

BIOSCIENCE BRANDS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2005/005805/06)
("BioScience Brands" or "the company")
ISIN Code: ZAE000115036 Share code: BIO

AUDITED CONDENSED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2009

CONDENSED CONSOLIDATED BALANCE SHEET

	Year ended 30 June 2009 R	16 months ended 30 June 2008 R
ASSETS		
Non-current assets	56 269 945	43 548 063
Plant and equipment	951 498	952 437
Intangible assets	54 659 016	42 144 154
Deferred tax	659 431	451 472
Current assets	29 371 752	35 339 967
Inventories	12 944 918	15 604 661
Trade and other receivables	14 453 195	16 892 094
Cash and cash equivalents	1 973 639	2 843 212
Total assets	85 641 697	78 888 030
EQUITY AND LIABILITIES		
Total equity	48 923 129	40 311 834
Issued capital	244 287	169 305
Share premium	111 371 533	88 110 297
Accumulated loss	(62 692 691)	(47 967 768)
Non-current liabilities	16 535	25 308
Loans and borrowings	16 535	25 308
Current liabilities	36 702 033	38 550 888
Taxation payable	1 928 433	600 537
Trade and other payables	21 404 054	21 506 636
Short-term portion of loans and borrowings	4 490 894	13 332 806
Bank overdraft	8 878 652	3 110 909
Total equity and liabilities	85 641 697	78 888 030

CONDENSED CONSOLIDATED INCOME STATEMENT

	Year ended 30 June 2009	16 Months ended 30 June 2008
	R	R
Revenue	66 503 641	27 985 573
Operating loss	(10 403 370)	(13 162 825)
Net financing costs	(2 998 453)	(1 182 459)
Loss before taxation	(13 401 823)	(14 345 284)
Taxation	(1 323 100)	1 850 119
Loss for the year	(14 724 923)	(12 495 165)
Loss attributable to:		
Equity holders of the parent	(14 724 923)	(12 495 165)
Determination of basic and diluted earnings :		
Basic and diluted loss per share (cents)	(0.71)	(2.80)
Headline earnings Reconciliation:		
IAS 33 Loss attributable to equity holders of the parent	(14 724 923)	(12 495 165)
Adjusted for:		
Loss on disposal of plant and equipment	(9 225)	360 522
Impairment of intangible assets	–	788 352
Headline loss	(14 734 148)	(11 346 291)
Headline and diluted loss per share (cents)	(0.71)	(2.54)
Weighted average number of shares on which loss and headline loss per share are based	2 076 377 504	446 020 463

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Year ended 30 June 2009	16 months ended 30 June 2008
	R	R
Cash flows from operating activities:		
Cash operating profit	(7 846 485)	(6 010 999)
Working capital requirements	4 792 897	(5 126 909)
Cash used in operating activities	(3 053 588)	(11 137 908)
Financing costs, taxation and dividend	(2 998 453)	(2 462 675)
Cash flows from operating activities	(6 052 041)	(13 600 583)
Cash flows from investing activities:		
Replacement capital expenditure	(407 121)	(104 008)
Net investment in future operations	(12 481 468)	(30 032 446)
Cash flows from investing activities	(12 888 589)	(30 136 454)
Cash flow from financing activities	12 303 314	46 511 542
Net (decrease)/increase in cash and cash equivalents	(6 637 316)	2 774 505
Cash and cash equivalents at beginning of year	(267 697)	(3 042 202)
Cash and cash equivalents at end of year	(6 905 013)	(267 697)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 30 June 2009 R	16 months ended 30 June 2008 R
Share capital		
Balance at beginning of the year	169 305	9 208
Issue of new shares	46 838	160 097
Shares in the process of being issued	32 988	–
Cancellation of share issue	(4 844)	–
Balance at end of the year	244 287	169 305
Share premium	88 110 297	40 100 751
Balance at beginning of the year	13 802 429	48 009 546
Issue of new shares	11 149 231)	–
Cancellation of share issue	111 371 533	88 110 297
Balance at end of the year		
Accumulated Loss		
Balance at beginning of the year	(47 967 768)	(35 472 603)
Loss for the year	(14 724 923)	(12 495 165)
Balance at end of the year	(62 692 691)	(47 967 768)
Total equity	48 923 129	40 311 834

OTHER SALIENT FEATURES

	Year ended 30 June 2009	16 months ended 30 June 2008
Net asset value per share (cents)	2.00	2.38
Net tangible asset value per share (cents)	(0.23)	(0.11)
Number of shares in issue at period end	2 442 870 452	1 693 054 381
Depreciation (R)	383 891	580 050
Investment expenditure (R)	12 888 584	43 604 008
- expansion	12 481 468	43 500 000
- replacement	407 121	104 008
Lease commitments (R)		
- land and buildings	1 746 661	955 220
Net financing costs (R)	2 998 453	1 182 459
Interest paid	3 002 702	1 434 406
Less: Interest received	(4 249)	(251 947)

COMMENTARY

The board presents the results for the year 30 June 2009.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated financial results of the company and its subsidiaries (together referred to as the “group”) has been prepared in accordance with IAS 34: Interim Financial Reporting and using accounting policies in compliance with International Financial Reporting Standards (IFRS), the Companies Act of South Africa, 1973, and the disclosure requirements of the Listing Requirements of the JSE Limited.

BioScience Brands has adopted all the statements and interpretations issued and effective during the current period by the International Accounting Standards Board (“IASB”). The accounting policies adopted are consistent with those applied in the previous financial year.

2. RESULTS

BioScience Brands took advantage of its new brand acquisitions and the recessionary environment during the past year to invest in brand revitalisation, extension and where necessary consolidation in order to secure the best position for market recovery. These include as detailed below, the relaunch of the Muscle Science brand and extension into new large categories, the complete revitalisation of the Herbology range and the development of an extensive Bioharmony marketing campaign around Patrick Holford, the internationally renowned nutritional expert and prolific author.

2009 was always going to be a difficult year for BioScience Brands as it consolidated the three acquired businesses in one homogenous business. As a result restructuring, reorganisation and resolving legacy issues relating to the old Wellco Health Limited business were undertaken in a difficult trading environment as South Africa entered a recession.

During this period under review, BioScience Brands was subjected to a number of costs, including non-recurring, that relate to acquisition transaction, working capital of the acquired businesses, restructuring and reorganisation. These included:

- R4.0m of stock write-offs and provisions, mainly related to ageing stocks acquired with the Bioharmony (Pty) Ltd, Aldabri 53 (Pty) Ltd t/a Muscle Science and Wellco Health Limited acquisitions;
- R2.5m of restructuring and reorganisation costs;
- R2.2m related to the IFRS accounting treatment of the specific issue of shares to directors and key members of the management team, as contained in the Circular to shareholders dated 13 August 2008 and as approved by shareholders at the General Meeting of 1 September 2008;
- R2.1m relating to a 2004 tax assessment and other prior years taxes that was negotiated by third party consultants in the prior year, has been disputed by SARS;
- R2.3m related to interest incurred on a loan required to complete the purchase of Bioharmony (Pty) Ltd and Aldabri 53 (Pty) Ltd t/a Muscle Science when the delay in the unsuspension of BioScience Brands postponed the Rights Offer which raised the additional funding required as per the Circular to shareholders dated 13 August 2008;
- R0.7m related to interest incurred on an overdraft facility that was inherited from Wellco Health Limited and for which settlement is now being negotiated with the relevant bank.

Excluding the above costs totalling R13.8m, the underlying loss that BioScience Brands made in its first year of trading is R0.9m.

BioScience Brands traded profitably at an operating level before these costs until March 2009. However poor sales over the last three months of the year, as the retail trade reacted to falling consumer demand, negatively impacted this result. This has corrected in September with sales reflecting our aggressive tactical marketing and improve consumer demand. The final part of the restructuring was undertaken in June 2009 to further downsize the cost-base in the business. In addition, the company has found discrepancies in the process of taking over Wellco Health Limited and the related transactions. This relates firstly to 48 436 229 shares which are in the process of being cancelled *ab initio* and the administration thereof is being attended to by CIPRO and the JSE and secondly, the R2.1m 2004 tax query detailed above. The company directors have elected to adopt a conservative approach in recording these issues and they are reflected as such in the annual financial statements. The directors are pursuing their speedy resolution to the benefit of shareholders.

Muscle Science

Muscle Science was unable to fulfil consumer demand in 2009, due to poor supply from outsourced manufacturers and distribution into key retail accounts. This has been addressed with new manufacturing and distribution arrangements in place and operational. The demand for this performance brand remains very strong and the complete re-launch and extension into new large categories such as the ready-to-drink and nutritional bar markets in the September and October 2010 has been met with much consumer excitement.

In addition BioScience Brands identified the need for a lifestyle sports nutrition brand resulting in the acquisition of the Nutrimax brand as detailed below in June 2009.

Bioharmony

The tougher economic climate has had a significant impact on Bioharmony as its consumers are very brand-loyal, buying numerous products in the range. However it appears that some consumers, whilst remaining loyal to Bioharmony's specialist products, have postponed buying the more general products such as the multi-vitamins until they can afford them again. Coinciding with the forecast improved trading conditions later this year, the tour and television shows by the internationally renowned nutritionist and author, Patrick Holford, is expected to grow the brand and attract new consumers. This tour coincides with the global launch in South Africa of Patrick Holford's new book "The 10 Secrets of 100% Healthy People", which recommends many Bioharmony products.

Herbology

Herbology was relaunched recently with innovative packaging and excellent new formulations. Listings have been achieved nationally and the brand has been heavily promoted at point-of-purchase. It has been difficult to encourage consumer trial in the recessionary environment, however the retailer support garnered ensures that the product is well positioned for market recovery.

Phyto Nova

Thebe Medicare (Pty) Ltd ("TMC") has the option to attain a 40% shareholding in BioScience Brands by exercising an option at 3.5 cents before 31 August 2009 through either the injection of new brands into BioScience Brands or cash. On 1 September 2008, TMC exercised part of that option through the injection of the brand, Phyto Nova, into BioScience Brands. Phyto Nova is a range of natural medicines with excellent clinical support. These natural products are relatively premium priced due to their sophisticated formulations. They did not achieve the initial targeted volumes as some consumers chose cheaper pharmaceutical equivalents until they are able to afford these preferred natural products again.

KGB

KGB remains a brand with high consumer awareness but with small, seasonal sales with its current product offering.

3. SEGMENTAL REPORTING

The group's brands operate in one market segment and sales are made in South Africa.

4. ACQUISITIONS AND DISPOSALS

Phyto Nova was acquired on 1 September 2008 and was independently valued at R9.0m. In addition, BioScience Brands acquired the brand Nutrimax from Oxyboost (Pty) Ltd for R1 579 621 on 1 June 2009. There were no disposals.

5. DIRECTOR APPOINTMENTS AND RESIGNATIONS

Mark Di Nicola
JJ Fenster

Appointed
22 January 2009
10 September 2009

6. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments that the directors are aware of.

7. FORECAST AND GOING CONCERN

With TMC exercising a further portion of its options through the injection of the TMC Consumer brands into BioScience Brands and very encouraging sales in September 2009, BioScience Brands is immediately able to trade quite profitably. The complete re-launch of Muscle Science in October, including the launch of Muscle Science Xpolde and Staminade into the retail beverage and bar markets, together with more stable supply and improved distribution will boost Muscle Science sales significantly.

With all known legacy issues related to Wellco Health Limited dealt with, the directors are confident that BioScience Brands is now well positioned to benefit from improved trading conditions. In the interim it has many initiatives in place to drive market share gain such as the upcoming Patrick Holford tour and television show and the global launch in South Africa of his new book that recommends the Bioharmony products.

On the basis of this, the directors are of the opinion that the group will continue as a going concern. The company and the group financial statements have been prepared on a going-concern basis.

8. NOTIFICATION OF ELECTION TO EXERCISE OPTIONS

In terms of the circular dated 13 August 2008, and as approved by shareholders on 01 September 2008, TMC has the right, but not the obligation to subscribe for up to a maximum of 571 428 571 additional shares at 3.5 cents per share. BioScience Brands has received notification from TMC that they have elected to exercise a portion of their option through the injection of Thebe owned and licensed consumer brands. The exercise of options will be subject to an independent valuation, an agreement being signed, as well as satisfying regulatory approvals. Subject to the completion of the conditions precedent as stated, it is the intention of TMC to exercise their option to a value of 5 million Rand, which is equivalent to 142 857 143 shares.

9. AUDITED RESULTS – AUDITOR’S OPINION

The auditors, Deloitte & Touche, have audited the consolidated annual financial statements of BioScience Brands Limited from which the condensed consolidated financial results have been derived, and have expressed a modified audit opinion on the consolidated annual financial statements. The modification to the audit report relates to an emphasis of matter relating to the material uncertainty on the future trading results of the group which will impact the group’s ability to continue as a going concern. The condensed consolidated financial results comprise the condensed consolidated balance sheet at 30 June 2009, the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cashflow statement for the year then ended, and selected explanatory notes. The audit report is available for inspection at the company’s registered office.

10. DIVIDENDS

No dividend has been declared for the period under review (2008: Rnil)

11. SHARE CAPITAL

During the year under review:

- i. 396,946,172 shares were issued in terms of the rights offer to shareholders effective 23 January 2009 included therein are 48,436,229 shares cancelled during the year;*
- iii. 71,428,571 shares were issued to acquire brands in terms of the cancellation of the Herbology Licence Agreement and 257,142,857 shares are in the process of being issued in terms of the Thebe option, as contained in the Circular to shareholders dated 13 August 2008; and
- iv. 72,734,700 shares are in the process of being issued to executive management in terms of the Executive Options as contained in the Circular to shareholders dated 13 August 2008 and as approved by shareholders in the general meeting held on 1 September 2008.

*The administration of this cancellation is being attended to by CIPRO and the JSE.

12. CHANGE IN DESIGNATED ADVISOR

BioScience Brands has appointed PricewaterhouseCoopers Corporate Finance (Pty) Ltd as its Designated Advisor on 10 September 2009.

By order of the Board
JI Black / MG Allan
Chairman / Chief Executive Officer
30 September 2009
Johannesburg

Company Secretary and Registered Office

Arcay Client Support (Pty) Ltd (Registration number 1998/025284/07)
Arcay House II, Number 3 Anerley Road, Parktown, 2193
PO Box 62397, Marshalltown, 2107

Directors

JI Black (Chairman)*#, MG Allan (Chief Executive Officer), PA Ireland, M Strydom, Y Bhayat*,
MM Di Nicola*, JJ Fenster*.
(* Non-executive) (# British)

Designated Advisor

PricewaterhouseCoopers Corporate Finance
(Pty) Ltd

Transfer Office

Computershare Investor Services (Pty) Ltd
