. Dave had nine years experience as head of quality assurance at the RBSA Durban pharmaceutical plant. His quality assurance experience includes Good Manufacturing Practice, quality assurance systems and auditing, and MCC compliance. Dave led the implementation of the SYSPRO Impact Enterprise Resource Planning software, which is the common Management Information System platform of the Enaleni group.

## **8.3 Management and employees**

**8.3.1** Each business division is separately managed and run by highly experienced executive teams focused on realising maximum value and potential for shareholders and other stakeholders. Most senior executives own equity in the group, purchased over a period of years.

**8.3.2** Enaleni employs 300 experienced team members of which 95% represent individuals of HDSA communities. The key characteristics of the team members are long-service periods, extensive experience and a substantial investment in training.

## **8.4 Qualifications, appointment, remuneration and borrowing powers of directors**

**8.4.1** The relevant provisions of the articles of association of Enaleni relating to qualification, appointment, remuneration and borrowing powers of directors are set out in Annexure 5. The borrowing powers in the articles may only be varied by special resolution, although the members may set limits by way of ordinary resolution in general meeting and have not been exceeded since Enaleni's incorporation.

**8.4.2** According to Schedule 21, declarations completed by the directors in terms of the Listings Requirements, none of the following applies to any of the directors listed in paragraph 8.1 above for the 12 months preceding the date of this prospectus: bankruptcies or individual voluntary arrangements, receiverships or compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary liquidations, or any compromise or

arrangement with creditors, partnership voluntary arrangements; receivership of an asset of a partnership; public criticism or disqualification in Court by way of statutory or recognised bodies of any offence involving dishonesty.

## 8.5 Remuneration of directors

**8.5.1** Remuneration and benefits paid to directors for the 12 month period ended 31 December 2004 were as follows:

Name	Directors' fees R'000	Basic salary R'000	Retirement	Bonuses and	Car allowance R'000	Total R'000
			medical benefits R'000	and performance-related payments R'000		
T Edwards	–	477	67	250	90	884
U Parusnath	–	150	47	118	75	390
P Pillay	–	157	19	108	75	359
M Sithole	–	128	19	105	73	325
S Whitfield	–	479	11	216	78	784
D Wolfson	–	134	43	110	75	362
S Luthuli	6	–	–	–	–	6
	<b>6</b>	<b>1 525</b>	<b>206</b>	<b>907</b>	<b>466</b>	<b>3 110</b>

\* Non-executive

**Note:**

The newly appointed non-executive director will earn a market related hourly fee per meeting attended.

**8.5.2** There will be no variation in the remuneration receivable by any of the directors as a direct consequence of the private placing and listing.

**8.5.3** No payments were made, or accrued as payable, or are proposed to be paid within the three years preceding the date of this prospectus, either directly or indirectly in cash or securities or otherwise to:

8.5.3.1 the director in respect of management, consulting, technical, secretarial fees or restraint payments;

8.5.3.2 a third party in lieu of directors' fees;

8.5.3.3 the directors as an inducement to qualify them as directors.

**8.5.4** No director or promoter has any material beneficial interest, direct or indirect, in the promotion of Enaleni and in any property to be acquired or proposed to be acquired by Enaleni out of the proceeds of the issue or during the three years preceding the date of this prospectus.

## 8.6 Directors' interests in securities

8.6.1 The directors, in aggregate, directly and indirectly, will hold at the last practicable date, 52.7% of Enaleni's issued shares after the private placing, as follows:

Director	Beneficial		Non-beneficial		Total '000	Percentage held
	Direct '000	Indirect '000	Direct '000	Indirect '000		
S Luthuli	2 439	–	–	–	2 439	2.1
D Tambo	–	6 098	–	–	6 098	5.5
T Edwards	232	18 279	–	–	18 511	16.3
U Parusnath	4 637	–	–	732	5,369	4.7
P Pillay	4 633	–	–	732	5 365	4.7
M Sithole	4 633	–	–	732	5 365	4.7
S Whitfield	210	10 952	–	–	11 162	9.8
D Wolfson	4 833	–	–	732	5 565	4.9
	21 617	35 329	–	2 928	59 874	52.7

8.6.2 Options to Enaleni shares have been allocated to the directors of Enaleni as follows:

Director	Number of shares	Strike price (cents)
T Edwards	232 000	100
U Parusnath	46 000	100
P Pillay	42 000	100
M Sithole	42 000	100
S Whitfield	210 000	100
D Wolfson	42 000	100
	<b>614 000</b>	

### Notes:

(1) The vesting dates are 50% on 1 July 2007 and 50% on 1 July 2008.

(2) Should the member leave the board prior to 30 June 2007 for whatsoever reason, his options as reflected above will lapse unless otherwise directed by the board of directors.

8.6.3 No director has or had any interest, directly or indirectly, in any transaction, which is, or was, material to the business of Enaleni and which was effected by the company since incorporation, which remains in any respect outstanding or underperformed.

8.6.4 Enaleni's attorneys hold in trust 50% of the shareholding of each director and the designated adviser ("the relevant securities") in Enaleni until the publication of the audited results for the year ending 31 December 2006 after which 50%, of each director's shares, will be released. The balance of the shares will be held in trust until the publication of the audited results for the year ending 31 December 2007, after which they will be released. The shares will not be released before notification to the JSE.

## 8.7 Directors' service contracts

Each of the directors has a letter of appointment from Enaleni, containing such terms that are normal for such contracts and the terms relating to the remuneration of which are set out in paragraph 8.5.1 above. The letters of appointment contain restraint of trade provisions.

## 8.8 Other directorships held by directors

Details of other directorships held by the directors of Enaleni are contained in Annexure 7. There is no conflict between each director's duty to the company and his private interests.

## 9. SHARE CAPITAL

### 9.1 Authorised and issued share capital

The authorised and issued share capital of Enaleni, taking into account the recent capital raising and the private placing and listing costs as set out in paragraph 28 below, which are to be offset against the share premium, are set out below:

	Rand
<b>Authorised</b>	
500 000 000 ordinary shares of 0.1 cent each	500 000
<b>Issued before the capital raising</b>	
80 665 024 ordinary shares of 0.1 cent each	80 665
Share premium	18 263 128
<b>Issued after the capital raising</b>	
103 545 024 ordinary shares of 0.1 cent each	103 545
Share premium	38 240 248
<b>Issued before the private placing</b>	
103 545 024 ordinary shares of 0.1 cent each	103 545
Share premium	38 240 248
<b>Issued after the private placing</b>	
113 545 024 ordinary shares of 0.1 cent each	113 545
Share premium	46 430 248

**9.2** All the authorised and issued shares are of the same class and rank *pari passu* in every respect.

**9.3** Save as set out in paragraph 9.5 below, there has been no sub-division or consolidation of shares during the three years prior to the date of issue of this prospectus.

**9.4** Save as provided for in paragraph 9.6 below, no offer has been made for the subscription or sale of shares during the three-year period preceding the date of issue of this prospectus.

### 9.5 Alterations to authorised share capital

**9.5.1** Enaleni was incorporated with an authorised ordinary share capital of 1 000 ordinary shares with a par value of R1.00 each.

**9.5.2** The company:

9.5.2.1 sub-divided its authorised share capital from 1 000 ordinary shares of R1.00 each into 1 000 000 ordinary shares of 0.1 cent each on 19 May 2005;

9.5.2.2 increased its authorised share capital of R1 000 to R500 000 by the creation of 499 000 000 ordinary shares of 0.1 cent each on 19 May 2005.

**9.5.3** Enaleni has a total authorised share capital of R500 000, comprising 500 000 000 ordinary shares of 0.1 cent each.

**9.5.4** The special resolution to alter the authorised share capital was registered on 19 May 2005.

### 9.6 Issue of shares

**9.6.1** On incorporation, Enaleni issued and allotted 100 ordinary par value shares of R1.00 each.

**9.6.2** The company:

9.6.2.1 issued 57 ordinary shares at an issue price of R228 822 per share on 1 January 2005 to the vendors of Modex Cosmetics as set out in Annexure 10;

9.6.2.2 sub-divided its issued share capital of 157 shares of R1.00 each to 157 000 shares of 0.1 cent each;

- 9.6.2.3 issued 74 843 000 ordinary shares at an issue price of par value on 19 May 2005, by way of a rights issue;
- 9.6.2.4 issued 2 439 024 ordinary shares at an issue price of 82 cents on 19 May 2005 for the conversion of the R2 million shareholders' loans to ordinary shares;
- 9.6.2.5 issued 3 226 000 ordinary shares to the Enaleni share incentive schemes at an issue price of 100 cents on 19 May 2005 to identified participants in terms of Schedule 14 of the Listings Requirements;
- 9.6.2.6 issued 6 097 561 ordinary shares to the NEF at an issue price of 82 cents on 19 May 2005 for the subscription of ordinary shares by the HDSA executive directors of Enaleni as part of the recent capital raising in terms of an agreement signed on 21 April 2005;
- 9.6.2.7 issued 6 097 561 ordinary shares to the Koketso Growth (Pty) Limited at an issue price of 82 cents on 19 May 2005 for the subscription of ordinary shares in Enaleni as part of the recent capital raising in terms of an agreement signed on 18 May 2005;
- 9.6.2.8 issued 2 439 024 ordinary shares to S'bu Luthuli at an issue price of 82 cents on 19 May 2005 as part of the recent capital raising;
- 9.6.2.9 issued 1 365 854 ordinary shares to employees of Enaleni at an issue price of 82 cents per share on 19 May 2005 as part of the recent capital raising;
- 9.6.2.10 issued 6 880 000 ordinary shares at an issue price of 100 cents on 19 May 2005 as part of the recent capital raising to selected strategic identified participants.

**9.6.3** At the date of issue of this prospectus, after the capital raising and before the private placing, Enaleni had a total issued share capital (including share premium) of R38 343 793, consisting of 103 545 024 ordinary shares of 0.1 cent each.

**9.6.4** The general resolutions to approve the above issues were implemented at the time of the issues. In terms of a general resolution approved by 75% of the majority of shareholders passed on 11 May 2005 the directors have the power to allot and issue ordinary shares of the company for cash, subject to the following conditions:

- compliance with the provisions of the Act, the Listings Requirements and the memorandum and articles of association of Enaleni;
- that the securities be of a class already in issue;
- that securities be issued to public shareholders and not to related parties;
- that an announcement giving full details, including the impact on net asset value and earnings per share, be published at the time of any issue representing, on a cumulative basis within a financial year, 5% or more of the number of securities in issue prior to the issue/s;
- that issues in the aggregate in any one financial year shall not exceed 15% of the company's issued share capital of that class;
- that, in determining the price at which an issue of securities will be made in terms of this authority, the maximum discount permitted shall be 10% of the weighted average traded price of those securities over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors; and
- that, the approval will be valid until the next annual general meeting or for 15 months from the date of the resolution, whichever period is the shorter.

## **9.7 Unissued shares**

In terms of the resolution passed at the general meeting of Enaleni on 11 May 2005, after the allotment and issue of the private placing shares the 386 454 976 authorised but unissued ordinary shares in the company will be under the control of the directors of Enaleni until its first annual general meeting, subject to the provisions of sections 221 and 222 of the Act and the Listings Requirements.

## 9.8 Voting and variation of rights

The articles of association of the company provide that, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is, before or on the declaration of the result of the show of hands, demanded by any person, the chairman or by the members referred to in section 198(1)(b) of the Act. Any variation in rights attaching to shares will require the consent of the shareholders in general meeting in accordance with the company's articles of association.

## 9.9 No other listings

The issued ordinary shares of Enaleni will be listed on ALT<sup>x</sup>. No other shares of Enaleni are listed on any stock exchange.

## 10. PROFIT HISTORY, FORECASTS, UNAUDITED *PRO FORMA* FINANCIAL INFORMATION AND DIVIDEND POLICY

### 10.1 Audited income statements for the two years ended 31 December 2004

**10.1.1** The audited historical financial information for Enaleni, the preparation of which is the responsibility of the directors, is presented in Annexure 1. Annexure 2 contains the independent reporting accountants' report on the historical financial information of Enaleni.

**10.1.2** The historical income statements of Enaleni since incorporation for the two years ended 31 December 2004 are set out below:

	<b>Audited 31 December 2003 R'000</b>	<b>Audited 31 December 2004 R'000</b>
<b>Revenue</b>	<b>94 741</b>	<b>120 473</b>
Gross profit	20 901	38 245
Less: Staff costs	(8 179)	(14 007)
Other operating expenses	(9 003)	(18 454)
<b>EBITDA</b>	<b>3 719</b>	<b>5 784</b>
Depreciation	(96)	(766)
Profit before interest and taxation	3 623	5 018
Net interest paid	(684)	(1 118)
Profit before taxation	2 939	3 900
Taxation	(882)	(848)
<b>Profit after taxation</b>	<b>2 057</b>	<b>3 052</b>
Minority interest	–	277
<b>Earnings attributable to ordinary shareholders</b>	<b>2 057</b>	<b>3 329</b>
Weighted average number of shares in issue <sup>(1)</sup>	47 770 700	47 770 700
Earnings per share (cents)	4.3	7.0
Headline earnings per share (cents)	4.3	7.0
Dividend per share (cents)	–	0.7

**Note:**

(1) *Pro forma* calculation is based on the conversion of the original 100 weighted number of ordinary shares in issue to 47 770 700 on 19 May 2005.

### 10.2 Profit forecasts for the years ending 31 December 2005 and 31 December 2006

**10.2.1** The forecast income statements of Enaleni for the financial years ending 31 December 2005 and 31 December 2006, the preparation of which is the responsibility of the directors, are set out below. The forecasts should be read in conjunction with the independent reporting accountants' report thereon as set out in Annexure 4.

	<b>Forecast 31 December 2005 R'000</b>	<b>Forecast 31 December 2006 R'000</b>
<b>Revenue</b>	<b>213 704</b>	<b>260 994</b>
Gross profit	104 598	136 903
Less: Staff costs	(33 188)	(38 106)
Share-based payments	(600)	–
Retrenchment costs	(1 706)	–
Other operating expenses	(53 629)	(70 137)
<b>EBITDA</b>	<b>15 475</b>	<b>28 660</b>
Depreciation	(2 927)	(3 893)
<b>Profit before interest and taxation</b>	<b>12 548</b>	<b>24 767</b>
Net interest paid	(2 928)	(1 763)
<b>Profit before taxation</b>	<b>9 620</b>	<b>23 004</b>
Taxation	(2 551)	(6 671)
<b>Profit after taxation</b>	<b>7 069</b>	<b>16 333</b>
Minority interest	(603)	(1 350)
<b>Earnings attributable to ordinary shareholders</b>	<b>6 466</b>	<b>14 983</b>
<i>Add: Net non-recurring costs for headline earnings<sup>(1)</sup></i>	745	–
<b>Headline earnings attributable to ordinary shareholders</b>	<b>7 211</b>	<b>14 983</b>
Weighted average shares in issue	98 478 686	113 545 024
Earnings per share (cents)	6.6	13.2
Headline earnings per share (cents)	7.3	13.2

**Note:**

(1) The non-recurring costs refer to retrenchment costs, which are set out in paragraph 10.3 below.

**10.3 The sustainable earnings of Enaleni, after adjusting for non-recurring expenses, are set out below:**

	<b>Forecast 31 December 2005 R'000</b>	<b>Forecast 31 December 2006 R'000</b>
<b>Profit before taxation</b> (see paragraph 10.2.1)	<b>9 620</b>	<b>23 004</b>
<b>Add: Non-recurring costs deducted before arriving at profit before taxation</b>		
Share-based payments	600	–
Retrenchment costs	1 050	–
Restructuring costs	656	–
<b>Sustainable profit before taxation</b>	<b>11 926</b>	<b>23 004</b>
Taxation	(3 046)	(6 671)
<b>Sustainable profit after taxation</b>	<b>8 880</b>	<b>16 333</b>
Minority interest	(603)	(1 350)
<b>Sustainable earnings attributable to ordinary shareholders</b>	<b>8 277</b>	<b>14 983</b>
Weighted average shares in issue	98 478 686	113 545 024
Earnings per share (cents) (see paragraph 10.2.1)	6.6	13.2
Headline earnings per share (cents) (see paragraph 10.2.1)	7.3	13.2
Sustainable earnings per share (cents)	8.4	13.2

**10.3.1 Main assumptions**

(1) Revenue is based on the existing operations of companies in the group and existing contract manufacturing agreements in place, therefore only organic growth is assumed from 2005 onwards.

- (2) Gross profit margins increase because of the change in sales mix, with branded products contributing a larger percentage of future sales.
- (3) Overheads includes substantial increases in marketing spend. The future non-marketing overheads of the group are of a fixed nature and will only increase marginally should volume sales increase, since the two production facilities are not running at full capacity.
- (4) Profit before taxation margins increase because of the change in profit mix, with branded products contributing a larger percentage of future profits and economies of scale through the integration of own brands.
- (5) Any excess cash will earn interest at 7% per annum.
- (6) Non-recurring costs – In 2005 the non-recurring costs consist of the following: share-based payments of R600 000, retrenchment costs of just over R1 million and restructuring costs of R656 000 to be incurred once-off. These costs refer to the closing of the Kamillen production facility in Johannesburg and relocating the production to KwaZulu-Natal.
- (7) Taxation – The Consumer Division has an assessed tax loss of R22 million.
- (8) The sustainable earnings calculation does not form part of the income statement but provides additional information to the investor.

### **10.3.2 Comments on the forecast financial information**

- 10.3.2.1 The forecast financial information is based on the assumption that circumstances which affect the company's business but which are outside the control of the directors, will not materially alter in such a way as to affect the trading of the company. More specifically:
- trading conditions are not expected to be materially different in each of the forecast periods;
  - costs will increase in line with the expected rate of inflation;
  - interest rates and the basis and rates of taxation, both direct and indirect, will not change materially.
- 10.3.2.2 In addition, the forecast financial information is based on the assumptions that:
- there will be continuity in existing management and trading policies; and
  - there will be no change in the present accounting policies.
- 10.3.2.3 In the opinion of the directors, the above assumptions are significant to the forecasts as being key factors upon which the financial results of the company will depend. However certain assumptions may not materialise and/or certain unforeseen events may occur or circumstances may arise subsequent to the forecasts being made. Accordingly, the results achieved for the periods referred to above may differ from those forecast and the variations may be material.

## **10.4 Unaudited *pro forma* income statement and balance sheet**

- 10.4.1** The unaudited *pro forma* income statement and balance sheet are provided for illustrative purposes only to provide information about how the recent capital raising and private placing may have impacted on the group's results and financial position. Due to the nature of the unaudited *pro forma* financial information, it may not give a fair presentation of the group's results and financial position after the recent capital raising and private placing. The unaudited *pro forma* income statement and balance sheet are based on the audited group results at 31 December 2004 as set out in Annexure 1 reported on by the independent reporting accountants' report in Annexure 2. The unaudited *pro forma* income statement and balance sheet should be read in conjunction with the independent reporting accountants' report thereon as set out in Annexure 3.

#### 10.4.2 Unaudited *pro forma* income statement reflecting the capital raising and private placing adjustments

	Audited Before 31 December 2004 R'000	Placing adjustments R'000	Unaudited <i>pro forma</i> After capital raising and private placing 31 December 2004 R'000
<b>Revenue</b>	<b>120 473</b>	–	<b>120 473</b>
Gross profit	37 802	–	37 802
Overheads	(32 018)	–	(32 018)
<b>EBITDA</b>	<b>5 784</b>	–	<b>5 784</b>
Depreciation	(766)	–	(766)
<b>Profit before interest and taxation</b>	<b>5 018</b>	–	<b>5 018</b>
Net interest paid <sup>(1)</sup>	(1 118)	2 408	1 290
<b>Profit before taxation</b>	<b>3 900</b>	<b>2 408</b>	<b>6 308</b>
Taxation	(848)	(723)	(1 571)
<b>Profit after taxation</b>	<b>3 052</b>	<b>1 685</b>	<b>4 737</b>
Minority interest	277	–	277
<b>Earnings attributable to ordinary shareholders</b>	<b>3 329</b>	<b>1 685</b>	<b>5 014</b>
Weighted average shares in issue <sup>(3)</sup>	80 665 024	32 880 000	113 545 024
Earnings per share (cents)	4.1	–	4.4
Headline earnings per share (cents)	4.1	–	4.4
Dividend per share (cents)	0.4	–	0.3

**Notes:**

- (1) The unaudited *pro forma* income statement was prepared on the basis that the recent capital raising and private placing was completed on 1 January 2004 and a total of R30 million was raised for the company.
- (2) No income benefit in respect of the capital raising and private placing has been included as the cash raised will be used to reduce debt funding and to fund working capital, the income benefit of which cannot be accurately estimated at this point in time.
- (3) The weighted average shares in issue for 31 December 2004 include the issue of shares subsequent to 31 December 2004 to before the capital raising and private placing as set out in paragraph 9.6 above.

### 10.4.3 Unaudited *pro forma* balance sheet reflecting the capital raising and private placing adjustments

	Audited Before 31 December 2004 R'000	Recent capital raising adjustment R'000	Unaudited <i>pro forma</i> after capital raising 31 December 2004 R'000	Private placing adjustment R'000	Unaudited <i>pro forma</i> after capital raising and private placing 31 December 2004 R'000
<b>ASSETS</b>					
Non-current assets	19 571	–	19 571	–	19 571
Current assets	39 763	7 624	47 387	8 762	56 149
<b>Total assets</b>	<b>59 334</b>	<b>7 624</b>	<b>66 958</b>	<b>8 762</b>	<b>75 720</b>
<b>Shareholders' funds</b>					
Share capital <sup>(2)</sup>	–	103	103	10	113
Share premium <sup>(2)</sup>	–	21 897	21 897	8 190	30 087
Retained earnings	5 043	1 123	6 166	562	6 728
<b>Ordinary shareholders' funds</b>	<b>5 043</b>	<b>23 123</b>	<b>28 166</b>	<b>8 762</b>	<b>36 928</b>
Shareholders' loans	2 000	(2 000)	–	–	–
Outside shareholders' funds	(277)	–	(277)	–	(277)
<b>Total shareholders' funds</b>	<b>6 766</b>	<b>21 123</b>	<b>27 889</b>	<b>8 762</b>	<b>36 651</b>
<b>LIABILITIES</b>					
Non-current liabilities <sup>(3)</sup>	17 159	(12 412)	4 747	–	4 747
Current liabilities <sup>(3)</sup>	35 409	(1 087)	34 322	–	34 322
<b>Total liabilities</b>	<b>52 568</b>	<b>(13 499)</b>	<b>39 069</b>	<b>–</b>	<b>39 069</b>
<b>Total liabilities and shareholders' funds</b>	<b>59 334</b>	<b>7 624</b>	<b>66 958</b>	<b>8 762</b>	<b>75 720</b>
Shares in issue <sup>(4)</sup>	80 665 024	22 880 000	103 545 024	10 000 000	113 545 024
Net asset value per share (cents)	6.3	–	27.2	–	32.5
Net tangible asset value per share (cents)	(3.5)	–	19.6	–	25.6

#### Notes:

- (1) The unaudited *pro forma* balance sheet was prepared on the basis that the recent capital raising and private placing was completed on 31 December 2004.
- (2) Share capital and share premium have been adjusted for the 22 880 000 and 10 000 000 new shares issued in respect of the capital raising and the private placing. The capital raising column includes the conversion of R2 million shareholders' loans to equity as set out in paragraph 9.6 above. The estimated expenses of R1.8 million as set out in paragraph 30 were adjusted for against the share premium account in the private placing column.
- (3) Non-current liabilities, current liabilities and current assets have been adjusted for the cash received in respect of the capital raising and the private placing.
- (4) The adjustment to the share premium account on shares issued subsequent to 31 December 2004 to before the recent capital raising and private placing as set out in paragraphs 9.1 and 9.6 amounts to R16.3 million.

## 10.5 Dividends

- 10.5.1** Initially all earnings generated by the company will be utilised to fund future growth and development. It is the intention of the company to reconsider its dividend policy once the company's cash flow allows it and periodically thereafter in the light of prevailing circumstances and future cash requirements.

- 10.5.2** Any dividends which are not claimed for a period of not less than three years from the date on which such dividends became payable, may be forfeited for the benefit of the company.
- 10.5.3** There is no arrangement under which future dividends will be waived or agreed to be waived.
- 10.5.4** The only dividends declared by the company since its incorporation was R343 000 on 1 December 2004.

## 11. THE PRIVATE PLACING

### 11.1 Salient features

**11.1.1** The salient features of the private placing are as follows:

– Offer price per ordinary share (cents)	100
– Par value per ordinary share (cents)	0.1
– Premium per ordinary share (cents)	99.9
– Number of ordinary shares offered in terms of private placing	10 000 000
– Issue consideration before expenses	R10 million

**11.1.2** The opening and closing dates of the private placing are as follows:

– Opening date of the private placing at 09:00 on	Monday, 30 May 2005
– Closing date of private placing at 12:00 on	Monday, 6 June 2005
– Anticipated listing date on ALT <sup>x</sup> on	Friday, 10 June 2005

**11.1.3** The purpose of the private placing is to:

- enhance investor and general public awareness of Enaleni's activities;
- afford specifically identified members of the investment community, current shareholders, clients, selected financial institutions and business associates of Enaleni the opportunity to participate directly or increase their participation in Enaleni;
- broaden Enaleni's shareholder base, facilitate empowerment and obtain the spread of shareholders required for the listing of Enaleni's shares in terms of the Listings Requirements;
- raise further capital for expansion and to provide the flexibility of listed shares to allow the company to take advantage of acquisitive growth opportunities;
- attract and retain intellectual capital through the incentive of meaningful equity participation.

**11.1.4** Those private individuals, corporations and institutions that have been invited to apply should do so by completing the attached private placing application in accordance with the provisions of this prospectus and the instructions contained in the private placing application.

**11.1.5** No offer will be made to the general public in terms of the private placing. The private placing will be made to selected applicants only.

**11.1.6** The Enaleni ordinary shares issued in terms of the private placing will rank *pari passu* with all other ordinary shares issued by Enaleni.

### 11.2 Procedures, terms, conditions and payment

**11.2.1** Applications for the private placing can be made on the attached private placing application form provided to select applicants. Photocopies or reproductions will be accepted. Each application will be regarded as a single application.

**11.2.2** The private placing application may not be ceded, renounced or assigned in favour of anyone else by the applicant to whom it is addressed.

- 11.2.3** The private placing shares may not be applied for in the name of a minor, deceased estate, partnership or trust. Executors, trustees and individual partners may apply for the private placing shares in their own name or through nominee companies. No documentary evidence of capacity need accompany the private placing application but the directors of Enaleni reserve the right to call upon any applicant to furnish evidence of such capacity for noting.
- 11.2.4** The private placing applications are irrevocable once received by the Designated Adviser or the company.
- 11.2.5** No receipts will be issued for applications and/or payments received.
- 11.2.6** Applications must be for a minimum of 5 000 shares and in multiples of 1 000 shares thereafter.
- 11.2.7** Shares will only be traded in electronic form and accordingly all shareholders who elect to receive certificated shares will first have to dematerialise their share certificates should they wish to trade therein. Applicants are advised that it takes between one and ten days to dematerialise their certificated shares depending on the volumes being processed by STRATE at the time of dematerialisation.
- 11.2.8** Payment may only be made by bank guaranteed cheque (crossed “not transferable), banker’s draft or electronic transfer (followed by fax or electronic proof of payment in the case of electronic transfers). Postal orders, cash or telegraphic transfers will not be accepted. Cheques must be made payable in favour of **“Enaleni Private Placing”**. All cheques and banker’s drafts will be deposited by the transfer secretaries immediately upon receipt in a designated account under the control of Enaleni with a registered South African bank.
- 11.2.9** The private placing applications will only be regarded as complete once payment for the total amount of the application has been received. Should any cheque or banker’s draft subsequently be dishonoured, the directors of Enaleni may, in their sole discretion, and without prejudice to any rights the company may have, regard the private placing application of such applicant as revoked or take such steps in regards thereto as they deem fit.
- 11.2.10** “Blocked Rand” may be used by emigrants and non-residents of the common monetary area for payment in terms of the private placing. In this regard, reference should be made to paragraph 11.12 below that deals with Exchange Control Regulations.

### **11.3 Application for certificated shares – payment by bank guaranteed cheque or banker’s draft**

Applicants who elect to receive their allocated shares in certificated form and who wish to pay by way of bank guaranteed cheque or banker’s draft must complete and return the private placing application, together with their payment in the form of a bank guaranteed cheque or banker’s draft (crossed “not transferable” and drawn in favour of **“Enaleni Private Placing”**) in an envelope marked **“Enaleni Private Placing”** to:

<i>if delivered by hand or by courier</i>	<i>or</i>	<i>if posted</i>
Designated Adviser		Designated Adviser
Exchange Sponsors		Exchange Sponsors
39 First Road		PO Box 411216
Hyde Park		Craighall
2196		2024

so as to be received by no later than 12:00 on Monday, 6 June 2005.

No late applications will be accepted.

### **11.4 Application for certificated shares – payment by electronic transfer**

- 11.4.1** Applicants who elect to receive their allocated shares in certificated form and who wish to pay by way of **electronic transfer** may do so, in which case **the private placing application, and proof of such payment by electronic transfer must be hand delivered, posted or faxed to Enaleni (and not the transfer secretaries) to:**

<i>if delivered by hand</i>	<i>or</i>	<i>if posted</i>	<i>or</i>	<i>if faxed</i>
Designated Adviser		Designated Adviser		Designated Adviser
Exchange Sponsors		Exchange Sponsors		(011) 447 1929
39 First Road		PO Box 411216		
Hyde Park		Craighall		
2196		2024		

so as to be received by no later than 12:00 on Monday, 6 June 2005.

**11.4.2** Payment by electronic transfer must be made into the following bank account:

Bank:	Nedbank Limited
Branch:	Business branch – KwaZulu-Natal
Branch code:	16 48 26
Account name:	Enaleni Private Placing
Account number:	1648 141 714

**11.4.3** Enaleni accepts no responsibility and will not be liable for the correct or any allocation of private placing shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or Enaleni, for any reason, not being able to reconcile a payment or purported payment with a particular application for private placing shares.

**11.5 Disadvantages of holding shares in certificated form**

**11.5.1** The current risks associated with holding shares in certificated form, including the risk of loss or tainted scrip, remain.

**11.5.2** At the point at which the shareholder wishes to transact on the JSE, he will be required to appoint a CSDP or broker to dematerialise the shares prior to the broker being able to transact in the shares which dematerialisation can take up to 10 days. A certificated shareholder will have no recourse in the event of delays occasioned by the validation process or the acceptance or otherwise of its certificated shares by a CSDP.

**11.6 Application for dematerialised shares – payment by electronic transfer or through CSDP or broker**

**11.6.1** Applicants who elect to receive their allocated shares in dematerialised form and who wish to pay by way of electronic transfer may do so, in which case the **private placing application and the section on their CSDP or broker, and proof of such payment by electronic transfer must be hand delivered, posted or faxed to:**

<i>if delivered by hand</i>	<i>or</i>	<i>if posted</i>	<i>or</i>	<i>if faxed</i>
Designated Adviser		Designated Adviser		Designated Adviser
Exchange Sponsors		Exchange Sponsors		(011) 447 1929
39 First Road		PO Box 411216		
Hyde Park		Craighall		
2196		2024		

so as to be received by no later than 12:00 on Monday, 6 June 2005.

Payment by electronic transfer must be made into the following bank account:

Bank:	Nedbank Limited
Branch:	Business branch – KwaZulu-Natal
Branch code:	16 48 26
Account name:	Enaleni Private Placing
Account number:	1648 141 714

Enaleni accepts no responsibility and will not be liable for the correct or any allocation of private placing shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or Enaleni, for any reason, not being able to reconcile a payment or purported payment with a particular application for private placing shares.

- 11.6.2** Applicants who wish to receive their allocated shares in dematerialised form, must complete and may also **return the private placing application to their duly appointed CSDP or broker** by the time and date stipulated in the agreement governing their relationship with their CSDP or broker, together with the method of payment as stipulated in such agreement.
- 11.6.3** The brokers will collate all their respective private placing applications and forward the instruction to the brokers' nominated CSDP's.
- 11.6.4** The CSDP's will collate all the private placing applications from brokers and/or applicants and notify the transfer secretaries.
- 11.6.5** Brokers and CSDP's will be notified by the transfer secretaries on the second business day following the closing of the private placing of their allocation in respect thereof.
- 11.6.6** In respect of those applicants who elect to receive dematerialised shares, their duly appointed CSDP's or broker's account will be updated on or about Friday, 10 June 2005.

### **11.7 Reservation of rights**

- 11.7.1** The directors of Enaleni reserve the right to accept or refuse any application(s), either in whole or in part, or to abate any or all application(s) (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.
- 11.7.2** The directors of Enaleni reserve the right to accept or reject, either in whole or in part, any private placing applications should the terms and the instructions contained in this prospectus not properly be complied with.

### **11.8 Irrevocable undertakings**

Enaleni holds irrevocable undertakings to subscribe for 9 047 500 shares in terms of the private placing, amounting to 90.5% of the private placing shares.

<b>Name</b>	<b>Number of shares</b>	<b>Percentage</b>
Foord Asset Management (Pty) Limited	5 000 000	50.0
Decillion Fund Management (Pty) Limited	2 500 000	25.0
PSG Online Securities Limited	1 120 000	11.2
Barnard Jacobs Mellet (Private Clients)	427 500	4.3
	9 047 500	90.5

### **11.9 No minimum subscription**

The private placing is not subject to a minimum subscription being achieved.

### **11.10 Oversubscriptions**

- 11.10.1** Should the private placing be oversubscribed the directors will allocate 5 000 000 ordinary shares to the institutional investors that have given irrevocable undertakings as set out in paragraph 11.8 above, the balance of 5 000 000 ordinary shares will be allocated on an equitable basis in Enaleni's sole discretion.
- 11.10.2** In the event of the private placing application being accepted for a lesser number of shares than applied for or rejected, any surplus application monies received, will be refunded by the company by a cheque drawn on Nedbank Limited, inclusive of interest from the date of receipt of such monies, and posted by ordinary mail at the risk of the applicant concerned, on or about Friday, 10 June 2005 (or on clearance of the funds, if later) in respect of certificated shareholders only.

### **11.11 Issue of private placing shares**

- 11.11.1** All private placing shares offered will be issued at the expense of Enaleni.

- 11.11.2** All private placing shares issued are subject to the provisions of Enaleni's memorandum and articles of association and will rank *pari passu* in all respects with the existing ordinary shares in issue. Annexure 5 contains extracts of Enaleni's memorandum and articles of association.
- 11.11.3** Enaleni shares will only be traded on the JSE in electronic form and, as such, all shareholders need to dematerialise their shares should they wish to trade therein. Applicants are advised that it takes between one and ten days to dematerialise certificated shares, depending on volumes being processed by STRATE at the time of the dematerialisation.
- 11.11.4** The principle features of STRATE are as follows:
- trades executed on the JSE must be settled within five business days;
  - there will be penalties for late settlement;
  - electronic record of ownership replaces share certificates and physical delivery of certificates; and
  - all investors are required to appoint either a broker or CSDP to act on their behalf and to handle all settlement requirements.

## **11.12 Exchange Control Regulations**

The following summary is intended as a guide and is, therefore, not comprehensive. If you are in any doubt hereto, please consult your professional adviser.

- 11.12.1** A former resident of the common monetary area who has emigrated from South Africa may use blocked Rand to purchase shares in terms of this prospectus.
- 11.12.2** All payments in respect of subscriptions for shares by non-residents using blocked Rand must be made through an authorised dealer in foreign exchange.
- 11.12.3** Share certificates issued in respect of certificated shares purchased using blocked Rand in terms of this prospectus will be endorsed "non-resident". Such share certificates will be placed under the control of the authorised dealer through whom the payment was made. Statements issued to non-resident dematerialised shareholders will be restrictively endorsed as "non-resident".
- 11.12.4** If applicable, refund monies payable in respect of an unsuccessful application, emanating from blocked Rand accounts will be returned to the authorised dealer administering such blocked Rand accounts for the credit of such unsuccessful applicant's blocked Rand account.
- 11.12.5 Applicants resident outside the common monetary area**
- 11.12.5.1 A person who is not resident in the common monetary area should obtain advice as to whether any governmental, and/or legal consent is required and/or whether any other formality must be observed to enable an application to be made in terms of the private placement.
- 11.12.5.2 This prospectus is accordingly not an offer in any area or jurisdiction in which it is illegal to make such an offer. In such circumstances this prospectus is provided for information purposes only. All share certificates issued to non-residents of South Africa will be endorsed "non-resident" in terms of the Exchange Control Regulations. Statements issued to dematerialised shareholders will be restrictively endorsed as "non-resident".

## **12. LISTING ON ALT<sup>x</sup>**

- 12.1** Subject to the achievement of the required spread of public shareholders, the JSE has formally approved the listing of 113 545 024 ordinary shares in the share capital of Enaleni on ALT<sup>x</sup> with effect from commencement of business on Friday, 10 June 2005. The shares will trade under the abbreviated name "Enaleni", with the code "ENL" and ISIN ZAE000067740.

**12.2** Enaleni has a share capital of at least R2 million. The company will have a public shareholding of at least 100 shareholders that will hold a minimum of 10% of the ordinary shares on the day of listing.

**12.3** The reasons for Enaleni seeking to list on ALT<sup>x</sup> are to:

- raise the company's profile in the pharmaceutical, consumer and vitality and wellness markets;
- create greater public awareness of Enaleni;
- raise capital in order to take advantage of acquisition opportunities in the relevant markets;
- make it easier to raise capital in future, possibly using the company's shares as currency for such investments;
- create liquidity in and establish a market place for Enaleni shares;
- enhance investor and general public awareness of Enaleni, its activities and specialised skills;
- attract and retain intellectual capital through the incentive of meaningful equity participation;
- raise capital and to have the flexibility of listed shares to allow the company to take advantage of acquisitive growth opportunities;
- broaden Enaleni's shareholder base, facilitate empowerment and to obtain the spread of shareholders required for the listing of Enaleni's ordinary shares on ALT<sup>x</sup>;
- afford members of the investing public, clients and business associates of Enaleni the opportunity to participate directly in the income stream derived by Enaleni, as well as in the future capital growth of its assets.
- establish a market price for Enaleni's shares;
- create a mechanism to incentivise the Enaleni employees in future, through its employee share incentive scheme.

### 13. MATERIAL CHANGES

There have been no material changes in the financial or trading position of Enaleni and its subsidiaries since 31 December 2004, other than in the ordinary course of business or as disclosed in this prospectus, in particular, the recent capital raising, the private placing, the conversion of Enaleni to a public company and as disclosed in paragraph 21.

### 14. MATERIAL COMMITMENTS, LEASE PAYMENTS AND CONTINGENT LIABILITIES

**14.1** Enaleni had the following material commitments for capital expenditure outstanding at the last practicable date:

Machine	R'000	Payable	Payable
		1 May 2005	30 June 2005
Film coater	531	228	303
Blisterpack	256	–	256
Tablet counter	30	–	30
Capsule polisher	42	–	42
Tube filler	21	21	–
2-ton vessel	146	146	–
	<b>1 026</b>	<b>395</b>	<b>631</b>

**14.2** Paragraph 20 below contains information on lease payments.

**14.3** Enaleni has no contingent liabilities.

### 15. BORROWINGS AND BORROWING POWERS

**15.1** Since its incorporation, the company has not received any material loans, save as disclosed in paragraph 15.2 below:

15.2 The following loans have been advanced to Enaleni at 31 December 2004:

Name	Loan amount R'000	Interest rate	Secured	Maturity
Nedbank Limited	8 063	Prime	Notarial bond	Payable in 60 equal instalments ending 31 July 2009
Nedbank Limited	3 565	Prime less 1.5%	None	Facility reduces to nil by 30 April 2009
Nedbank Limited	594	Prime	Vehicles	Payable in 36 equal instalments ending 1 July 2007
ABSA	168	Prime	None	Overdraft facility
Shareholders' loans	2 000	Prime		Converted to Enaleni ordinary shares on 19 May 2005
Bruce and van Biljon Close Corporation	5 466		None	Outside shareholder's loan. No fixed terms of repayment
Vendors of businesses	1 484	CPIX plus 3.5%	None	Payable in 36 equal instalments ending 31 May 2008
Vendors of businesses	2 202	Prime less 1.5%	None	Paid in January 2005
<b>Total</b>	<b>23 542</b>			
Less: Current portion of long-term liabilities	(4 383)			
<b>Total long-term portion</b>	<b>19 159</b>			

15.3 The borrowing powers of the company have not been exceeded during the three years preceding the date of this prospectus.

15.4 The borrowings were incurred to fund the original MBO and the acquisition of other subsidiaries, businesses and trademarks as disclosed in paragraph 21 below.

15.5 The borrowing powers of the directors are set out in Annexure 5.

15.6 No loan capital is outstanding.

## 16. LOANS RECEIVABLE

16.1 No material loans have been made by Enaleni or any of its subsidiaries.

16.2 Neither Enaleni nor any of its subsidiaries has made any loans to or for the benefit of any director, or manager or any associate or any director or manager of Enaleni.

## 17. PROPERTY AND SUBSIDIARIES ACQUIRED

17.1 Details of properties acquired by Enaleni since incorporation are set out below:

Date of acquisition	Consideration R'000	Valuation R'000	Details of property	Loans R'000
October 2004 – Kamillen	3 500	3 500	Land and buildings situated at Erven 199, 200 and 201 Robertsham, 5 569 m <sup>2</sup> in area	None
Consumer property – Modex Cosmetics	5 466	5 500	Land and buildings described as Erf 111, Phoenix Industrial Park, Registration divisions FT, 8 914 m <sup>2</sup> in area	2 679
	<b>8 966</b>	<b>9 000</b>		<b>2 679</b>

**17.2** Details of subsidiaries of Enaleni are set out in paragraph 21 below.

**17.3** Refer to Annexure 10 for details of the vendors and nature of the interest.

## **18. PROPERTY AND SUBSIDIARIES DISPOSED OF OR TO BE DISPOSED OF**

**18.1** No subsidiary is proposed to be disposed of in the first six months after the commencement of the listing. The property situated at 26 Harry Street, Robertsham will be disposed of during 2005 as set out in paragraph 17 above.

**18.2** Details of properties acquired by Enaleni since incorporation are set out in paragraph 17 above.

**18.3** No promoter or director had any interest, directly or indirectly, in the disposal of a property or subsidiary or a member of a partnership, syndicate or other association of persons that had such an interest.

## **19. SHARES ISSUED, OTHER THAN FOR CASH**

No shares have been issued or agreed to be issued by the company or any of its subsidiaries since incorporation, other than for cash.

## **20. PRINCIPAL IMMOVABLE PROPERTY OWNED AND LEASED**

**20.1** The principal immovable property owned by the Company is set out in paragraph 17 above.

**20.2** Enaleni leases the following property:

<b>Details</b>	<b>Period of lease</b>	<b>Monthly rental</b>	<b>Escalation</b>
Lease for the pharmaceutical factory at 1474, South Coast Road Mobeni, KwaZulu-Natal	Eight years ending on 30 September 2011	R144 089	8% per annum

## **21. DETAILS OF SUBSIDIARIES**

The following information relates to Enaleni's subsidiaries:

<b>Date and place of incorporation</b>	<b>Registration number</b>	<b>Date of becoming a subsidiary</b>	<b>Nature of business</b>	<b>Percentage of ordinary issued shares owned by Enaleni</b>	<b>Issued share capital of subsidiary</b>
<b>Consumer Division</b>					
Modex Cosmetics	1977/001752/07	1 January 2005	Marketer and manufacturer of consumer care products	100	R4 577
CPF International (Pty) Limited	1995/007913/07	31 December 2004	Owner of the Caivil brands	100	R100
Kamillen	1969/006528/07	2 July 2004	Owner of pharmaceutical registrations	100	R100
Kamillen Products (Botswana) (Pty) Limited	88/1137	2 July 2004	Dormant company	100	Pula 100
<b>Vitality &amp; Wellness Division</b>					
Muscle Science	2004/002183/07	1 April 2004	Marketer of vitality and wellness products	51	R100
Bioharmony	1990/011900/23	1 May 2005	Marketer of vitality and wellness products	51	R100
<b>Pharmaceutical Division</b>					
Zedchem *	1995/013898/07	1 May 2005	Marketer and manufacturer of pharmaceutical products	100	R100

\*Awaits MCC approval on transaction, which is anticipated to be the end of May 2005.

**21.1** The reason why 100% of the holding in some of the above companies were not acquired is to ensure that the original owner or vendors of the above interests remains directly involved and responsible for the business. None of these shareholders are associated with the controlling shareholders of Enaleni, or associated companies, or its subsidiaries.

**21.2** Annexure 10 contains the detailed information of the vendors.

## **22. ADEQUACY OF WORKING CAPITAL**

**22.1** The directors of the company are of the opinion that the working capital available to the Enaleni group, subsequent to the recent capital raising and private placing, is adequate for the present requirements of the Enaleni group, i.e. for a period of 12 months from the date of issue of this prospectus and that:

**22.1.1** the company and the group will be able in the ordinary course of business to pay its debts for a period of 12 months after the date of this prospectus;

**22.1.2** the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of this prospectus. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements;

**22.1.3** the share capital and reserves of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of this prospectus;

**22.1.4** the working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 months after the date of this prospectus.

## **23. MATERIAL CONTRACTS**

**23.1** There are no material contracts, which have been entered into by the company during the period of two years preceding the date of this prospectus, other than in the ordinary course of the business, conducted by the company and as disclosed in paragraphs 17, 18 and 21 above.

**23.2** The company is not subject to any management or royalty agreements or payments of a similar nature. The company has not paid any material technical or secretarial fees during the period of two years preceding the issue of this prospectus.

**23.3** The company has not entered into any promoters' agreements during the two years preceding the date of this prospectus.

## **24. OPTIONS AND PREFERENTIAL RIGHTS IN RESPECT OF SHARES**

Save in terms of the share incentive scheme (the salient features of which are set out in Annexure 8) there are no contracts or arrangements, either actual or proposed, whereby any option or preferential right of any kind has been or will be given to any person to subscribe for any shares in the company or its subsidiaries.

## **25. LITIGATION STATEMENT**

There are no material legal or arbitration proceedings, including any such proceedings that are pending or threatened of which Enaleni is aware, that may have, or have had during the previous 12 months before the date of this prospectus, a material effect on the financial position of the group.

## **26. CODE OF CORPORATE PRACTICE AND CONDUCT**

The company's corporate governance report is set out in Annexure 6.

## **27. CONSENTS**

Each of the company's advisers and the transfer secretaries have consented in writing to act in the capacities stated and to their names appearing in this prospectus and have not withdrawn their consent prior to the publication of this prospectus.

## 28. EXPENSES AND LISTING FEES

**28.1** The estimated expenses of the capital raising, private placing and the listing, exclusive of Value-Added Tax, are as follows:

	<b>R'000</b>
Printing, publication, distribution and advertising expenses	400
JSE documentation fees	37
JSE listing fees	13
Share issue expenses, fiscal duties and taxes	80
Transfer secretaries	50
Designated Adviser	330
Fund raising fees	450
Reporting accountants	220
Attorneys	120
Contingency	100
<b>Estimated</b>	<b>1 800</b>

**28.2** The abovementioned estimated expenses will be written-off the share premium account to the extent permissible by the Act.

## 29. DIRECTORS' RESPONSIBILITY STATEMENT

The directors of Enaleni:

- 29.1** have considered all facts and opinions in this prospectus;
- 29.2** accept, collectively and individually, full responsibility for the accuracy of the information given in this prospectus;
- 29.3** certify that to the best of their knowledge and belief there are no omissions of material facts or considerations of which they are aware, the omission of which would make any statement of fact contained in this prospectus false or misleading, and that they have made all reasonable enquiries in order to ascertain whether there are any such facts and that this prospectus contains all information required by law and the Listings Requirements.

## 30. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents which have been submitted to the Registrar will be available for inspection at Exchange Sponsors (Pty) Limited's office, 39 First Road, Hyde Park, Sandton, 2196, at any time during normal business hours from 08:30 to 17:00 for a period of 21 days from the date of issue of this prospectus up to and including Friday, 10 June 2005:

- the memorandum and articles of association of the company;
- the audited annual financial statements of Enaleni since 31 December 2003;
- the written consents of the company's advisers and transfer secretaries to act in those capacities, which consents have not been withdrawn prior to publication;
- the signed reporting accountants' report on the historical financial information of Enaleni, as reproduced in Annexure 2;
- the signed reporting accountants' report on the unaudited *pro forma* financial information of Enaleni, as reproduced in Annexure 3;
- the signed reporting accountants' report on the forecast income statements of Enaleni, as reproduced in Annexure 4;

- copies of the letters of appointment of the directors of Enaleni;
- irrevocable undertakings in respect of paragraph 11.8;
- the company share incentive schemes; and
- a copy of this prospectus.

### **31. PARAGRAPHS OF SCHEDULE 3 TO THE ACT WHICH ARE NOT APPLICABLE**

The numbers of the paragraphs in Schedule 3 to the Act, which are not applicable, are:

1(b), 2(d), 6(e)(ii), 6(g), 6(h), 8(b), 8(d), 9(b)(viii), 12(d), 12(e), 14, 17(a), 17(b), 18(b), 20(b), 21, 24, 26, 27, 28 and 30.

**Signed in Durban by Stanley Whitfield on behalf of all the directors of the company on 23 May 2005.**

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## HISTORICAL FINANCIAL INFORMATION OF ENALENI

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### BASIS OF PREPARATION

The definitions commencing on page 8 of the prospectus have been used in this report.

The consolidated income statements, balance sheets, statement of changes in equity, cash flow statements and the related notes for the two years ended 31 December 2004 have been extracted, without adjustment, from the audited consolidated annual financial statements of Enaleni.

The historical financial information relating to Enaleni has been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice.

The auditors of Enaleni, KPMG Inc, have issued clean audit opinions on both financial periods.

### Income statements

The consolidated income statements of Enaleni for the years ended 31 December 2004 are set out below:

	<i>Notes</i>	<b>2004</b> <b>R</b> <b>Audited</b>	2003 <b>R</b> Audited
<b>Revenue</b>		<b>120 473 168</b>	94 741 439
Cost of sales		<b>82 671 381</b>	73 840 866
<b>Gross profit</b>		<b>37 801 787</b>	20 900 573
Operating income		<b>2 333 335</b>	50 932
Staff costs		<b>14 006 927</b>	8 178 746
Depreciation		<b>765 661</b>	96 068
Other operating expenses		<b>20 344 105</b>	9 053 734
<b>Profit from operations</b>	<i>9</i>	<b>5 018 429</b>	3 622 957
Finance costs		<b>1 118 158</b>	683 796
<b>Profit before tax</b>		<b>3 900 271</b>	2 939 161
Taxation expense	<i>10</i>	<b>847 825</b>	882 481
<b>Profit after tax</b>		<b>3 052 446</b>	2 056 680
Minority interest		<b>(277 313)</b>	–
<b>Net profit for year</b>		<b>3 329 759</b>	2 056 680

## Balance sheets

The consolidated balance sheets of Enaleni at 31 December are set out below:

	<i>Notes</i>	<b>2004</b> <b>R</b> <b>Audited</b>	2003 <b>R</b> Audited
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>19 571 281</b>	301 060
Property, plant and equipment	2	<b>8 595 564</b>	301 060
Intangible assets	3	<b>7 900 000</b>	–
Interest in subsidiary	12	–	–
Investments	13	<b>1 984 000</b>	–
Deferred tax	16	<b>1 091 717</b>	–
<b>Current assets</b>		<b>39 762 815</b>	28 346 110
Inventory	4	<b>13 506 839</b>	10 585 404
Accounts receivable	5	<b>18 456 181</b>	12 175 167
Cash and cash equivalents		<b>7 799 795</b>	5 585 539
<b>Total assets</b>		<b>59 334 096</b>	28 647 170
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	6	<b>100</b>	100
Retained income		<b>5 043 439</b>	2 056 680
		<b>5 043 539</b>	2 056 780
<b>Minorities shareholders' interest</b>		<b>(277 313)</b>	–
<b>Non-current liabilities</b>			
Long-term liabilities	7	<b>19 159 280</b>	7 400 679
<b>Current liabilities</b>		<b>35 408 590</b>	19 189 711
Accounts payable	8	<b>29 086 591</b>	17 500 908
Current portion of long-term liabilities	7	<b>4 382 457</b>	806 322
Taxation payable		<b>1 939 542</b>	882 481
<b>Total equity and liabilities</b>		<b>59 334 096</b>	28 647 170

## Statements of changes in equity

The consolidated statements of changes in equity of Enaleni for the years ended 31 December 2004 are set out below:

	<b>Share capital</b> <b>R</b> <b>Audited</b>	<b>Retained income</b> <b>R</b> <b>Audited</b>	<b>Total</b> <b>R</b> <b>Audited</b>
<b>Group</b>			
<b>Balance at 1 January 2003</b>	–	–	–
Issue of share capital	100	–	100
Net profit for year	–	2 056 680	2 056 680
<b>Balance at 31 December 2003</b>	100	2 056 680	2 056 780
Net profit for year	–	3 329 759	3 329 759
Dividends paid	–	(343 000)	(343 000)
<b>Balance at 31 December 2004</b>	<b>100</b>	<b>5 043 439</b>	<b>5 043 539</b>

## Cash flow statements

The consolidated cash flow statements of Enaleni for the years ended 31 December are set out below:

	<i>Notes</i>	<b>2004</b> <b>R</b> <b>Audited</b>	2003 R Audited
<b>Cash generated/(utilised) by operations</b>	<i>11.1</i>	<b>8 154 165</b>	(1 540 638)
Taxation paid	<i>11.2</i>	<b>(882 481)</b>	–
Dividends paid		<b>(343 000)</b>	–
Finance costs		<b>(1 118 158)</b>	(683 796)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>5 810 526</b>	(2 224 434)
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		<b>(9 098 770)</b>	(397 128)
Proceeds from property, plant and equipment		<b>51 764</b>	–
Acquisition of intangible assets		<b>(7 900 000)</b>	–
<b>Net cash outflow from investing activities</b>		<b>(16 947 006)</b>	(397 128)
<b>Cash flows from financing activities</b>			
Long-term liabilities raised		<b>15 334 736</b>	8 207 001
Increase in interest in subsidiary		–	–
Increase in investments		<b>(1 984 000)</b>	–
Shares issued during year		–	100
<b>Net cash inflow from financing activities</b>		<b>13 350 736</b>	8 207 101
<b>Net increase in cash and cash equivalents</b>		<b>2 214 256</b>	5 585 539
Cash and cash equivalents at beginning of year		<b>5 585 539</b>	–
<b>Cash and cash equivalents at end of year</b>		<b>7 799 795</b>	5 585 539

### Notes to the financial statements:

#### 1. Accounting policies

The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year:

##### 1.1 Statement of compliance

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act.

##### 1.2 Basis of preparation

The financial statements are prepared on the historical cost basis, except for financial instruments carried at revalued amounts.

##### 1.3 Financial instruments

###### *Measurement*

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below:

###### *Gains and losses on subsequent measurement*

Gains and losses on subsequent measurement arising from a change in the fair value of financial instruments are included in net profit or loss for the period in which it arises.

## *Offset*

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet when the company has a legally enforceable right to set-off the recognised amounts, and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

### **1.4 Plant, machinery and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads. Cost also includes site restoration costs that are recognised as a liability.

Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Depreciation is provided on the straight-line basis, over the estimated useful lives of assets. Depreciation is not provided on land.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Surpluses/(Deficits) on the disposal of property, plant and equipment are credited/(charged) to income. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

### **1.5 Intangible assets**

Trademarks and goodwill are stated at historical cost and are reviewed at each balance sheet date to determine whether there is any indication of impairment.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is expensed as incurred.

### **1.6 Impairment**

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

### **1.7 Negative goodwill**

Negative goodwill arising on an acquisition represents any excess of the fair value of the group's share of the identifiable net assets acquired over the cost of the acquisition. Negative goodwill is recognised immediately in the income statement.

### **1.8 Inventories**

Inventories are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition and is determined using standard costs. The cost of work in progress, finished goods and contracts in progress includes direct costs and an appropriate allocation of overheads based on normal production levels. Obsolete, redundant and slow-moving inventories are identified on a regular basis and are written-down to their estimated net realisable values.

### **1.9 Revenue recognition**

Revenue comprises net invoiced sales to third parties, excluding VAT and other non-operating income. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the company and the amount of revenue can be estimated reliably.

## **1.10 Tax**

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted at the balance sheet date and any adjustment of tax payable for previous years.

Deferred tax is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the balance sheet date.

The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged, or credited, directly to equity.

## **1.11 Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the company, unless otherwise stated.

## **1.12 Basis of consolidation**

### *Investment in subsidiaries*

Subsidiaries are those entities over whose financial and operating policies the group has the power to exercise control, so as to obtain benefits from their activities.

The group financial statements incorporate the assets, liabilities and results of the operations of the company and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition and to the effective dates of disposal. Where necessary, the accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the group.

### *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the group's interest in the enterprises. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associates. Unrealised losses on transactions with associates are eliminated in the same way as unrealised gains, except that they are only eliminated to the extent that there is no evidence of impairment.

	2004 R Audited	2003 R Audited
<b>2. Property, plant and equipment</b>		
<i>Buildings</i>		
At cost	3 500 000	–
Accumulated depreciation	35 000	–
Carrying value	<u>3 465 000</u>	<u>–</u>
<i>Plant and machinery</i>		
At cost	2 936 132	43 386
Accumulated depreciation	290 659	2 620
Carrying value	<u>2 645 473</u>	<u>40 766</u>
<i>Computer equipment</i>		
At cost	714 288	333 002
Accumulated depreciation	298 517	88 095
Carrying value	<u>415 771</u>	<u>244 907</u>
<i>Furniture and fittings</i>		
At cost	326 190	4 295
Accumulated depreciation	48 196	906
Carrying value	<u>277 994</u>	<u>3 389</u>
<i>Laboratory equipment</i>		
At cost	28 790	16 445
Accumulated depreciation	12 673	4 447
Carrying value	<u>16 117</u>	<u>11 998</u>
<i>Motor vehicles</i>		
At cost	1 926 893	–
Accumulated depreciation	176 684	–
Carrying value	<u>1 750 209</u>	<u>–</u>
<i>Building improvements</i>		
At cost	25 000	–
Accumulated depreciation	–	–
Carrying value	<u>25 000</u>	<u>–</u>
<b>Total carrying value</b>	<u><b>8 595 564</b></u>	<u>301 060</u>
<i>Movements for year</i>		
Carrying value at beginning of year	301 060	–
Additions	9 098 770	397 128
Disposals	(38 605)	–
Depreciation	(765 661)	(96 068)
<b>Carrying value at end of year</b>	<u><b>8 595 564</b></u>	<u>301 060</u>

	2004 R Audited	2003 R Audited
<b>3. Intangible assets</b>		
<i>Trademarks and brands</i>		
At cost	7 900 000	–
Carrying value	7 900 000	–
<b>4. Inventory</b>		
Raw materials	9 845 530	10 296 608
Finished goods	4 291 539	1 036 427
Inventory provision	(630 230)	(747 631)
	<u>13 506 839</u>	<u>10 585 404</u>
<b>5. Accounts receivable</b>		
Trade debtors	18 015 704	11 543 292
Other debtors	80 393	331 831
Pre-payments	928 932	300 044
Provision for bad debts	(568 848)	–
	<u>18 456 181</u>	<u>12 175 167</u>
<b>6. Share capital</b>		
Authorised		
1 000 ordinary shares of R1.00 each	<u>1 000</u>	<u>1 000</u>
Issued		
100 ordinary shares of R1.00 each	<u>100</u>	<u>100</u>
<b>7. Long-term liabilities</b>		
<i>Nedbank Limited</i>	3 564 701	6 207 000
<i>Nedbank Limited</i>	8 063 222	–
<i>Nedbank Limited</i>	593 731	–
<b>Total Nedbank Limited</b>	<u>12 221 654</u>	<u>6 207 000</u>
<i>ABSA Bank</i>	167 526	–
<i>Bruce and van Biljon Close Corporation</i>	5 466 502	–
<i>T Edwards Family Trust</i>	751 667	–
<i>S Whitfield Family Trust</i>	441 667	–
<i>Fast Food Natal Trust</i>	–	1 193 334
<i>Management Consortium</i>	806 667	806 667
<i>Azanian Trust</i>	1 484 000	–
<i>Baranov</i>	2 202 054	–
	<u>23 541 737</u>	<u>8 207 001</u>
<b>Current portion of long-term liabilities</b>		
<i>Nedbank Limited</i>	1 810 554	806 322
<i>Azanian Trust</i>	329 778	–
<i>Baranov</i>	2 202 054	–
<i>ABSA Bank</i>	40 071	–
	<u>4 382 457</u>	<u>806 322</u>
<b>Long-term portion</b>	<u>19 159 280</u>	<u>7 400 679</u>
	<u>23 541 737</u>	<u>8 207 001</u>

	<b>2004</b>	2003
	<b>R</b>	R
	<b>Audited</b>	Audited
<b>8. Accounts payable</b>		
Trade creditors	<b>17 086 753</b>	9 634 070
Other creditors and accruals	<b>11 999 838</b>	7 866 838
	<b>29 086 591</b>	17 500 908
<b>9. Profit from operations</b>		
Is arrived at after taking into account:		
Depreciation	<b>765 661</b>	96 068
Directors' remuneration	<b>3 109 729</b>	1 915 957
Audit fee	<b>73 936</b>	108 000
Bad debts	<b>280 895</b>	–
<b>10. Taxation expense</b>		
South African normal taxation:		
– Current	<b>1 896 667</b>	882 481
– Deferred	<b>(1 091 717)</b>	–
– STC	<b>42 875</b>	–
	<b>847 825</b>	882 481
<i>Reconciliation of tax rate:</i>		
Current year charge as a percentage of profit	<b>21.7%</b>	30.0%
Learnership allowance	<b>9.4%</b>	–
STC	<b>(1.1%)</b>	–
	<b>30.0%</b>	30.0%
<b>11. Notes to the cash flow statements</b>		
<b>11.1 Cash generated/(utilised) by operations</b>		
Profit from operations	<b>5 018 429</b>	3 622 957
<b>Adjustments for:</b>		
Depreciation	<b>765 661</b>	96 068
Profit on disposal	<b>(13 159)</b>	–
Operating profit before working capital changes	<b>5 770 931</b>	3 719 025
Increase in inventory	<b>(2 921 435)</b>	(10 585 404)
Increase in accounts receivable	<b>(6 281 014)</b>	(12 175 167)
Increase in accounts payable	<b>11 585 683</b>	17 500 908
	<b>8 154 165</b>	(1 540 638)
<b>11.2 Taxation paid</b>		
Balance at beginning of year	<b>(882 481)</b>	–
Income statement charge	<b>1 939 542</b>	882 481
Balance at end of year	<b>(1 939 542)</b>	(882 481)
	<b>(882 481)</b>	–
<b>12. Interest in subsidiary</b>		
Interest held in Aldabri 53 (Pty) Limited	–	–
Shares, at cost	–	–
Amounts due by subsidiaries	–	–
Net investment in subsidiary	–	–

	<b>2004</b>	2003
	<b>R</b>	R
	<b>Audited</b>	Audited
<b>13. Investments</b>		
<i>Unlisted</i>		
Shares at cost in Modex Cosmetics at the time being registered as Tutto (Pty) Limited	<b>384</b>	–
Loan to Modex Cosmetics at the time being registered as Tutto (Pty) Limited	<b>1 983 616</b>	–
Net investment	<b>1 984 000</b>	–

#### 14. Financial risk management

The company's financial instruments consists mainly of deposits with banks, short-term investments, accounts receivable and payable, and loans to and from subsidiaries and associated company.

##### *Interest rate management*

The group adopts a policy of regularly reviewing interest rate exposure, and maintains both fixed and floating rate borrowings.

##### *Credit risk management*

Management has a credit risk policy in place and exposure to credit risk is monitored on an on-going basis. Reputable financial institutions are used for investing and cash handling purposes.

##### **Fair values**

The fair values of all financial instruments are substantially identical to carrying amounts reflected in the balance sheet.

#### 15. Related parties

##### **15.1 Identity of related parties**

The subsidiaries of the group are identified in Note 12 and the investments in Note 13.

##### **15.2 Material related party transactions**

Loans to and from related parties – see Notes 12 and 13.

#### 16. Deferred tax

	<b>2004</b>	2003
	<b>R'000</b>	R'000
Balance at beginning of period	–	–
Current	<b>1 091 717</b>	–
– disallowed expenditure	<b>164 021</b>	–
– income received in advance	<b>690 000</b>	–
– tax loss	<b>237 696</b>	–
Current movement	<b>1 091 717</b>	–
<b>Balance at end of year</b>	<b>1 091 717</b>	–
<i>Comprising:</i>		
– tax loss	<b>237 696</b>	–
– income received in advance	<b>690 000</b>	–
– provisions	<b>164 021</b>	–
	<b>1 091 717</b>	–

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**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE  
HISTORICAL FINANCIAL INFORMATION OF ENALENI**

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"The Directors  
Enaleni Pharmaceuticals Limited  
1474 South Coast Road  
Mobeni  
KwaZulu-Natal  
4060

26 May 2005

Gentlemen

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL  
INFORMATION OF ENALENI PHARMACEUTICALS LIMITED**

**INTRODUCTION**

The definitions commencing on page 8 of the prospectus have been used in this report. Enaleni proposes to list on the JSE.

**PURPOSE OF THIS REPORT**

At your request, we present our report on the historical financial information of Enaleni, for the purposes of complying with the Listings Requirements and for inclusion in the prospectus, dated on or about 26 May 2005.

**RESPONSIBILITY**

The directors of Enaleni are responsible for the compilation, contents and preparation of the prospectus and for the accuracy of the information contained therein. The directors of Enaleni are also responsible for the financial information to which both this reporting accountants' report and the report of historical financial information on Enaleni relate and from which such reports have been prepared.

Our responsibility is to express an opinion on the report of historical financial information on Enaleni.

**HISTORICAL FINANCIAL INFORMATION FOR THE PERIODS ENDED 31 DECEMBER 2003 AND  
31 DECEMBER 2004**

We have audited the historical financial information of Enaleni relating to the periods ended 31 December 2003 and 31 December 2004 set out in the report of historical financial information attached as Annexure 1.

**SCOPE OF THE AUDIT**

We conducted our audit in accordance with the International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that the historical financial information relating to the periods ended 31 December 2003 and 31 December 2004 is free from material misstatement.

Our audit included the following:

- examining, on a test basis, evidence supporting the amounts and disclosures of the abovementioned historical financial information. The evidence included that previously obtained by us relating to the audit of the annual financial statements underlying the historical financial information;

- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall historical financial information presentation.

We believe that our audit provides a reasonable basis for our opinion.

## **AUDIT OPINION**

In our opinion, the historical financial information of Enaleni relating to the periods ended 31 December 2003 and 31 December 2004, for the purposes of the prospectus, fairly presents, in all material respects, the financial position of Enaleni at 31 December 2004 and the results of its operations and cash flows for the period then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa and the Listings Requirements.

## **CONSENT**

We consent to the inclusion of this letter and the reference to our opinion in the prospectus to be issued to Enaleni shareholders in the form and context in which it appears.

Yours faithfully

### **KPMG Inc.**

*Registered Accountants and Auditors  
Chartered Accountants (SA)*

PO Box 1496  
Durban  
4000  
South Africa

Per: **Jay Datadin**  
*Director*

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE UNAUDITED *PRO FORMA* INCOME STATEMENT AND BALANCE SHEET

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"The Directors  
Enaleni Pharmaceuticals Limited  
1474 South Coast Road  
Mobeni  
KwaZulu-Natal  
4060

26 May 2005

Gentlemen

### **REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED *PRO FORMA* INCOME STATEMENT AND BALANCE SHEET OF ENALENI PHARMACEUTICALS LIMITED ("ENALENI")**

We have conducted certain procedures with regard to the unaudited *pro forma* before and after balance sheet and income statement (collectively, "the *pro forma* financial information") of Enaleni Pharmaceuticals Limited ("Enaleni") set out in paragraph 10.4 of the Enaleni prospectus, to be dated on or about 26 May 2005 ("the prospectus").

The *pro forma* financial information has been prepared, for illustrative purposes only, to provide information about how the recent capital raising and private placing ("transactions") might have affected the financial information presented.

Because of its nature the *pro forma* financial information may not present a fair reflection of the financial position, changes in equity and results of operations of Enaleni, after the transactions.

At your request and for the purpose of the prospectus we present our report on the *pro forma* financial information relating to the transactions in compliance with the Listings Requirements of the JSE Securities Exchange South Africa ("JSE Listings Requirements").

### **RESPONSIBILITIES**

The directors of Enaleni are solely responsible for the preparation of the *pro forma* financial information to which this reporting accountants' report relates and for the financial statements and financial information from which it has been prepared.

It is our responsibility to express an opinion on the basis of preparation of the *pro forma* financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

### **SCOPE**

We have conducted certain procedures which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted reviewed historical financial information with the source documents, evaluating whether the financial reporting is consistent with the accounting policies of Enaleni, considering the evidence supporting the adjustments, recalculating the amounts based on the information obtained and discussing the *pro forma* financial information with the directors of Enaleni.

Because the above procedures do not constitute either an audit or review undertaken in accordance with the Statements of International Standards on Auditing, we do not express any assurance on the fair presentation of the unaudited *pro forma* financial information.

Had we performed additional procedures, or had we performed an audit or review of the financial statements in accordance with the Statements of International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

## **OPINION**

Based on our procedures, nothing has come to our attention that causes us to believe that:

- the *pro forma* financial information has not been properly compiled on the basis stated;
- such basis is inconsistent with the accounting policies of Enaleni;
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed pursuant to Section 8.30 of the JSE Listings Requirements.

## **CONSENT**

We consent to the inclusion of this letter and the reference to our opinion in the prospectus to be issued to Enaleni shareholders in the form and context in which it appears.

Yours faithfully

### **KPMG Inc.**

*Registered Accountants and Auditors  
Chartered Accountants (SA)*

PO Box 1496  
Durban  
4000  
South Africa

Per: **Jay Datadin**  
*Director*

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## INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE FORECAST INCOME STATEMENTS

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"The Directors  
Enaleni Pharmaceuticals Limited  
1474 South Coast Road  
Mobeni  
KwaZulu-Natal  
4060

26 May 2005

Gentlemen

### **REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS' ON THE FORECAST INCOME STATEMENTS ("forecast") OF ENALENI PHARMACEUTICALS LIMITED ("Enaleni")**

#### **SCOPE OF THE REVIEW**

We have examined the profit forecast of Enaleni and its subsidiary companies for the 12 months ending 31 December 2005 and 31 December 2006 as set out in paragraph 10.2 of the prospectus of Enaleni, to be issued on or about 26 May 2005. The forecast earnings attributable to ordinary shareholders amount to R6.466 million and R14.983 million for the periods ending 31 December 2005 and 31 December 2006. These are the amounts as reflected in the prospectus and our workings to determine the reasonableness of the forecast. The forecast was compiled by you and you are solely responsible therefor.

Our examination was carried out in accordance with the guidelines laid down by The South African Institute of Chartered Accountants. In carrying out our examination, we have analysed the accounting policies and have checked the calculations used in the forecast and we have confirmed that the underlying information used in the forecast has been presented on a basis consistent with the accounting policies of Enaleni. We consider that our procedures were appropriate in the circumstances to enable us to express our opinion presented below.

#### **OPINION REGARDING THE FORECAST**

In our opinion:

- the assumptions provide a reasonable basis for the preparation of the profit forecast;
- the forecast has been properly compiled on the basis of assumptions; and
- the forecast has been presented on a basis consistent with the accounting policies normally adopted by Enaleni.

Since the forecast is based on assumptions concerning future events, actual results may vary from the forecast, which has been presented and the variations may be material. Furthermore, although regard has been given to the effects of an International Financial Reporting Standards ("IFRS") conversion, the formal adoption of IFRS by the entity may result in further variations from the forecast presented and the variations may be material. Accordingly, we express no opinion on whether or not the forecast will be achieved.

Yours faithfully

#### **KPMG Inc.**

*Registered Accountants and Auditors  
Chartered Accountants (SA)*

PO Box 1496  
Durban  
4000  
South Africa

Per: **Jay Datadin**  
*Director*

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## EXTRACTS FROM THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF ENALENI

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### 1. INCREASE IN CAPITAL

31. The Company may from time to time by special resolution increase its capital by such sum divided into shares of such amount, or may constitute shares of no par value or may increase the number of its shares of no par value to such number, as the special resolution shall prescribe.
32. The Company may increase its share capital constituted by shares of no par value by transferring reserves or profits to the stated capital, with or without a distribution of shares.
33. New shares shall be subject to the same provisions as to transfer, transmission and otherwise as the shares in the original capital.
34. Except so far as otherwise provided by the resolution creating it, by the conditions of issue, or by these articles, any capital raised by the creation of new shares shall be considered part of the present capital, and as consisting of ordinary shares and shall be subject to the provisions herein contained with reference to transfer and transmission, and otherwise as if it had been part of the present capital.

### 2. MODIFICATION OF RIGHTS

38. Subject to the provisions of section 102 of the Act and to any provisions of these articles, if at any time the share capital is divided into different classes of shares, all or any of the rights for the time being attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound up) be varied, modified or abrogated with the sanction of a resolution passed at a separate general meeting of the holders of the shares of such class and the provisions of section 199 of the Act shall *mutatis mutandis* apply to the said resolution and meeting as if the resolution were a special resolution. Any issue of shares not ranking *pari passu* in all respects with any shares for the time being issued (both as regards rate of dividend and any other term of issue) shall for the purpose of this article be deemed to constitute a separate class of shares. All the provisions of these articles relating to general meetings of the Company shall *mutatis mutandis* apply to any such separate general meeting, but so that the necessary quorum, unless the class has only one member, shall be three persons at least holding or representing by proxy not less than one-third of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those members who are present in person or by proxy shall be a quorum) and that any holder of shares of the class present in person or by proxy may demand a poll and, on a poll, shall have one vote for each share of the class of which he is the holder.
39. The rights conferred upon the holders of the shares of any class shall not, unless otherwise expressly provided by the conditions of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### 3. SHARES

6. Subject to the remaining provisions of this Article 6, no shares in the capital of the Company shall be issued other than by way of a *pro rata* rights offer to the holders of the existing class of shares at the time, unless issued for the acquisition of assets. Notwithstanding the foregoing and subject always to the provisions of sections 221 and 222 of the Act, the Company in general meeting may place the unissued shares at the disposal of the directors, who may in such event allot, grant options over, or otherwise deal with or dispose of them to such persons at such times, and generally on such terms and conditions, and for such consideration, whether payable in cash or otherwise, as they may at their discretion think fit, provided that any such transaction has been approved of by any stock exchange on which the Company is listed, and provided further that no shares shall be issued at a discount except in accordance with section 81 of the Act.

7. Without prejudice to any special rights previously conferred on the holders of existing shares and subject to any provisions of these articles, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, return of share capital or otherwise, and (subject as provided by the Act) such limited or suspended rights to voting as the Company in general meeting may from time to time determine; provided that the Company may by resolution passed at a general meeting direct that shares shall be issued by the directors on such terms and conditions, and with such rights, privileges or restrictions attached thereto as the directors may determine.
8. Subject to the provisions of section 98 of the Act, the conditions of issue of any preference shares may, with the sanction of a special resolution, provide or may be varied so that they are, or at the option of the company are to be liable, to be redeemed on such terms and in such manner as the Company may by such or subsequent special resolution determine.
9. The Company may exercise the powers of paying commissions conferred by section 80 of the Act, provided that the rate or amount of the commission paid or agreed to be paid and the number of shares which persons have agreed for a commission to subscribe absolutely will be disclosed in the manner required by the said section, and that such commission shall not exceed 10 % (ten *per centum*) of the price at which the shares in respect whereof the same is paid are issued. Such commission may be satisfied by the payment of cash. The Company may also on any issue of shares pay such brokerage as may be lawful.
10. Except as ordered by a Court of competent jurisdiction or as by law required, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof, so that no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or (except only as by these articles or by law otherwise provided) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.

#### **4. CONSOLIDATION, SUB-DIVISION, ACQUISITION OF OWN SHARES, CONVERSION OF PREFERENCE SHARES, ALTERATION OF MEMORANDUM**

35. The Company may from time to time by special resolution:
  - (a) consolidate and divide all or any part of its share capital into shares of larger amount than its existing shares, or consolidate and reduce the number of the issued shares of no par value;
  - (b) increase the number of its issued no par value shares without an increase of its stated capital;
  - (c) cancel any shares which, at the time of passing of the resolution in respect thereof, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;
  - (d) sub-divide its shares or any of them into shares of smaller amount than is fixed by or pursuant to its Memorandum of Association and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division one or more of the shares may have such preferred or other rights over, or may have such qualified or deferred rights, or be subject to any such restrictions as compared with, the other or others as the Company has power to attach to unissued or to new shares;
  - (e) vary, modify or amend any rights attached to any shares whether issued or not (including the conversion of any shares into preferred shares) subject to any consent or sanction required from the holders of that and/or any other class of shares under Article 38;
  - (f) approve the acquisition of shares issued by the Company or, if the company is a subsidiary, approve the acquisition of shares issued by its holding company, subject to the listings requirement of any stock exchange on which the shares or debentures of the company or its holding company are listed or quoted and up to the maximum, if any, provided in the Act, which approval may be a general approval subject to the provisions of the Statutes or a specific approval for a particular transaction;

- (g) convert all its shares of one class having a par value into stated capital constituted by shares of no par value or such of its stated capital as is constituted by shares of no par value into share capital consisting of shares having a par value;
  - (h) convert any of its shares, whether issued or not, into shares of another class;
  - (i) alter the provisions of its Memorandum of Association with respect to the objects and powers of the Company.
36. Anything done in pursuance of the last article shall be done in a manner provided and subject to any conditions imposed by the Act, so far as they shall be applicable, and so far as they shall not be applicable, in accordance with the terms of the special resolution authorising the same, and, so far as such special resolution shall not be applicable, in such manner as the directors deem most expedient. Whenever as the result of any consolidation, a fraction of a share is included in the holding of any member such fraction may be sold by some person appointed by the directors for that purpose and the proceeds thereof paid to such member. When a fraction is sold as aforesaid the person so appointed to sell it shall be deemed to be authorised to make such sale the validity of which shall not be questioned.
37. All unclaimed amounts due as a result of any acquisition of shares issued by the Company or by its holding company or any consolidation or sub-division of capital or from any other cause (but excluding any unclaimed dividends) shall be held in trust by the Company until lawfully claimed by the member or a member of its holding company, as the case may be; provided that no such amount shall be lawfully claimable by that member if such claim has prescribed; and provided further that if so resolved by the directors such unclaimed amounts may be paid by the Company into a trust bank account under the control of the Company's attorneys or auditors for the benefit of the creditors in relation to those amounts, on such notification to those creditors as the directors may deem appropriate, whereupon the liability of the Company in relation thereto shall be extinguished.

## **5. GENERAL MEETINGS**

40. The Company shall hold a general meeting as its Annual General Meeting as provided in section 179 of the Act at such time and place as the directors may determine.
41. The directors may, whenever they think fit, convene a General Meeting and a General Meeting shall also be convened on requisition as provided in section 181 of the Act.
42. Save for any General Meeting convened by requisitionists as provided by section 181 of the Act, all general meetings, and all adjourned general meetings and all separate meetings of the holders of any class of shares shall be held at such time and place as the directors shall appoint.

## **6. VOTES OF MEMBERS**

58. Subject to the provisions of section 195 of the Act and of these articles and to any special terms as to voting upon which any share may be issued or may for the time being be held, on a show of hands, every member present in person or by proxy and entitled to vote shall have one vote and, upon a poll, a member shall be entitled to that proportion of the total votes in the Company which the aggregate amount of the nominal value of the shares held by him bears to the aggregate amount of the nominal value of all the shares issued by the Company.
59. Any corporation holding shares conferring the right to vote may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any General Meeting of the Company or at any meeting of holders of any class of shares of the Company, as provided by section 188 of the Act and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company. The directors may but shall not be obliged to require proof to their satisfaction of the appointment or authority of such representative to act.
60. Where there are joint registered holders of any shares any one of such persons may vote at any meeting in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present or represented at any meeting, then the vote of the senior who tenders a vote, whether

in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register or in the case of persons entitled to a share by transmission the order in which their names were given in the notice to the Company of the fact of the transmission.

## **7. DIRECTORS – NUMBER, QUALIFICATION AND REMUNERATION**

- 67(a) Until otherwise from time to time determined by the Company in general meeting, the number of directors shall be not less than four and not more than twenty.
- (b) The directors shall be entitled to such remuneration as the Company by ordinary resolution in general meeting may from time to time determine, which remuneration shall be divided among the directors in such proportion as they may agree, or in default of such agreement, equally, except that in such event any director holding office for less than a year shall only rank in such division in proportion to the period during which he has held office during the year.
68. The directors shall have power at any time from time to time to appoint any person as a director, either to fill a casual vacancy or as an addition to the board, but so that the total number of the directors shall at any time exceed the maximum number fixed. Any person appointed to fill a casual vacancy or as an addition to the board shall retain office only until the next following annual general meeting of the company and shall then retire and be eligible for re-election.
69. The directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company and in attending meetings of the directors or of committees of the directors or of the Company. Any director who serves on any executive or other committee or who devotes special attention to the business of the Company or who goes or resides outside South Africa for any purposes of the Company, or who otherwise performs services which, in the opinion of the directors, are outside the scope of the ordinary duties of a director, may be paid such remuneration as is determined by a disinterested quorum of directors, which may be either in addition to or in substitution for any other remuneration.
70. If any casual vacancy in the board arises, the remaining directors may continue to act, provided that if the number falls below the prescribed minimum of directors, the remaining directors shall not act except for the purpose of filling such vacancy.

## **8. POWERS OF DIRECTORS**

85. The management of the Company shall be vested in the directors who, in addition to the powers and authorities by these presents expressly conferred upon them, may exercise all such powers, and do all such acts and things, as may be exercised or done by the Company and are not hereby or by the Statutes expressly directed or required to be exercised or done by the Company in General Meeting (including without derogating from the generality of the foregoing or from the rights of the shareholders, the power to resolve that the Company be wound up, but subject nevertheless to such management and control not being inconsistent with these presents or with any resolution passed at any General Meeting of the members in accordance therewith; but no resolution passed by the Company in General Meeting shall invalidate any prior act of the directors which would have been valid if such resolution had not been passed. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the directors by any other Article.
86. The directors shall have power to delegate to any person or persons any of their powers and discretions and to give to any such person or persons power of sub-delegation.
87. Without in any way limiting or restricting the general powers of the directors to grant pensions, allowances, gratuities and bonuses to officers or ex-officers, employees or ex-employees of the Company or the dependants of such persons, it is hereby expressly declared that the directors may from time to time without any further sanction or consent of the Company in general meeting (but subject to the Statutes) grant pensions, gratuities or other allowances to any person or to the widow or dependants of any deceased person in respect of services rendered by him to the Company as managing director, executive director, general manager or manager, or in any other office or employment under the Company, notwithstanding that he may continue to be or be elected a director

or may have been a director of the Company, of such amounts, for such period, whether for life or for a definite period or for a period terminable on the happening of any contingency or event, and generally upon such terms and conditions as the directors in this discretion may from time to time think fit. For the purpose of this Article, the expression "executive director" shall mean a director appointed to an executive office in the Company and receiving in addition to his fees as a director, salary or remuneration for additional services whether under a service agreement or otherwise. The directors may authorise the payment of such donations by the Company to such religious, charitable, public or other bodies, clubs, funds or associations or persons as may seem to them advisable or desirable in the interest of the Company.

88. Without prejudice to the powers of the Company in general meeting in pursuance of any of the provisions of these articles to appoint any person to be a director, the directors shall have power at any time and from time to time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing board, but so that the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with these articles. Any director so appointed shall hold office only until the next following Annual General Meeting and shall then be eligible for re-election but shall not be taken into account in determining the directors who are to retire by rotation at such meeting.
89. The directors may take all steps that may be necessary or expedient in order to enable the shares, debentures or other securities of the Company to be introduced into and dealt with in any country, dominion, colony or state and to procure the same to be recognised by and specially quoted upon any Stock Exchange or Bourse in any country, dominion, colony or state and may accept responsibility for and pay and discharge all taxes, duties, fees, expenses or other sums which may be payable in relation to any of the matters aforesaid and may subscribe to and comply with the laws and regulations of any such country, dominion, colony or state and the rules or regulations of any such Stock Exchange or Bourse.
90. Save as otherwise expressly provided by these articles, all cheques, promissory notes, drafts, bills of exchange and other negotiable or transferable instruments and all documents to be executed by the Company shall be signed, drawn, accepted, endorsed or executed, as the case may be, in such manner as the directors shall from time to time by resolution determine.
91. The Company may create and issue secured or unsecured debentures and subject to any regulations from time to time made by the Company in general meeting, the directors may borrow from time to time for the purposes of the Company or secure the payment of such sums as they think fit and may secure the repayment or payment of any such sums by bond, mortgage or charge upon all or any of the property or assets of the Company or by the issue of debentures or otherwise as they may think fit, and may make such regulations regarding the transfer of debentures, the issuing of certificates therefor (subject always to Article 11 hereof) and all such other matters incidental to debentures as they may think fit; provided that no special privileges as to allotment of shares in the Company, attending and voting at general meetings, appointment of directors or otherwise, shall be given to the holders of debentures of the Company, save with the sanction of the Company in general meeting.

## **9. MANAGING AND EXECUTIVE DIRECTORS**

95. The directors may from time to time appoint one or more of their body to be Managing Director, Assistant Managing Director, General Manager or Executive Director (with or without specific designation) of the Company or to other executive office with the Company as the directors shall think fit, for a period not exceeding five years, and may from time to time remove or dismiss him or them from office and appoint another or others in his or their place or places.
96. Subject to any provisions either in these articles or in the contract under which he is appointed any director appointed to any position or executive office pursuant to the last preceding article, shall not, while he continues to hold that position or office under contract for a term of years, be subject to retirement by rotation during the currency of such contract, and he shall not, in such case, be taken into account in determining the rotation of retirement of directors, but, subject to the terms of any such contract as aforesaid, he shall be subject to the same provisions as to removal as the other directors of the Company, and, if he ceases to hold office as director, his appointment to such position or executive office shall *ipso facto* and immediately be terminated but without prejudice to any claims or damages which may accrue under any such contract in respect of such termination. Provided that the directors

shall not appoint any director to any position or executive office as aforesaid upon terms which exempt him from retirement by rotation, if at the time of such appointment the effect of such exemption would be to cause one-half or more of the directors to be exempt from retirement by rotation.

97. The remuneration payable by the Company to a director appointed to any position or executive office under Article 95 shall be in addition to or in substitution for any ordinary remuneration as a director of the Company and shall from time to time be fixed by a disinterested quorum of the directors where possible.
98. The directors may from time to time entrust to and confer upon a director appointed to any position or executive office under Article 95 such of the powers exercisable under these articles by the directors as they think fit, and may confer such powers for such time, and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions, as they think expedient, and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the directors in that behalf, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

## **10. DISQUALIFICATION AND PRIVILEGES OF DIRECTORS**

71. In addition to, and without liability, the provisions for retirement by rotation or otherwise hereinafter contained, the office of a director shall be vacated in any of the events following, namely:
- (a) if he becomes insolvent or assigns his estate for the benefit of his creditors, suspends payments generally, or compounds with his creditors, or files a petition for the surrender of his estate;
  - (b) if he is found or becomes of unsound mind;
  - (c) if he is requested in writing by all his co-directors to resign;
  - (d) if he be removed by a resolution of the company pursuant to section 220 of the Act;
  - (e) if he shall pursuant to the provisions of the Statutes or by reason of any order made thereunder be prohibited from acting as a director;
  - (f) if he resigns his office by notice in writing to the Company;
  - (g) if he is absent from meetings of the directors for six consecutive months without leave of the directors, otherwise than on the business of the Company and is not represented at any such meetings during such six consecutive months by an alternate director, and the directors resolve that his office be, by reason of such absence, vacated; provided that the directors shall have power to grant to any director not resident in South Africa leave of absence for any or an indefinite period.
72. A director may hold any other office or place of profit under the Company (except that of auditor) in conjunction with his office of director for such period and on such terms as to remuneration (in addition to the remuneration to which he may be entitled as a director) and otherwise as a disinterested *quorum* of directors may determine.
73. A director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise and (except insofar as otherwise decided by the directors), he shall not be accountable for any remuneration or other benefits received by him as a director or officer of or from his interest in such other company.
74. Any director may act by himself or through his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director.
75. The Company and the directors shall comply with the provisions of the Statutes (in particular sections 234, 235, 237 and 238 of the Act) with regard to the disclosure of the interests of directors in contracts or proposed contracts.
76. Subject to the preceding and next succeeding article hereof no director or intending director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any other office or place of profit under the Company or in any company promoted by the Company or in which the Company is interested or in respect of professional services rendered or to be rendered

by such director or as vendor, purchaser or in any other manner whatever, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any director is in any way interested be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realised by any such appointment, contract or arrangement by reason of such director holding the office or of the fiduciary relationship thereby established.

77. On any resolution for his own appointment to any other office or place of profit under the Company or in respect of any contract or arrangement in which he is interested, a director shall not vote nor be counted, provided that this prohibition shall not apply to:
- (a) any arrangement for giving to any director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
  - (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company which the director has himself guaranteed or secured; or
  - (c) any contract by a director to subscribe for or underwrite shares or debentures of the Company; or
  - (d) any contract or arrangement with a company in which he is interested by reason only of being a director, officer, creditor or member of such company,

and these prohibitions may at any time be suspended or relaxed to any extent either generally, or in respect of any particular contract or arrangement, by the Company in general meeting.

78. The directors may exercise the voting powers conferred by the shares in any other company held or owned by the Company in such manner in all respects as they think fit, including the exercise thereof in favour of any resolution appointing themselves or any of them to be directors or officers of such other company or voting or providing for the payment of remuneration to the directors or officers of such other company; and any director of the Company may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or about to become, a director or other officer of such other company and as such, or in any other manner, is or may be interested in the exercise of such voting rights in manner aforesaid.

## **11. RETIREMENT OF DIRECTORS IN ROTATION**

80. Subject to Article 96 hereof at the first Annual General Meeting all of the directors for the time being and at every subsequent Annual General Meeting one-third of the directors for the time being or if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from office. The directors so to retire at every subsequent Annual General Meeting shall be those who have been longest in office since their last election, but as between persons who become or were last elected directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot; provided that notwithstanding anything herein contained, if at the date of any Annual General Meeting any director shall have held office for a period of three years since his last election or appointment, he shall retire at such meeting either as one of the directors to retire in pursuance of the foregoing or additionally thereto. The length of time a director has been in office shall be computed from his last election, appointment or date upon which he was deemed re-elected. A director retiring at a meeting shall retain office until the close or adjournment of the meeting.
81. Retiring directors shall be eligible for re-election. No person, other than a director retiring at the meeting, shall, unless recommended by the directors for election, be eligible for election to the office of a director at any general meeting unless not less than seven nor more than fourteen clear days before the day appointed for the meeting, there shall have been left at the office of the Company, a notice in writing by some member duly qualified to be present and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.
82. Subject to Article 81, the Company in general meeting may fill the vacated offices by electing a like number of persons to be directors and may fill any other vacancies. If at any general meeting at which an election of directors ought to take place, the place of any retiring director is not filled, he shall, if willing, be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office, or unless a resolution for the re-election of such director shall have been put to the meeting and been defeated.

83. The Company may in general meeting (but subject to the provisions of Article 81) elect any person to be a director either to fill a casual vacancy or as an additional director, but so that the total number of directors shall not exceed at any time the maximum number fixed by or in accordance with these articles. The Company in general meeting may also from time to time increase or reduce the number of directors and may also determine in what rotation such increased or reduced number is to go out of office.
84. The validity of the appointment of any director shall not be affected by a failure to comply with section 211(3) of the Act.

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## STATEMENT OF CORPORATE PRACTICE AND CONDUCT

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The board of directors of Enaleni sets the group's overall policy and provides guidance and input in areas relating to strategic direction, planning, acquisitions, performance measurement, resource allocation, key appointments, standards of conduct and communication with shareholders.

The company's corporate philosophy is consistent with the principles of the King Report II on Corporate Governance, in that, *inter alia*:

- the roles of Chairman and Chief Executive Officer are separated;
- the company has a Non-Executive Chairman;
- service contracts of executive directors do not exceed four years in duration;
- Remuneration and Audit Committees are chaired by non-executive directors.

The board will, as a minimum, ensure compliance with the following:

### CODE OF CONDUCT

The directors acknowledge the importance of sound corporate governance and the guidelines set out in the Principles of Good Corporate Governance and Code of Best Practice ("Combined Code"). The directors therefore intend to embrace the Combined Code as far as it is appropriate, having regard to the size and nature of the various companies making up the group. The board will take such measures, as far as it is practicable to comply with the Combined Code.

### BOARD OF DIRECTORS

The company has six executive directors and two non-executive directors. The non-executive directors are fully independent of management and free to make their own decisions and independent judgements. They enjoy no benefits from the company for their services as directors, other than their fees and potential capital gains and dividends on their interests in ordinary shares and options.

The non-executive directors are high caliber professionals and sufficient in number for their independent views to carry significant weight in the board's deliberations and decisions.

The board retains full and effective control over the company. Apart from regular meetings, additional meetings are arranged when necessary to review strategy, planning, operations, financial performance, risk and capital expenditure, human resource and environmental management. The board is also responsible for monitoring the activities of the executive management.

At this stage, the company does not have a formal nomination or risk committee. Future appointments to the board will, however, be formal and a transparent matter for the board as a whole.

### THE EXECUTIVE COMMITTEE

The Executive Committee comprises the six executive directors, together with the managers of the different business units. The Executive Committee, which is responsible for the daily running of the group, regularly reviews current operations in detail, develops strategy and policy proposals for consideration by the board and then implements its directives. In view of the foregoing, the positions of Non-Executive Chairman and Chief Executive Officer are not combined.

The Non-Executive Chairperson will liaise on a regular basis with the Chief Financial Officer and the Chief Executive Officer, with regard to matters raised and to be raised at committee meetings.

## **AUDIT COMMITTEE**

The Audit Committee, chaired by the non-executive chairperson, Mr S'bu Luthuli, and attended by the company's Designated Adviser, will be formed for the purposes of monitoring and reviewing:

- the effectiveness of the group's information systems and other systems of internal control;
- the effectiveness of the internal audit function;
- the reports of both the external and internal auditors;
- the annual report and specifically the annual financial statements included therein;
- the accounting policies of the group and any proposed revisions thereto;
- the external audit findings, reports and fees and the approval thereof;
- compliance with applicable legislation and requirements of regulatory authorities;
- set the principles for recommending the use of external auditors for non-audit services.

The internal and external auditors have unrestricted access to the Audit Committee and its chairman with a view to ensuring that their independence is not impaired.

## **REMUNERATION COMMITTEE**

The Remuneration Committee establishes the group's remuneration philosophy, reviews the terms and conditions of employment of the executive directors and other executives, as well as incentive schemes. The chairperson is Mr S'bu Luthuli.

## **DIRECTORS' DEALINGS AND PROFESSIONAL ADVICE**

The company will operate a policy of prohibiting dealings by directors and certain other managers in periods immediately preceding the announcement of its interim and year-end financial results and at any other time deemed necessary by the board.

## **COMMUNICATION**

It will be the policy of Enaleni to meet regularly with institutional shareholders and investment analysts, as well as to provide presentations on the company and its performance.

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**OTHER DIRECTORSHIPS HELD BY DIRECTORS OF ENALENI**


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<b>Director</b>	<b>Directorships</b>
Trevor Edwards	Scooters Pizza (Pty) Limited
Stanley Whitfield	Scooters Pizza (Pty) Limited
S'bu Luthuli	Ithala Limited – Managing Director Luthuli & Luthuli Investments (Pty) Limited Project Preparation Trust Trustee University of KwaZulu-Natal Member of Council and Chairman of Audit Committee Ethekewini Municipality Member of Audit Committee Richards Bay IDZ Company (Pty) Limited – Director
Dali Tambo	Koketso Holdings (Pty) Limited Rentokil Initial (Pty) Limited

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## SALIENT FEATURES OF THE COMPANY'S SHARE SCHEMES

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The salient features of the employee share trust, which was adopted prior to the listing, are set out below:

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### ENALENI PHARMACEUTICALS SHARE INCENTIVE SCHEME

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#### 1. DEFINITIONS

"Acceptance Date"	the date of acceptance by an Offeree of an Offer in terms of this Scheme;
"Beneficiary"	any Offeree who has accepted an Offer in terms of this Scheme;
"Employee"	any person involved in the business of any member of the Group, excluding Non-executive Directors but including persons who may have accepted offers of employment from a member of the Group;
"the Market Price"	the weighted average of the closing price of the Company's Shares on the JSE on each of the thirty trading days immediately preceding the date upon which the Offer is made to an Offeree, but not less than the par value or stated value of the Shares concerned;
"Offer"	a written Offer made under this Scheme to an Offeree to acquire Shares, or Options to acquire Shares, upon one or other of the Offer Terms;
"Offeree"	an Employee selected by the Board to receive an Offer in terms of the provisions of this Scheme;
"Option" or "Options"	Options granted under the Share Option Terms;
"the Purchase Price"	the total purchase price including interest, if any, payable by a Beneficiary for all his Scheme Shares including any amount payable by him for Scheme Shares acquired as a result of a Rights Issue;
"this Scheme"	the Enaleni Pharmaceuticals Share Incentive Scheme as constituted by this Deed; and
"Scheme Share" or "Scheme Shares"	the Shares in the Company which an Employee may acquire in terms of this Scheme, including Shares acquired on a Capitalisation Issue, or on a Rights Issue to the extent that such acquisition is financed in terms of this Scheme, and also including convertible debentures, if any, and Shares arising on the exercise of the conversion rights under such convertible debentures.

#### 2. PURPOSE AND NATURE

This Scheme is introduced for the purpose of providing an opportunity to the employees of Enaleni Pharmaceuticals Limited ("the company") and subsidiaries of the company to acquire shares in the capital of the company, either directly or through the grant of options, so as to give such employees the incentive to advance the interests of the company for the ultimate benefit of all stakeholders in the company.

### **3. ELIGIBLE APPLICANTS**

An employee, involved in the business of any member of the group, excluding Non-executive Directors, but including persons who may have accepted offers of employment from a member of the group, selected by the Board to receive an offer in terms of the provisions of the Scheme.

The current maximum number of shares that can be allocated is 17 031 754 ordinary shares. This limits the number of shares capable of being allocated by the directors of the company in terms of the scheme and the Broad-Based Employee Share Plan to 15% of the entire issued share capital of the company. The maximum number of shares which any individual eligible applicant is entitled to acquire in terms of the scheme is that number of shares constituting 3% of the issued share capital of the company, the current maximum number that can be allocated is 3 406 350 shares. This limit will include any shares offered and accepted and any options granted and exercised in terms of the scheme.

### **4. OFFER**

Subject always to the provisions of the Companies Act, the board may from time to time instruct the Trustees to offer to an Offeree the opportunity to participate on either of the bases set forth in this Scheme and upon the relevant Offer Terms.

Subject to any terms and conditions of the Offer to the contrary, an Offer made to an Offeree shall be capable of acceptance on and subject to the relevant Offer Terms.

The Offer Terms will be one or other of the following:

- 4.1 the Beneficiary will have the Option to purchase the Scheme Shares at the Market Price applicable at the Acceptance Date, in the proportions and within the periods set out in paragraph 6 below; and/or
- 4.2 the Beneficiary shall the right to purchase the Scheme Shares concerned at the Market Price applicable at the Acceptance Date, and the Beneficiary shall be obliged to pay the Purchase Price on the Acceptance Date of the Offer.

The Offer may stipulate that the Company is prepared to financially assist the Offeree as provided in this Scheme, in acquiring the number of Shares specified, upon and subject to the relevant Offer Terms.

Should the Beneficiary not pay the Purchase Price in full on the date of acceptance of the Offer, then the Trustees may agree, subject to the provisions of this Deed, to lend to the Beneficiary the amount of the Purchase Price remaining unpaid. Such loan shall be made upon the terms and conditions of the Scheme, and shall be secured by a pledge of the Scheme Shares concerned; provided that the Beneficiary shall, at all times whilst the Scheme Shares remain under pledge, enjoy all the beneficial rights of ownership attaching thereto but not the right to vote.

### **5. RIGHTS ISSUE**

If the Company makes a Rights Issue, a Beneficiary shall, in respect of those of his Scheme Shares which are identifiable as such, which are in issue and which at the date upon which the Company's share register is closed for the purposes of such Rights Issue shall have been purchased by him or in respect of which he has exercised his options under either of the Offer Terms, be entitled (but not obliged) to take up the Rights in terms of the Rights Issue at the same price as that at which such Rights are offered to the other members of the Company.

### **6. RELEASE PERIOD**

A beneficiary shall be entitled to the release and/or delivery to him, whether under the Share Purchase Terms or under the Share Option Term of the share certificates, in units of 100 shares, of such number of his Scheme Shares (and, in respect of Scheme Shares which may be issued in certificated form, the share certificates in respect thereof) (including any Capitalisation and Rights Shares related thereto) that shall have been paid for in full and in respect of which no amounts are owing to the Trustees for financial assistance provided on account of the Purchase Price thereof but only up to a maximum of:

- nil upon the Acceptance Date;

- 50% 24 months after the Acceptance Date;
- the balance 36 months after the Acceptance Date, and

a Beneficiary shall, on release or delivery to him of the Scheme Shares concerned, be entitled to sell, alienate, or otherwise deal with the same as if he were the absolute owner thereof in all respects.

Scheme Shares shall, on release to a Beneficiary rank *pari passu* in all respects with the existing issued Shares of the Company.

## **7. DEATH, RETIREMENT, DISABILITY OR RESIGNATION**

On the termination, on or after the Acceptance Date, of the employment of a Beneficiary with the Company or with any other member of the Group, the following provisions shall apply unless otherwise directed by the board:

**7.1** if the termination of employment is by reason of the death or permanent disability of the Beneficiary, then he or his executors or administrators or curator, as the case may be, may within a period of 120 days after the date of such termination, be entitled:

7.1.1 to effect payment of the Purchase Price in respect of all of his Scheme Shares (whether or not he would have been entitled to have such Scheme Shares released to him as at the date of such termination), subject to payment of the Purchase Price in respect thereof; or

7.1.2 to require the Trust to deal with such Scheme Shares on the basis and at the price;

7.1.3 to exercise all of his Options and failing such exercise, any Options not exercised shall lapse;

**7.2** if the termination of employment is for any reason, other than that in clause 67.1, then:

7.2.1 the Trust shall deal with such Scheme Shares;

7.2.2 all his unexercised Share Options shall lapse on the date of such termination, and neither the Beneficiary nor his executors nor administrators nor curator shall have any further or other rights in relation to Scheme Shares acquired under the relevant Offer Terms.

## **8. AMENDMENTS**

**8.1** This Scheme may be amended from time to time by the board.

**8.2** No amendments shall be made without the prior approval of the JSE and neither may the terms nor conditions pertaining to any Offer or allotment of any Shares be altered without the consent of the Beneficiaries concerned (treated as a separate class) as would be required under the Company's Articles of Association for the variation or cancellation of the rights attached to those Shares.

**8.3** No amendment in respect of the following matters shall be made unless such amendment has received the prior approval of the Company in general meeting:

8.3.1 the eligibility of the persons who may become Beneficiaries under this Scheme;

8.3.2 the number of the shares subject to this Scheme and the percentage of the issued share capital that it represents;

8.3.3 the maximum entitlement of any one Beneficiary to acquire Scheme Shares;

8.3.4 the amount payable on acceptance and the basis for determining the Purchase Price at which Scheme Shares are acquired by Beneficiaries, or the period in or after which payments may be paid or called;

8.3.5 the voting, dividend, transfer and other rights (including those arising on the winding-up of the Company) attaching to Scheme Shares; or

8.3.6 any amendment to this Scheme clause.

All amendments to this Scheme made in terms this clause shall be binding on the Beneficiaries and all the other parties hereto.

## **9. TRUSTEES**

The present Trustees are Andrew Dale Parsons, identity number 6304105039085 and Helen Louise Crosby, identity number 7501050249085, both attorneys and directors practising under the name and style of Deneys Reitz Incorporated.

There shall at all times be a minimum of two Trustees in office. If and for so long as the Company is listed on the JSE no person may be a Trustee who is also a Beneficiary under this Scheme and executive directors of the Company may not be Trustees.

## **10. ANNUAL DISCLOSURE**

The Company in its annual financial statements shall summarise:

- 10.1** the number of Scheme Shares available in terms of the Scheme;
- 10.2** the number of Scheme Shares or Options which have actually been taken up by Beneficiaries in terms of any Offer made to them;
- 10.3** any changes in the number of Scheme Shares available in terms of the Scheme during the year to which the financial statements relate;
- 10.4** any changes in the number of Scheme Shares or Options which have actually been taken up by Beneficiaries during the year;
- 10.5** the number of Shares initially taken up by Beneficiaries as Scheme Shares or Options and which during the year have ceased to rank as Scheme Shares or Options;
- 10.6** the Purchase Price at which Beneficiaries have been invited to take up Scheme Shares or Options during the year and the total number of Scheme Shares or Options taken up by Beneficiaries at each such Purchase Price;
- 10.7** the total number of Scheme Shares remaining available to be taken up by Beneficiaries in terms of the Scheme;
- 10.8** the aggregate amount owing by Beneficiaries to the Trust as at the close of the year for financial assistance given in the taking up by Beneficiaries of Scheme Shares.

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## THE ENALENI BROAD-BASED SHARE INCENTIVE SCHEME

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### 1. DEFINITIONS

“Date of Grant”	in relation to an Equity Share means the date on which that Equity Share is offered to the Employee;
“Employee”	Employees from time to time of the Employer and any Participating Group Company, who on the Date of Grant are in the permanent employ of the Employer or a Participating Group Company; including executive directors of the Employer of a Participating Group Company; but excluding any employee who at the Date of Grant is a participant in any other share incentive or equity scheme of the Employer or of any other Group Company;
“Employer”	Enaleni Pharmaceuticals Limited;
“Equity Shares”	shares in the issued share capital of the Employer or of any Participating Group Company, excluding any part thereof which, neither as respects dividends nor as respects capital, carry any right to participate beyond a specified amount in a distribution;
“the Group of Companies” or “the Group”	the ‘group of companies’ as defined in the ITA of which the Employer is a member; and the members from time to time of that Group, as so defined, shall be referred to herein as a “Group Company”, or “Group Companies”, as the case may be;
“the ITA”	the Income Tax Act, 58 of 1962, as amended from time to time;
“the Market Value”	the price which could be obtained upon the sale of that Equity Share between a willing buyer and a willing seller dealing freely at arm’s length in an open market, and without having regard to any restrictions imposed in respect of that Equity Share; and in relation to Equity Shares listed on the JSE shall mean the weighted average of the closing price of those Shares on the JSE on each of the thirty trading days immediately prior to the date on which the Market Value falls to be determined;
“the Minimum Consideration”	the minimum consideration payable in terms of section 92 of the Companies Act, 61 of 1973, in relation to the allotment or issue of an Equity Share;
“Offer”	a written Offer made under this Scheme to an Employee to acquire Shares upon the Offer Terms;
“Offer Terms”	the offer terms and conditions set out in the Scheme;
“Participants”	Employees who are participants in this Plan;
“Participating Group Company”	a Group Company in respect of which the Directors have resolved shall participate in this Plan;
“this Plan”	this Broad-Based Employee Share Plan;
“the Purchase Price”	the total purchase price including interest (if any) payable by a Participant for all his or her Equity Shares, including Equity Shares acquired as a result of a rights issue;
“Qualifying Equity Share”	in relation to any Employee means an Equity Share acquired in a Year of Assessment in terms of this Plan, where the Market Value of all the Equity Shares (as determined on the relevant Date of Grant of each Equity Share), which were acquired by that Employee in terms of this Plan in that Year of Assessment, and in the two immediately preceding Years of Assessment, does not in aggregate

“Scheme Share” or  
“Scheme Shares”

exceed R9 000; or such other amount which may at any time be fixed in terms of the ITA for the purposes of Broad-Based Employee Share Plans; and

the Shares in the Company which an Employee may acquire in terms of this Scheme, including Shares acquired on a Capitalisation Issue, or on a Rights Issue to the extent that such acquisition is financed in terms of this Scheme, and also including convertible debentures, if any and Shares arising on the exercise of the conversion rights under such convertible debentures.

## **2. PURPOSE AND NATURE**

This Plan is intended to operate as an incentive to Employees to render services to the Employer and to encourage them to acquire Equity Shares in the Employer or in any other Group Company in order to create or to increase their proprietary interests in the Group's success.

## **3. ELIGIBLE APPLICANTS**

- 3.1** Employees who participate in any equity scheme of the Employer, or of any other Group Company, other than in terms of this Plan, will not be eligible to participate in this Plan.
- 3.2** At least 90% of the Employees (excluding those mentioned above) of the Employer and Participating Group Companies, who are employed by the Employer or Participating Group Companies on a permanent basis, and who have continuously been so employed on a full-time basis for at least one year, shall be entitled to participate in this Plan.
- 3.3** The maximum number of Equity Shares which may be acquired by any Employee in terms of this Plan shall be limited to the lesser of Qualifying Equity Shares that may be held by that Employee in terms of this Plan, or 1% of the issued ordinary share capital of the Employer.
- 3.4** The aggregate maximum number of Equity Shares which may be acquired by Participants upon the Offer Terms shall not, together with the Equity Shares acquired by the Participants and any other Share Incentive or Equity Scheme of the Employer or of any other Group Company, exceed 17 031 754 Equity Shares representing 15% of the issued share capital of the Employer, after providing for the issue of such shares.

## **4. OFFERS**

- 4.1** Subject always to the provisions of the Companies Act, the Board may from time to time instruct the Trustees to offer to the Employees the opportunity to participate in this Scheme. The Equity Shares will be offered to the Employees at the Minimum Consideration.
- 4.2** Subject to any terms and conditions of the offer to the contrary, an offer made to an Offeree shall be capable of acceptance on and subject to the relevant Offer Terms.
- 4.3** The Offer may stipulate that the Company is prepared to financially assist the Offeree as provided in this Scheme, in acquiring the number of Shares specified, upon and subject to the relevant Offer Terms.
- 4.4** The total Purchase Price payable by an Employee for each Equity Share offered, shall be the par value of each such Equity Share. This basis for determining the purchase price shall be the fixed mechanism for all Participants under this Broad-Based Employee Share Plan.
- 4.5** Should the Participant not pay the Purchase Price in full on the date of acceptance of the Offer, then the Trustees may agree, subject to the provisions of the scheme, to lend to the Participant the amount of the Purchase Price remaining unpaid. Such loan shall be made upon the terms and conditions of the Scheme, and shall be secured by a pledge of the Scheme Shares concerned; provided that the Participant shall, at all times whilst the Scheme Shares remain under pledge, enjoy all the beneficial rights of ownership attaching thereto but not the right to vote.

## **5. RELEASE PERIOD**

- 5.1** A beneficiary shall be entitled to the release and/or delivery to him or her of the share certificates in respect of the Equity Shares once he or she has paid for the Equity Shares, provided that the Equity Shares may only be sold after the lapse of such period as the Directors may determine which shall not be more than five years after the Date of Grant. The shares shall be held in pledge until then.
- 5.2** In the event of a Capitalisation Issue or a Rights Issue of shares, or a sub-division, reduction or consolidation of the share capital of the Employer or any other Group Company, or a reduction of capital whether or by way of a buy-back of shares or otherwise, the directors may adjust the number of Equity Shares on a proportionate basis so as to give a Participant the same proportion of the Employer's capital as that to which he or she was entitled prior to the Capitalisation Issue, Rights Issue, sub-division, consolidation of the share capital of the Employer, or reduction of capital as the case may be; provided that the Auditors for the time being of the Employer shall confirm in writing that any adjustment has been properly calculated on a reasonable basis.
- 5.3** Equity Shares shall upon release to Participants, rank *pari passu* in all respects with the existing issued shares of the Employer.

## **6. DEATH, RETIREMENT, DISABILITY OR RESIGNATION**

- 6.1** On the termination, on or after the Date of Grant but prior to the release of the shares to the Participant, of the employment of a Participant with the Company or with any other member of the Group, then the Equity Shares shall be sold by the Trust and the proceeds paid to the Participant.
- 6.2** If, however, the employment of the Employee is terminated prior to the release from pledge of the Employee's Equity Shares, on grounds, which need not be specified or proved, of his or her dishonest or fraudulent or negligent or willful conduct, whether such termination occurs as a result of notice given to or by him or her or otherwise, he or she shall be deemed to have thereupon sold all of his or her Equity Shares to the Trust on the date of such termination for an amount equal to the Purchase Price in relation to those Equity Shares, which shall be set-off against any indebtedness of the Employee in respect of such Purchase Price, with any balance being payable to the Employee, but the Employee shall have no further or other rights or claims whether in respect of the value of such Shares or otherwise, and whether against the Employer, the Trustees or anyone else.

## **7. AMENDMENTS**

- 7.1** This Scheme may be amended from time to time by the board.
- 7.2** No amendments shall be made without the prior approval of the JSE and neither may the terms nor conditions pertaining to any Offer or allotment of any Shares be altered without the consent of the Participants concerned (treated as a separate class) as would be required under the Company's Articles of Association for the variation or cancellation of the rights attached to those Shares.
- 7.3** No amendment in respect of the following matters shall be made unless such amendment has received the prior approval of the Company in general meeting:
- 7.3.1 the eligibility of the persons who may become Participants under this Scheme;
- 7.3.2 the number of the shares subject to this Scheme and the percentage of the issued share capital that it represents;
- 7.3.3 the maximum entitlement of any one Participant to acquire Scheme Shares;
- 7.3.4 the amount payable on acceptance and the basis for determining the Purchase Price at which Scheme Shares are acquired by Participants, or the period in or after which payments may be paid or called;

7.3.5 the voting, dividend, transfer and other rights (including those arising on the winding-up of the Company) attaching to Scheme Shares; or

7.3.6 any amendment to this Scheme clause.

All amendments to this Scheme made in terms this clause shall be binding on the Participants and all the other parties hereto.

## **8. TRUSTEES**

The present Trustees are Andrew Dale Parsons, identity number 6304105039085 and Helen Louise Crosby, identity number 7501050249085, both attorneys and directors practising under the name and style of Deneys Reitz Incorporated.

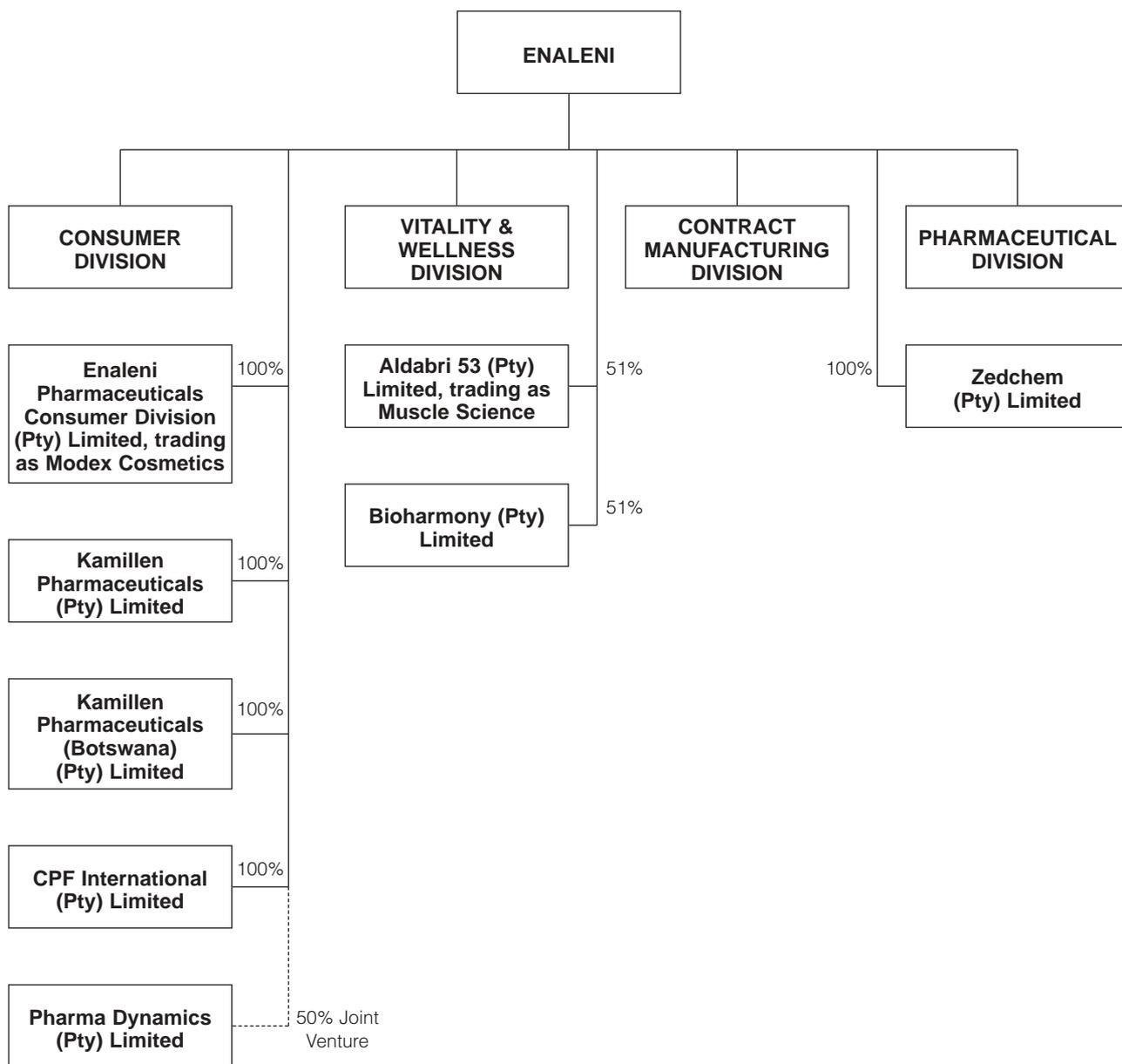
There shall at all times be a minimum of two Trustees in office. If and for so long as the Company is listed on the JSE no person may be a Trustee who is also a Participant under this Scheme and executive directors of the Company may not be Trustees.

## **9. ANNUAL DISCLOSURE**

The Company in its annual financial statements shall summarise:

- 9.1** the number of Scheme Shares available in terms of the Scheme;
- 9.2** the number of Scheme Shares or Options which have actually been taken up by Participants in terms of any Offer made to them;
- 9.3** any changes in the number of Scheme Shares available in terms of the Scheme during the year to which the financial statements relate;
- 9.4** any changes in the number of Scheme Shares which have actually been taken up by Participants during the year;
- 9.5** the number of Shares initially taken up by Participants as Scheme Shares and which during the year have ceased to rank as Scheme Shares;
- 9.6** the Purchase Price at which Participants have been invited to take up Scheme Shares during the year and the total number of Scheme Shares taken up by Participants at each such Purchase Price;
- 9.7** the total number of Scheme Shares remaining available to be taken up by Participants in terms of the Scheme;
- 9.8** the aggregate amount owing by Participants to the Trust as at the close of the year for financial assistance given in the taking up by Participants of Scheme Shares.

**GROUP STRUCTURE**



## VENDORS

The following represents a list of all vendors of material assets acquired by Enaleni during the three years preceding the publication of this prospectus:

<b>Nature of asset acquired or to be acquired</b>	<b>Names of vendors</b>	<b>Acquiring company</b>	<b>Date of acquisition</b>	<b>Addresses of vendor</b>	<b>Amount paid or payable in cash or securities to each vendor</b>
50% of share capital of Aldabri 53 (Pty) Limited, trading as Muscle Science	Subscription for shares	Enaleni	1 April 2004	1474 South Coast Road Mobeni, KwaZulu-Natal, 4060	R50
Net assets of Muscle Science business	Bruce and van Bijljon Close Corporation	Aldabri 53 (Pty) Limited, trading as Muscle Science	1 April 2004	3 Aloedgate Crescent Southgate Industrial Park Umbogintwini, KwaZulu-Natal	R7 000 000
1% of share capital and shareholders' loans of Aldabri 53 (Pty) Limited trading as Muscle Science	Mario van Bijljon Trust and Brett Bruce Trust	Enaleni	1 May 2005	1474 South Coast Road Mobeni, KwaZulu-Natal, 4060	R110 000
100% of share capital of Kamillen Pharmaceuticals (Pty) Limited	The ATG Trust and Kenmel Products (Pty) Limited	Enaleni	2 July 2004	Nexia Levitt Kirson, Aloe Grove 196 Louis Botha Avenue, Houghton Estate, Johannesburg, 2198	R100 000
100% of share capital of Kamillen Pharmaceuticals (Botswana) (Pty) Limited	Kenneth Baranov and Kenmel Products (Pty) Limited	Enaleni	2 July 2004	Nexia Levitt Kirson, Aloe Grove 196 Louis Botha Avenue Houghton Estate, 2198	R135
Fixed assets, current assets and trademarks belonging to Kenmel Products (Pty) Limited	Kenmel Products (Pty) Limited	Enaleni	2 July 2004	Nexia Levitt Kirson, Aloe Grove 196 Louis Botha Avenue Houghton Estate, 2198	R15 844 000
50% of share capital of CPF International (Pty) Limited	Azanian Investment Trust	Modex Cosmetics	31 December 2004	13 Jowell Street, Springbok, 8240	R5 500 000
8.38% of share capital of Modex Cosmetics	Azanian Investment Trust	Enaleni	31 December 2004	13 Jowell Street, Springbok, 8240	R1 484 000
91.62% of share capital of Modex Cosmetics	*Refer below	Enaleni	1 January 2005	*Refer below	R13 042 850 in shares in Enaleni

<b>Nature of asset acquired or to be acquired</b>	<b>Names of vendors</b>	<b>Acquiring company</b>	<b>Date of acquisition</b>	<b>Addresses of vendor</b>	<b>Amount paid or payable in cash or securities to each vendor</b>
100% of share capital of Zedchem (Pty) Limited	Ian Everard Linley and Margot Chadwick Downie	Enaleni	1 May 2005	Prime Park B2, Mocke Road Diep River, 7800	R2 500 000 plus stock at valuation
51% of share capital of Bioharmony (Pty) Limited	Maria Ascencao	Enaleni	1 May 2005	Upper Level, Wynberg Centre 123 Main Road, Wynberg, 7800	R2 040 000
Call and put option for 100% of share capital of Universal Pharmaceuticals (Pty) Limited	Abe Egdes and Leslie Myers	Enaleni	No later than 1 April 2008	Vado House, 7 Browning Street Wolhuter, Johannesburg, 2001	A maximum of R6 000 000 including stock in trade

\*Purchase of 91.62% of share capital of Modex Cosmetics.

<b>Names of vendors</b>	<b>Address of vendors</b>	<b>Amount paid or payable in cash or securities to each vendor</b>
Stanley Whitfield Family Trust	1474, South Coast Road, Mobeni, KwaZulu-Natal	R654 540
Trevor Edwards Family Trust	1474, South Coast Road, Mobeni, KwaZulu-Natal	R978 590
Hentiq 2632 (Pty) Limited	210, Aberdare Drive, Phoenix Industrial Estate, KwaZulu-Natal	R5 832 590
Devandaren Perumal Family Trust	210, Aberdare Drive, Phoenix Industrial Estate, KwaZulu-Natal	R599 980
Old Mutual Life Assurance Company (South Africa) Limited	3rd Floor, Old Mutual Asset Management, West Campus Building Jan Smuts Drive, Pinelands, 7405	R4 977 150

**Notes:**

- (1) The vendors acquired none of the assets within three years preceding this prospectus.
- (2) The vendors provided normal warranties to Enaleni.
- (3) The vendors are not allowed to conduct business in competition with Enaleni, however no restraint of trade payments were paid by Enaleni to the vendors.
- (4) There are no liabilities in terms of accrued taxation for the above acquisitions.
- (5) All the above companies are subsidiaries at the last practicable date.
- (6) No promoter had any beneficial interest, direct or indirect, in any of the above transactions.
- (7) No cash or securities were paid or benefit given within the three preceding years or proposed to be paid or given to any promoter, not being a director.
- (8) The assets acquired in the above table have been transferred into the name of Enaleni and the assets have not been ceded or pledged.

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**ENALENI AWARDS**


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**Enaleni**

*Voted as one of South Africa's top 300 empowerment companies by Impumelelo	2003
*Achieved Empowerdex "A" rating	2003
*Umyezane Award for Top Empowerment Job Creation Company in KwaZulu-Natal	2003
*South Basin Businessperson of the Year finalist (Trevor Edwards)	2003
*Durban Chamber of Commerce Nominee for Empowerment Exporter of the Year	2003
*Winner of the Black Management Forum Award as the Most Progressive Empowerment Company in KwaZulu-Natal	2004
*Winner of the Standard Bank KwaZulu-Natal Business Growth Award, Medium Corporate	2004
*Winner of the Standard Bank KwaZulu-Natal Entrepreneur of the Year Award, large corporate	2004
*Winner of Award for Performance and Productivity by Black Business Quarterly	2004
*Nominated by Black Business Quarterly under the category for entrepreneurship (Umesh Parusnath)	2004

**Modisons/Modex Cosmetics**

*Investec Business of the Month	2000
*Institute of Marketing Management, nominee for KwaZulu-Natal Marketer of the Year	2000
*Franchising Association Newcomer of the Year nominee	2000
*Nominated for Marketer of the Year – by the Franchising Association of Southern Africa	2000
*Modex Cosmetics moves to new 4 600 square metre factory	2000
*Sold Modisons Division to Clicks	2001
*Acquired Caivil with proceeds of Modisons sale	2001
*Modex Cosmetics becomes one of the largest ethnic hair and beauty companies in South Africa	2004

**Muscle Science**

*Marketing Organisation of the Year – KwaZulu-Natal	2001
*Southern Industrial Basin Entrepreneur Award (2nd position)	2002
*Investec Entrepreneurs of the Week	2003
*Finalist Standard Bank Entrepreneur of the Year KwaZulu-Natal	2004



# Enaleni Pharmaceuticals Limited

(Incorporated in the Republic of South Africa)

(Registration number 2002/018027/06)

(JSE code: ENL ISIN: ZAE000067740)

("Enaleni" or "the company")

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## PRIVATE PLACING APPLICATION FORM

In terms of the private placing of 10 000 000 Enaleni shares at an issue price of 100 cents per share registered in terms of a prospectus issued on 26 May 2005 ("the prospectus")

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This private placing application form was registered by the Registrar of Companies on Thursday, 26 May 2005.

Please refer to the instructions overleaf before completing this private placing application.

### Certificated shares – payment by bank guaranteed cheque or banker's draft

Applicants who elect to receive their allocated shares in certificated form and who wish to pay by way of **bank guaranteed cheque** or **banker's draft** must complete and return the private placing application, together with their payment in the form of a bank guaranteed cheque or banker's draft (crossed "not transferable" and drawn in favour of "**Enaleni Private Placing**") in an envelope marked "**Enaleni Private Placing**" to:

*if delivered by hand or by courier*

*or if posted*

Designated Adviser  
Exchange Sponsors  
39 First Road  
Hyde Park  
2196

Designated Adviser  
Exchange Sponsors  
PO Box 411216  
Craighall  
2024

### Certificated shares – payment by electronic transfer

Applicants who elect to receive their allocated shares in certificated form and who wish to pay by way of **electronic transfer** may do so, in which case the **private placing application, and proof of such payment by electronic transfer must be hand delivered, posted or faxed to:**

*if delivered by hand*

*or if posted*

*or if faxed*

Designated Adviser  
Exchange Sponsors  
39 First Road  
Hyde Park  
2196

Designated Adviser  
Exchange Sponsors  
PO Box 411216  
Craighall  
2024

Designated Adviser  
(011) 447 1929

so as to be received by no later than 12:00 on Monday, 6 June 2005.

Payment by electronic transfer must be made into the following bank account:

Bank:	Nedbank Limited
Branch:	Business branch – KwaZulu-Natal
Branch code:	16 48 26
Account name:	Enaleni Private Placing
Account number:	1648 141 714

Enaleni accepts no responsibility and will not be liable for the correct or any allocation of private placing shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or Enaleni, for any reason, not being able to reconcile a payment or purported payment with a particular application for private placing shares.

### Dematerialised shares – payment by electronic transfer or through CSDP or broker

Applicants who elect to receive their allocated shares in dematerialised form and who wish to pay by way of **electronic transfer** may do so, in which case the **private placing application and the section on their CSDP or broker must be completed, and proof of such payment by electronic transfer must be hand delivered, posted or faxed to:**

*if delivered by hand*

*or if posted*

*or if faxed*

Designated Adviser  
Exchange Sponsors  
39 First Road  
Hyde Park  
2196

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Branch code:	16 48 26
Account name:	Enaleni Private Placing
Account number:	1648 141 714

Enaleni accepts no responsibility and will not be liable for the correct or any allocation of private placing shares pursuant to payment being made or alleged to have been made by way of electronic transfer due to proof of such payment not being received or purported proof of such payment being insufficient or defective or Enaleni, for any reason, not being able to reconcile a payment or purported payment with a particular application for private placing shares.

Applicants who wish to receive their allocated shares in dematerialised form, can also complete and return this private placing application form to their duly appointed CSDP or broker by the time and date stipulated in the agreement governing their relationship with their CSDP or broker, together with the method of payment as stipulated in such agreement.

**NO LATE APPLICATIONS WILL BE ACCEPTED.**

## Reservation of rights

The directors of Enaleni reserve the right to accept or refuse any application(s), either in whole or in part, or to abate any or all application(s) (whether or not received timeously) in such manner as they may, in their sole and absolute discretion, determine.

The directors of Enaleni reserve the right to accept or reject, either in whole or in part, any private placing applications should the terms contained in this prospectus of which this private placing application form forms part and the instructions herein not be properly complied with.

Applications must be for a minimum of 5 000 shares and multiples of 1 000 thereafter.

## To the directors

### Enaleni Pharmaceuticals Limited

1. I/We, the undersigned, confirm that I/we have full legal capacity to contract and, having read the prospectus, hereby irrevocably apply for and request you to accept my/our application for the undermentioned number of shares in Enaleni at 100 cents per share or any lesser number that may, in your absolute discretion, be allotted to me/us, subject to the articles of association of Enaleni.
2. I/We wish to receive our allocated shares in dematerialised form and will hand this/or request you to hand this private placing application form to our appointed CSDP or broker. I/We accept that payment in respect of these applications will be, in terms of the custody agreement entered into between me/us and our CSDP or broker, on delivery versus payment basis. (Delete if not applicable.)
3. I/We wish to receive our allocated shares in certificated form and commit to accept the physical share certificate. Accordingly I/We hereby enclose a crossed cheque/banker's draft in favour of "Enaleni Private Placing" for the appropriate amount due in terms of this application. (Delete if not applicable.)
4. I/We understand that the subscription for shares in terms of the prospectus is conditional on the granting of a listing of the shares of Enaleni, by Friday, 10 June 2005 or such later date as the directors may determine, on the Alternative Exchange ("ALT") of the JSE.

Dated

2005

Signature

Assisted by (where applicable)

<b>Surname of individual or name of entity</b>	Mr Mrs Miss Other title
<b>First names (in full)</b>	
<b>To be completed by all applicants</b> <b>Postal address</b> (Preferably PO Box address) Refund cheque and share certificate if applicable, will be sent to this address	
<b>Telephone number (            )</b>	
<b>Total number of ordinary shares applied for</b> <b>Note:</b> Minimum number of 5 000 shares and thereafter in multiples of 1 000 shares	(Enter figures only – not words)
<b>Total amount of cheque or banker's draft</b> to cover ordinary shares applied for herein at 100 cents per share	R  (Enter figures only – not words)
<b>Section must be completed if shares required in dematerialised form required information can be obtained from CSDP or broker</b>	
CSDP name	
Settlement Bank Account Number	
Bank BIC Code	
STRATE Business Partner ID	
Bank CSD Account Number	

This application will constitute a legal contract between issuer and applicant. The issuer of the shares is Enaleni. Application forms for certificated or uncertificated shares where this portion has not been completed will not be accepted.

## Instructions:

1. Applications may be made on this application form only. Copies or reproductions of the application form will be accepted.
2. Applications are irrevocable and may not be withdrawn once submitted to the Designated Adviser, transfer secretaries, CSDP's or brokers.
3. All CSDP's and brokers will be required to retain the application form for presentation to the directors if required.
4. Please refer to the terms and conditions of the private placing set out in paragraph 11 of the prospectus. Applicants should consult their brokers, bankers or other professional advisers in case of doubt as to the correct completion of the application form.
5. Applicants must be for a minimum of 5 000 shares and thereafter in whole multiples of 1 000.
6. Applicants who wish to receive their shares in uncertificated form and who do have a CSDP or broker, must do so in terms of the custody agreement entered into between them and their CSDP or broker on a delivery versus payment basis.
7. Applicants who wish to receive their shares in certificated form must submit only one application form and one cheque or banker's draft in respect of each application. Payment may also be by way of electronic transfer as set out above. To the extent that more than one application is submitted, the first application form received will be the one in respect of which Enaleni shares will be allocated in terms of the prospectus and further application form(s) will be ignored. The application monies applicable thereto will be held by the company and returned without interest to the applicants concerned with all other returned cheques in terms of the prospectus at the applicant's risk. Postal orders, cash or telegraphic transfers will **not** be accepted.
8. No receipts will be issued for application forms, application monies or any supporting documentation and applications will only be regarded as complete when the relevant cheque/banker's draft has been paid. All monies will be deposited immediately for payment. If a receipt is required, shareholders or lodging agents are required to prepare special transaction receipts for application forms lodged.
9. If any cheque or banker's draft is dishonoured, the company may, in its sole discretion, regard the relevant application as invalid or take such other steps in regard thereto as it may deem fit.
10. All alterations on this application form must be authenticated by full signature.
11. Enaleni will use the "certified transfer deeds" and other temporary "documents of title" procedure approved by the JSE Securities Exchange South Africa and therefore will issue only a "block" certificate for the shares allotted in terms of this application.
12. Blocked Rand may be used by emigrants and non-residents of the common monetary area (comprising the Republics of South African and Namibia and the Kingdoms of Swaziland and Lesotho) for payment in terms of this and reference should be made to paragraph 11.12 of the prospectus, which deals with the Exchange Control Regulations.