



BIOSCIENCE BRANDS LIMITED

(Registration number: 2005/005805/06)

ANNUAL REPORT

For the year ended 30 June 2011

CONTENTS

	Page
Vision and Philosophy	3
Chairman's Report	3
Chief Executive Officer's Report	4
Sustainability Report	5
Board of Directors	6
Corporate Governance Report	7
Statement of Directors' Responsibility	13
Declaration by Company Secretary	13
Independent Auditor's Report	14
Directors' Report	15
Audit Committee Report	19
Statements of Financial Position	20
Statements of Comprehensive Income	21
Statements of Changes in Equity	22
Statements of Cash Flows	23
Accounting policies and notes to the Annual Financial Statements	24
Shareholders' Analysis	46
Notice of Annual General Meeting	47
Form of Proxy	53

VISION AND PHILOSOPHY

To create a portfolio of leading brands in the health, wellness, sports nutrition and personal care markets that comprise of products that meet the nutritional and wellness needs of people for life.

Together with our business partners, bring a wealth of knowledge and expertise to the service of local consumers and the development of products.

We support the ethical use of complimentary and natural products to provide a healthy lifestyle.

CHAIRMAN'S REPORT

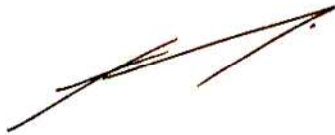
BioScience Brands Limited ("BioScience") trades in the health and wellness sector. Trends continue to indicate that this sector represents a significant medium to long-term growth opportunity however, the market challenges of the recent past are expected to continue in the short-term. These challenges are founded on a difficult economy and far-reaching changes in the health and wellness retail environment.

I am pleased to advise that BioScience has recognized these challenges and put in place structural changes that will allow the Group to reduce costs, whilst simultaneously expand its trade footprint and the density of its presence therein. This plan, which is designed to provide a platform for stability and future growth involves a combination of capital injection through the sale of non-core assets together with closing our Durban office and entering into a service contract over back office and sales functions to Akacia HealthCare (Pty) Ltd. At the time of writing, the restructuring is still fresh, but all signs are that the cost savings and benefits of presence will be experienced, though the effects of historic market challenges continue to affect performance.

The sale of brand and difficult trading environment have unfortunately affected reported intangible asset values. However, I record that strategic plan for the Group extends beyond operational functions alone and the Board of BioScience has simultaneously commenced a process to clean and restructure the balance sheet.

During the year, Mark di Nicola and Peter Ireland resigned from the Board of Directors and Mark Strydom's appointment was not renewed. Stephen Schutz joined the Board which continues to include Michael Allan and Yaseen Bhayat.

The Board of BioScience has shown significant foresight, strength and tenacity to deliver a positive plan for the future and I am grateful to my colleagues for this. On behalf of the Board I would like to express specific gratitude to Akacia HealthCare (Pty) Ltd and Herbal-Homeopathic (Pty) Ltd, a subsidiary of Beige Holdings Limited, for their support in our restructuring efforts.



Jonny Fenster
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

BioScience stated in the 2010 Annual Financial Results that, for the Group to be successful in a difficult trading environment, a combined strategy of brand rationalisation, corporate restructuring to ensure a cash injection and a stringent cost management programme needed to be implemented. BioScience has pursued such a strategy and this reached a key milestone in May 2011 with:

- the sale of the Phyto Nova brand which comprises a range of complimentary medicines requiring a sales and market focus different from the other nutritional supplements and vitamins in the BioScience product portfolio;
- the outsourcing of sales, distribution management, administration, supply chain management including logistics and procurement, regulatory and quality management and brand activation to Akacia HealthCare (Pty) Ltd ("Akacia"), formerly Thebe Medicare (Pty) Ltd. Akacia is the owner of a large range of pharmaceutical products, over-the-counter medicines and consumer products. BioScience and Akacia, both call on largely the same customers, have several common suppliers and service providers and also run similar IT systems. Akacia is a significant shareholder in BioScience. This outsource management agreement has allowed BioScience to close its Durban head-office, leading to significant annual cost savings, whilst simultaneously providing BioScience access to Akacia's large national sales infrastructure and good standing with major retail chains;
- a loan by Akacia to BioScience in May 2011 up to a maximum of R 2m which BioScience will repay by way of monthly instalments by no later than 1 July 2014;
- a loan by Herbal-Homeopathic (Pty) Ltd, a key supplier to BioScience, in May 2011 which allows for BioScience to borrow up to a maximum amount of R 2.5m, which BioScience will repay by no later than 30 August 2012;
- Akacia agreeing to grant BioScience a further amount of R 1m by way of a deferment of management fees owed to no later than 31 December 2012 if and when BioScience has drawn down the maximum amounts available in terms of both the Akacia Loan and H&H Loan respectively.

BioScience retains all responsibility for:

- strategic planning including the annual budget, new product launches, strategic brand management and brand plans, working capital planning;
- corporate finance function including acquisitions or divestments of companies or assets;
- investor, stakeholder and securities exchange relationships including banking relationships;
- legal including all contracts and agreements; and
- financial reporting and statutory audit.

Sales in 2011 were impacted by decreasing discretionary consumer spend and the effects of the cancellation of the Patrick Holford licence for the Holford range of products by Holford and Associates. This is being disputed and is still the subject of legal proceedings. BioScience replaced the Holford range of products in January 2011 with its own innovative Bioharmony 'Ultimate' range. Unfortunately there was an unexpected 6 month delay in listing the new range at some key retailers. This has been overcome and the new range has been listed at all key retailers by June 2011. The unexpected delay impacted sales by approximately R 8m. It also had an impact on sales of other complimentary Bioharmony products during this time. The shortfall in Bioharmony sales during the period also affected Muscle Science as it was necessary to reduce its advertising and promotional expenditure during the year.

Whilst the net loss for the year was R 26.3m (1.00 cents per share) (2010: R 6.4m loss or 0.26 cents loss per share) it includes a R 6.5m impairment of the Phyto Nova brand, sold to alleviate some pressure on working capital and fulfilling the strategy to focus resources on its larger brands, and a R 8.4m impairment to the Herbology brand. BioScience operates a portfolio of brands and it decided to support its leading brands in 2011. As a result Herbology's sales and profitability has fallen. When BioScience is able to realise the benefits of its restructuring, it may be possible to reinvest in and grow Herbology and consequently revalue the brand and recoup this impairment. In addition provisions for the stock obsolescence and settlement of legal issues totalling R 0.9m were also accrued. Headline loss per share for the year was 0.43 cents per share compared to a headline loss of 0.26 cents per share for the prior period.



Mike Allan
Chief Executive Officer and Acting Chief Financial Officer

SUSTAINABILITY REPORT

This report provides an account of BioScience's economic, social and environmental performance for the financial year - 1 July 2010 to 30 June 2011. The Group has adopted an incremental approach to reporting of non-financial performance, aiming to improve each year on its economic, social and environmental performance and the reporting thereon. This report applies to the Group as a whole and includes the operations of all BioScience's subsidiaries.

The BioScience Board is ultimately responsible for social, community and environmental issues that have a potential impact on the reputation and long term economic viability of the Group and key stakeholders. The Group has identified its key stakeholders as those parties whom the Group's operations can influence positively or negatively, and include shareholders, customers and consumers, suppliers, employees, and government. BioScience engages with its key stakeholders on an ongoing basis in a variety of ways. Due to the size of the business, the BioScience Board has elected not to have external assurance provided on this report this year but will re-assess this as part of its ongoing commitment to improved sustainability reporting in future. The audit committee has reviewed the contents of this sustainability report and the annual report. It is BioScience's goal in future periods to comply as a Global Reporting Initiative (GRI) level C reporter.

Governance

Refer to the Corporate Governance Report on page 7 for a description of the Group's governance and compliance with King III.

Economic impact and labour practices

The Group's financial performance is detailed in the annual report. The Group operates throughout South Africa from its head office which was relocated from Durban to Gauteng during the year. In excess of 90% of the Group's products are procured from local suppliers and manufacturers, with only relevant specialised products sourced from reputable international suppliers.

Due to the financial losses sustained by the Group, we have been unable to commit any resources to donations.

Due to the restructuring and outsourcing of daily operations to Akacia in April 2011 as detailed in the CEO's Report, some of the Group's workforce were offered a transfer of employment to Akacia or a retrenchment package.

Social impacts

The Group has identified no areas of their operations which have had any instances of or have a significant risk of instances of infringements on human rights or corruption. The Group has not been subject to any legal sanctions for anti-competitive behaviour, anti-trust or monopoly practices.

Any queries on this report can be sent to the audit committee at info@bioscience.co.za

BOARD OF DIRECTORS

Michael Allan (Chief Executive Officer and Acting Financial Director)

Michael obtained a Bachelor of Commerce degree from the University of KwaZulu-Natal and thereafter qualified as a management accountant, having completed the Associated Chartered Management Accountant qualification through The UK Chartered Institute of Management Accountants. Michael joined Unilever in 1987 as an accountant and was promoted to Financial Director following a career in South Africa and Europe. Just prior to joining BioScience, Michael headed up new business development at Unilever and among other achievements successfully formed a new franchise division under a leading brand to enhance and expand the product range. Michael's particular interest lies in building and managing the infrastructures that support a portfolio of brands.

Jonathan Fenster (Independent Chairman)

Jonathan holds a Masters of Business Administration from the Heriot-Watt University (Edinburgh Business School), as well as Bachelor of Commerce Honours and Bachelor of Arts degrees from the Universities of South Africa and Witwatersrand respectively. He has over twenty years development capital experience, with over ten years specialist focus on corporate recovery and private equity styled investments. Jonathan's experience includes a wide range of sectors, including retail and residential property developments, mining and beneficiation, information technology, media and advertising. Jonathan has additionally led recovery and asset maximisation projects in the textile and food sectors, as well as the health, medical and financial services sectors.

Yaseen Bhayat (Non-executive)

Yaseen is a Chartered Accountant and has a Masters of Business Administration from the University of Cape Town. He has been a member of the Thebe Group since 1995 and is a founder Shareholder of Thebe Medicare. He has significant experience in the Health Care and Corporate Investment sectors and was responsible for all healthcare (supply of product and services) strategic initiatives for Thebe Investment Corporation ('TIC'). Yaseen is the CEO of Akacia HealthCare, previously Thebe Medicare and serves on the board of directors of Care Cross Health.

Yaseen's previous positions held include:

- Divisional Financial Director – South African Druggists (Aspen Pharmacare)
- General Manager – Lonrho Mozambique
- Financial Controller – Abbott Laboratories

Stephen Schutz (Non-executive)

Stephen is a Chartered Accountant and holds a BCom (Hons) CTA degree from the University of Pretoria. He joined Akacia HealthCare (previously Thebe Medicare) in 2009 where he currently serves as Financial Director. Before this, he was the divisional managing director of Iliad Africa Ltd (Ceramics Division). Prior to joining Iliad, Stephen spent more than 15 years in the Health Care sector where he was co-founder, and director, of the following Health Care companies subsequently disposed of to JSE listed companies:

- Compu Pharmaceuticals – a company focussed on the manufacture and distribution of generic pharmaceuticals in the private and public sector.
- Raptor Solutions/Predictive Med - a company employing neural networks in the evaluation of medical risk and medical claim profiling with a view to detecting fraud/abuse.
- Dumont Healthcare – a company focussed on the financing and management of medical aid claims on behalf of medical practitioners.

CORPORATE GOVERNANCE REPORT

Introduction

BioScience is committed to the principles of integrity, transparency, responsibility and accountability in its dealings with all stakeholders and supports the code of corporate practices and conduct incorporated in the King Report on Corporate Governance for South Africa (King III) and the JSE Listings Requirements. The primary objective of any system of corporate governance is to ensure that directors and managers, to whom the running of the company has been entrusted by the shareholders, carry out their responsibilities faithfully and effectively, placing the interests of the company and society ahead of their own. This process is facilitated through the establishment of appropriate reporting and control structures within the organisation.

The Group has noted the recent changes in South African company law and the recent issue of the King III report, and are generally compliant except for areas where indicated below.

Ethical leadership and corporate citizenship

The values of the Group include personal and organisational integrity, which underpins the South African Medical Control Council and the Foodstuffs regulated environments in which the Group operates in, namely vitamins and supplements. As part of its duty to ensure that the Group's ethics are managed effectively the Board requests its directors to declare at every board meeting whether they are aware of any unethical, fraudulent or unlawful behaviour or occurrences. Every effort is made to align the Group's level of commitment to personal and organisational integrity with that of the individuals and companies with which the Group does business. The Board is committed to ensuring that the Group is, and is seen to be, a responsible corporate citizen. Management takes appropriate action to ensure that the reputation of the Group is not impaired. Prior to entering into dealings with individuals and companies, careful consideration is given to the level of commitment to personal and organisational integrity.

In enforcing its commitment to ensuring ethical behaviour, the Group adheres to a culture of zero tolerance for unethical behaviour. This includes bribery, corruption, fraud, the payment of facilitation fees and may include certain gifts, hospitality, expenses and sponsorships, charitable and political contributions.

Board and directors

The Board of BioScience Brands Limited is the highest decision-making board of the Group and is the ultimate custodian of corporate governance for the Group as a whole. The Board aspires to exercise leadership, integrity and judgement in the pursuit of the Group's strategic goals and objectives. The board members are appointed through a formal process where shareholders appoint them by voting at a general meeting. In terms of the management agreement entered into between BioScience and Akacia, Akacia shall be entitled to nominate and have representation of a maximum of two directors on the BioScience Board for the duration of the agreement.

Board members

Mike Allan – CEO and Financial Director
Jonny Fenster – Independent Chairman
Yaseen Bhayat – Non Executive Director
Steven Schutz – Non Executive Director

The Board comprises a balance of power, and authority and has three non-executive directors, one of whom is independent, and one executive director. Currently the Chief Executive Officer is temporarily fulfilling the role of Chief Financial Officer with the JSE's approval for a period of 6 months until a suitable replacement can be appointed. Mr Y Bhayat CA (SA), a non-executive director, is chairman of the Audit and Risk Committee and Remuneration Committee.

In accordance with King III and the JSE Listings Requirements, the roles of Chairman and Chief Executive Officer are separated. The position of Chairman is held by an independent non-executive director. The ratio of executive to non-executive directors ensures that the Board is sufficiently informed by independent perspectives.

Non-executive directors are not awarded share options or any benefits other than directors' fees and are fairly and responsibly remunerated. The non-executive directors' remuneration is approved by the shareholders annually at the annual general meeting.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Attendance at Board meetings

In addition to formal Board meetings, the directors meet regularly to attend to business matters.

Board meeting attendance for the year was as follows:

	27/07/2010	13/09/2010	18/11/2010	11/03/2011	28/06/2011
Jonathan Fenster	Present	Present	Present	Present	Present
Yaseen Bhayat	Present	Present	Present	Present	Present
Michael Allan	Present	Present	Present	Present	Present
Stephen Schutz ¹	n/a	n/a	n/a	n/a	By invitation
Peter Ireland ²	Present	Present	Present	Present	n/a
Mark Strydom ³	Present	Present	Present	n/a	n/a
Mark Di Nicola ⁴	Present	Present	Present	n/a	n/a
Designated Advisor	Present	Present	Present	Present	Present

¹ Stephen Schutz was appointed 29 June 2011.

² Peter Ireland resigned 30 April 2011.

³ Mark Di Nicola resigned 1 February 2011.

⁴ Mark Strydom was not reappointed at the previous AGM on 7 December 2010.

Audit committee

The Audit and Risk Committee consists of three non-executive directors (Y Bhayat – chairman, S Schutz and J Fenster) who are appropriately qualified for their roles on the committee. One of the non-executive directors, J Fenster, would be deemed ‘independent’ in terms of Section 94 of the Companies Act 71 of 2008 and King III. Whilst Mr Yaseen Bhayat is a very experienced Chartered Accountant and very effective Chairman of the audit committee he is deemed not independent because he is a director of a company that has a 16% shareholding in the Company. The chief executive officer and the financial director, an approved executive from the company’s designated advisor and the external auditors attend the meetings by invitation.

Per the Audit and Risk Committee charter, the committee assists the Board with all matters relating to external reporting and risk management including:

- reviewing publicly released financial information;
- establishing processes for monitoring the effectiveness of internal controls and safeguarding of assets;
- developing risk management strategies;
- statutory duties;
- facilitate effective communication between the board, management, and the external auditors;
- recommend the appointment of and determine the fees payable to the external auditors and determine the level of non-audit services provided by the external auditors;
- overseeing integrated reporting;
- satisfying itself of the expertise, resources and experience of the Group’s finance function;
- ensuring a combined assurance model is applied to improve efficiency in assurance activities.

The Audit and Risk Committee reviews the effectiveness of internal control in the Group with reference to the findings of the auditors. Other areas covered include the review of important accounting issues, including specific disclosures in the financial statements and a review of the major audit recommendations. The Audit and Risk Committee appoints its own chairman.

The Board ensures that the Audit committee meets regularly and fulfils its obligations and duties in accordance with relevant laws, codes, standards and accounting principles. The Chairman ensures that the Board receives adequate assurance on the effectiveness of the risk management process and on the management of specific risks in its decision making.

Two Audit and Risk Committee meetings were held during the year, and two subsequent to the current year end.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The governance of risk

The Board is responsible for the governance of risk and setting levels of risk tolerance, the risk committee assists the Board in carrying out its risk responsibilities. The Board delegates the risk management plan to management and ensures that risk assessments and monitoring are performed on a continual basis. With the very recent outsourcing to Akacia, the Board is in the process of ensuring that it receives assurance of the effectiveness of the risk management processes and so as to ensure sufficient risk disclosure to stakeholders.

The governance of information technology

Having outsourced its daily operations and administration to Akacia, it is incumbent upon the Board to satisfy itself that IT governance is effective at Akacia. This it achieves through its internal audit function ensuring that the Board receives adequate assurance on the efficiency and effectiveness of the IT and IT governance processes at Akacia.

Compliance with laws, rules, codes and standards

The Group and its' outsource partner, Akacia, seek to always comply fully with all relevant and applicable laws, codes and standards and participate in both industry and corporate responses to proposed government legislation affecting the Group. In addition, the Group and Akacia on behalf of the Group also engages directly with the relevant government departments where appropriate.

Internal audit

The Group does not have a dedicated internal audit function, as the size of the Group and the changes in the last three years have necessitated that the focus be on consolidating the acquired businesses and establishing controls at an operating level. With the daily operations and administration outsourced to Akacia, the Chief Financial Officer undertakes the role of internal audit with the input of the Audit and Risk Committee to fully assure the Board that Akacia and the Group are fulfilling their roles in accordance with relevant laws, codes, standards and accounting principles.

Governing stakeholder relationships

The Group is committed to a policy of effective communications and engagement with its stakeholders of issues of mutual interest and subscribes to a policy of open, frank and timeous communication of its activities on both financial and non financial matters. The Board regularly identifies material stakeholders and assesses the related risks and opportunities they present. Management is then tasked to develop and implement stakeholder strategies and policies and to develop a mechanism for constructive stakeholder engagement.

Integrated reporting and disclosure

Given the difficult trading environment, the Board has particularly focussed on the sustainability of the Group in the short term as well as its longer term viability and hence has made significant changes to the Group to improve its sustainability. The solvency and liquidity of the business is constantly monitored, addressed and improved.

Directors' remuneration and remuneration policy

The Remuneration Committee consists of two non-executive directors (Y Bhayat – chairman and J Fenster) who are appropriately qualified for their roles on the committee. The Remuneration Committee is mandated by its charter to assist the Board in determining the company policy in respect of the remuneration of the Chairman, Chief Executive Officer, executive directors, the company secretary and other members of senior management. The remuneration paid to directors is disclosed on page 44. The non-executive directors' remuneration is approved by the shareholders annually. The remuneration policy ensures that the Group's remuneration strategies and packages are related to performance, are suitably competitive and give due regard to the interests of the shareholders and the financial position of the Group. In this regard, it is to be noted that the directors have not received increases in salary for the past four years.

Trading in company securities

The Company enforces a restricted period for dealing in its shares, in terms of which any dealings in shares by directors and senior personnel is disallowed by the Board from the time that the reporting period has lapsed to the time that the results are released, and at any time that such individuals are aware of unpublished, price sensitive information, whether the Company is trading under cautionary announcement as a result of such information or not.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Trading in company securities (continued)

The policy of any dealing in shares by all directors and senior personnel is that clearance must be obtained from the Chairman of the Board or the CEO and the designated advisor copied. If any of the above persons requires clearance, the other person will approve such transaction.

Company Secretary

The company secretary is required to provide the members of the Board with guidance and advice regarding their responsibilities, duties and powers and to ensure that the Board is aware of all legislation relevant to or affecting the company and its subsidiaries. The company secretary is required to ensure that the company complies with all applicable legislation regarding the affairs of the company, including the necessary recording of meetings of the Board, board committees and shareholders of the company. The Board is of the opinion that Statucor (Pty) Ltd has the requisite attributes, qualifications and experience to fulfil its commitments effectively.

Designated Advisor

In accordance with the JSE Limited's Listings Requirements relating to the companies listed on the Alternative Exchange, the company is required to appoint a designated advisor. The Company's designated advisor is PricewaterhouseCoopers Corporate Finance (Pty) Ltd.

Overview of King III compliance

Key

- √ Complied
- * Partially compliant
- x Do not comply

Ethical leadership and corporate citizenship

- √ Effective leadership based on an ethical foundation
- √ Responsible corporate citizen
- √ Effective management of Group's ethics

Boards and directors

- √ The Board is the focal point for and custodian of corporate governance
- √ The Board should appreciate that strategy, risk, performance and sustainability are inseparable
- √ The Board should provide effective leadership based on an ethical foundation
- √ Directors act in the best interests of the Group
- √ The chairman of the Board is an independent non-executive director
- √ The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities
- * The Board comprises a balance of power, with a majority of non-executive directors who are independent (note 1)
- √ Directors are appointed through a formal process
- * Formal induction and ongoing training of directors is conducted (note 2)
- √ The Board is assisted by a competent, suitably qualified and experienced company secretary
- * The evaluation of the Board, its committees and the individual directors should be performed every year (note 3)
- √ The Board should ensure that the Group has an effective and independent audit committee
- * An agreed governance framework between the Group and its subsidiary Board is in place (note 4)
- √ Directors and executives are fairly and responsibly remunerated
- √ Remuneration of directors and senior executives is disclosed
- √ The Group's remuneration policy is approved by its shareholders

CORPORATE GOVERNANCE REPORT (CONTINUED)

Overview of King III compliance (continued)

Audit Committee

- √ The Board should ensure that the Group has an effective and independent audit committee
- × Audit committee members should be suitably skilled and experienced independent non-executive directors (note 5)
- × The audit committee should be chaired by an independent non-executive director (note 6)
- √ The audit committee oversees integrated reporting
- √ The audit committee should ensure that a combined assurance model is applied to improve efficiency in assurance activities
- √ The audit committee should satisfy itself of the expertise, resources and experience of the Group's finance function
- * The audit committee oversees internal audit (note 7)
- √ The audit committee is an integral to the risk management process
- √ The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process
- √ The audit committee should report to the Board and shareholders on how it has discharged its duties

The Governance of Risk

- √ The Board is responsible for the governance of risk and setting levels of risk tolerance
- √ The risk committee or audit committee should assist the Board in carrying out its risk responsibilities
- √ The Board should delegate to management the responsibility to design, implement and monitor the risk management plan
- √ The Board ensures that risk assessments and monitoring are performed on a continual basis
- √ The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks
- √ The Board should ensure that management considers and implements appropriate risk responses
- √ The Board should ensure continuous risk monitoring by management
- √ The Board should receive assurance regarding the effectiveness of the risk management process
- * The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders (note 8)

The Governance of Information Technology

- × The Board should be responsible for information technology (IT) governance (note 9)
- * IT should be aligned with the performance and sustainability objectives of the Group (note 9)
- * The Board should delegate to management the responsibility for the implementation of an IT governance framework (note 9)
- √ The Board should monitor and evaluate significant IT investments and expenditure
- √ IT should form an integral part of the Group's risk management
- √ The Board should ensure that information assets are managed effectively
- √ A risk committee and audit committee should assist the Board in carrying out its IT responsibilities

Compliance with laws, rules, codes and standards

- √ The Board should ensure that the Group complies with applicable laws and considers adherence to nonbinding rules, codes and standards
- √ The Board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the Group and its business
- √ Compliance should form an integral part of the Group's risk management process
- √ The Board should delegate to management the implementation of an effective compliance framework and processes

Internal audit

- * The Board should ensure that there is an effective risk-based internal audit (note 10)
- * Internal audit should follow a risk based approach to its plan (note 10)
- × Internal audit should provide a written assessment of the effectiveness of the Group's system of internal controls and risk management (note 10)
- * The audit committee should be responsible for overseeing internal audit (note 7, 10)
- × Internal audit should be strategically positioned to achieve its objectives (note 10)

CORPORATE GOVERNANCE REPORT (CONTINUED)

Overview of King III compliance (continued)

Governing stakeholder relationships

- √ The Board should appreciate that stakeholders' perceptions affect a Group's reputation
- √ The Board should delegate to management to proactively deal with stakeholder relationships
- √ The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company
- √ Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence

Integrated reporting and disclosure

- √ The Board should ensure the integrity of the Group's integrated report
- √ Sustainability reporting and disclosure should be integrated with the Group's financial reporting
- x Sustainability reporting and disclosure should be independently assured (note 11)

Notes

1. The Board comprises 4 directors, of whom 3 are non-executive members; however only one non-executive director is independent.
2. 2 of the 4 directors have completed the AltX Directors Induction Programme.
3. Formal evaluation of Directors/Committees has not been conducted but informal evaluation and subsequent change of directors has occurred.
4. The directors of the subsidiary boards are all on the Board of the Group.
5. The audit and risk committee comprises three non-executive directors, one of whom is independent.
6. Whilst Mr Yaseen Bhayat is a very experienced Chartered Accountant and very effective Chairman of the audit committee he is deemed not to be independent because he is a director of a company that has a 16% shareholding in the Group.
7. Given the size of the Group it does not have a dedicated internal function but the CFO fulfils this role given that the daily operations and administration is outsourced.
8. With the very recent outsourcing to Akacia Healthcare, the Board are still ensuring that all processes are in place.
9. Having recently outsourced its daily operations and administration to Akacia, it is incumbent upon the Group to satisfy itself that IT governance is effective at Akacia. This it achieves through its internal audit function ensuring that the Board receives adequate assurance on the efficiency and effectiveness of the IT and IT governance processes at Akacia. BioScience has yet to audit Akacia's IT effectiveness.
10. With the daily operations and administration recently outsourced to Akacia, the internal audit function has been delegated to the Chief Financial Officer with the input of the Audit and Risk Committee to fully assure the Board that Akacia and the Group are fulfilling their roles in accordance with relevant laws, codes, standards and accounting principles. The CFO has yet to conduct the first internal audit.
11. The Board has elected not to have external assurance provided on the sustainability report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of BioScience Brands Limited. The financial statements were prepared under the supervision of the financial manager, R Jubber, CA (SA) and the acting Financial Director, M Allan.

In order for the Board to discharge its responsibilities, management has developed, and continues to improve, a system of internal control. The Board has ultimate responsibility for the system of control.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices and BioScience's policies and procedures. These controls are implemented by trained and experienced personnel with an appropriate segregation of duties, which are monitored by management and include a comprehensive budgeting and reporting system operating with strict deadlines and an appropriate control framework.

The external auditors are responsible for reporting on the financial statements.

The financial statements are prepared in accordance with the statements of International Financial Reporting Standards. They are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The annual financial statements of the Group and the Company for the year ended 30 June 2011 set out on pages 15 to 45 were approved by the Board of Directors on 30 September 2011 and are signed on its behalf by:



M Allan
Director



J Fenster
Director

DECLARATION BY THE COMPANY SECRETARY

In our opinion as Company Secretary, we hereby confirm, in terms of the Companies Act 2008 that, for the period ended 30 June 2011, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are to the best of our knowledge and belief, true, correct and up to date.



For and on behalf of Statucor (Pty) Ltd

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BIOSCIENCE BRANDS LIMITED

We have audited the annual financial statements and group annual financial statements of BioScience Brands Limited, which comprise the consolidated and separate statements of financial position as at 30 June 2011, the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors report as set out on pages 15 to 45.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of BioScience Brands Limited at 30 June 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Emphasis of matter

Without qualifying our opinion, we draw attention to the directors' report which indicates that the Group incurred a net loss of R 26.3 million (2010: R 6.4 million) during the year ended 30 June 2011. Furthermore, as of that date, the Group's current liabilities exceeded its current assets by R 19.4 million (2010: R 12.4 million).

These conditions, along with other matters as set out in the "Financial Results and Going Concern" section of the directors' report, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Deloitte & Touche

Registered Auditors
Per C A Sagar
Partner

Durban
30 September 2011

National Executive: G G Gelink (Chief executive), A E Swiegers (Chief operating officer), G M Pinnock (Audit), D L Kennedy (Risk advisory & legal services), N B Kader (Tax), L Geeringh (Consulting), L Bam (Corporate finance), J K Mazzocco (Human resources), C R Beukman (Finance), T J Brown (Chairman of the board), M J Comber (Deputy chairman of the board). Regional leader: G C Brazier

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the affairs of BioScience Brands Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together referred to as "the Group") for the year ended 30 June 2011.

General

To review the business and the operations of the Company and the Group for the above accounting period, attention is drawn to the statements of financial position, statements of comprehensive income, statements of changes in equity, statements of cash flows and notes attached where the business of the Company and the Group, its results and state of affairs are reflected.

Nature of Business

BioScience is the registered holding company operating through four subsidiaries. BioScience markets and sells products through a portfolio of leading brands in the health, wellness and sports nutrition markets which meet the nutritional and wellness needs of people for life.

Listing Information

BioScience is listed on the Alternative Exchange ("AltX") of the JSE Limited under the share code BIO. The Company's ISIN number is ZAE000115036.

Financial Reporting

The Company's and Group's results and financial positions are contained in the financial statements on pages 20 to 45 of the annual report. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations adopted by the International Accounting Standards Board ("IASB"), JSE Limited Listings Requirements and the Companies Act in South Africa, 2008, as amended.

Financial Results and Going Concern

Sales in 2011 were impacted by decreasing discretionary consumer spend and the cancellation of the Patrick Holford licence for the Holford range of products by Holford and Associates. This is being disputed and is still the subject of legal proceedings. BioScience has replaced the Holford range of products with its own innovative Bioharmony 'Ultimate' range and these have been listed at all key retailers by June 2011. There was an unexpected six month delay in listing. This impacted sales by R 8m. It also had an impact on sales of other Bioharmony products during this time. The shortfall in Bioharmony sales during the period also impacted Muscle Science as it was necessary to reduce its advertising and promotional expenditure during the year.

Whilst the net loss for the year was R 26.3m (1.00 cents per share) (2010: R 6.4m loss or 0.26 cents per share) it includes a R 6.5m impairment of the Phyto Nova brand, sold to alleviate some pressure on working capital and fulfilling the strategy to focus resources on its larger brands, and a R 8.4m impairment to the Herbology brand. BioScience operates a portfolio of brands and it decided to support its leading brands in 2011. As a result Herbology's sales and profitability has fallen. When BioScience is able to realise the benefits of its restructuring, it may be possible to reinvest in and grow Herbology and consequently revalue the brand and recoup this impairment. In addition provisions for the stock obsolescence and settlement of legal issues totalling R 0.9m were also accrued.

Headline loss per share for the year was 0.43 cents per share compared to a headline loss of 0.26 cents per share for the prior period.

BioScience has weathered the difficult trading environment of the past three years and is much better placed to succeed in FY 2012. It has completed the restructuring and relocation of the Company over the year-end 2011 - reducing its overhead cost base by almost half and starting to utilise Akacia's large sales force to extend its reach in the South African market and benefit from the added scale when dealing with the large retailers in the retail pharmacy sector. It has secured working capital financing referred to above and has been successful in negotiating favourable settlements and scheduling payment of old debts originating from when the Company still traded as Wellco Health Limited.

DIRECTORS' REPORT (CONTINUED)

Financial Results and Going Concern (continued)

As a result, whilst historically, BioScience was vulnerable to multiple threats, the future success of BioScience is now dependent only on achieving the sales targets required to deliver a favourable return. Based on the brands, strategy and presence of Akacia, BioScience is confident that these targets will be achieved. Notably, BioScience possesses a range of well recognised brands and trusted products, with the potential to deliver and exceed these targets. Akacia, as a significant shareholder in BioScience, and well respected role player in the industry, is committed and determined to achieve the sales targets and has ample resources to strive to meet same, albeit in a difficult trading environment.

The restructuring of the business has just been completed and accordingly, whilst the Muscle Science brand has already started achieving its sales targets, the Bioharmony brand, having only been relisted at major retailers in the last three months, has not as yet delivered the sales growth envisaged, however, the processes, strategy and people are in place to do so and sales have latterly started to show an upward trend. As a result the directors are confident that the Group will continue as a going concern and the Company and the Group financial statements have been prepared on this basis.

Subsidiaries

Vitamology (Pty) Ltd (Reg. no. 2000/028236/07) (previously BioScience Trading (Pty) Ltd)

Rare Earth Minerals (Pty) Ltd (Reg. no. 2005/038901/07)

Aldabri 53 (Pty) Ltd (Reg. no. 2004/002183/07)

Bioharmony (Pty) Ltd (Reg. no. 2005/010107/07)

There were no special resolutions passed by the Company's subsidiaries since the date of the last group annual financial statements.

Directors' Shareholdings

	<u>Direct Beneficial*</u>	<u>Indirect Beneficial</u>	<u>Associates</u>	<u>Percentage</u>
30 June 2011				
M Allan ¹	196 605 372	–	–	7.5%
Y Bhayat	–	15 713 070	–	0.6%
J Fenster	–	800 000	33 205 237	1.3%
S Schutz ²	3 914 579	–	–	0.1%
M Di Nicola ³	31 500 000	7 840 653	59 728 569	3.8%
M Strydom ⁴	139 833 616	–	–	5.3%
P A Ireland ⁵	15 728 475	–	–	0.6%
Total	387 582 042	24 353 723	92 933 806	19.3%
30 June 2010⁶				
M Allan ¹	196 605 372	–	–	7.5%
Y Bhayat	–	17 181 211 ⁶	–	0.7%
J Fenster	–	800 000 ⁶	33 205 237	1.3%
S Schutz ²	3 914 579	–	–	0.1%
M Di Nicola ³	31 500 000	7 840 653	59 728 569	3.8%
M Strydom ⁴	139 833 616	–	–	5.3%
P A Ireland ⁵	15 728 475	–	–	0.6%
Total	387 582 042	25 821 864	92 933 806	19.3%

¹ M Allan holds 27 185 854 shares (2010: 27 185 854) in a fiduciary capacity as shares to be issued to other senior management at the Board's discretion.

² S Schutz was appointed 29 June 2011.

³ M Di Nicola resigned on 1 February 2011.

⁴ M Strydom was not re-appointed at the previous AGM on 7 December 2010.

⁵ P Ireland resigned on 30 April 2011.

⁶ The 2010 directors' shareholdings have been restated due to a miscalculation.

There has been no change in the directors' shareholdings between year-end and the date of approval of the annual financial statements.

DIRECTORS' REPORT (CONTINUED)

Interests of Directors in Contracts

Aldabri 53 (Pty) Ltd leased premises from My Shelf Trading Five (Pty) Ltd until 30 April 2011; M Strydom has declared an interest in My Shelf Trading Five (Pty) Ltd. The Group received consulting services from, and sponsored MMA fighting tournaments of Muscle Gear cc trading as Fight Force; M Strydom has declared an interest in Muscle Gear cc. M Strydom resigned as a non-executive director on 7 December 2010.

The Company receives corporate finance consulting services from Retail Property Developers cc trading as Fencorp; J Fenster is the sole member of Retail Property Developers cc.

The Group has a manufacturing agreement with Herbal-Homeopathic (Pty) Ltd; M Di Nicola is a director of Herbal-Homeopathic (Pty) Ltd. M Di Nicola resigned as a non-executive director on 1 February 2011.

During the year the Group entered into an outsourcing agreement with Akacia HealthCare (Pty) Ltd; Y Bhayat and S Schutz are directors of Akacia HealthCare (Pty) Ltd. Also, the brand Phyto Nova was sold to Akacia HealthCare (Pty) Ltd during the year.

Share Capital

Full details of the authorised, issued and un-issued share capital and premium of the Company as at 30 June 2011 are detailed in notes 9 and 10 of the annual financial statements.

Dividends

No dividend has been declared for the period under review (2010 : nil).

Acquisitions and Disposals

There were no acquisitions during the year.

BioScience disposed of the Phyto Nova brand for R 2.5m on 1 February 2011, which was settled by way of R 2m in cash and R 500 000 in settlement of debt owing to Akacia and/or its subsidiaries or related companies. Bioscience decided to focus its resources on its bigger brands in 2012 and hence the sale of Phyto Nova provides BioScience with the funding for this as well as alleviating some pressure on working capital.

Litigation

With the exception of the following 2 matters, there are no material legal proceedings that are pending or threatened. BioScience is currently contesting an Arbitrator's Award granting Patrick Holford the right to terminate the Patrick Holford licence agreement in favour of Bioharmony and a 2006 claim for R 1 425 417 by a previous supplier against Bioharmony. The directors believe that the supplier claim will be successfully defended and Bioharmony is no longer producing and distributing Patrick Holford products.

Directors of the Company

	<u>Appointed</u>	<u>Resigned</u>
Michael Garth Allan ¹	25 October 2007	
Yaseen Bhayat*	19 November 2007	
Jonathan Julius Fenster* ^{#%2}	10 September 2009	
Stephen Schutz*	29 June 2011	
Mark Strydom*	19 November 2007	7 December 2010
Peter Andrew Ireland	09 June 2008	30 April 2011
Mark Mario Di Nicola*	22 January 2009	1 February 2011

* Non-executive

Independent

% Chairman

¹ With effect from 29 June 2011, M Allan has been appointed temporarily as Financial Director. His positions as joint CEO and FD will remain in force for 6 months.

² J Fenster was appointed Chairman on 30 April 2011.

DIRECTORS' REPORT (CONTINUED)

Company Secretary

Statucor (Pty) Ltd
Business address:
13 Wellington Road
Parktown, 2193

Postal address:
Private Bag X60500
Houghton, Johannesburg, 2193

Registered Address

The Company has relocated from Durban to Johannesburg in April 2011, and the new registered address and contact details are:

4 Brewery Street
Isando
1609

PO Box 195
Isando
1600

Telephone 087 740 1300
Facsimile 087 740 1309

AUDIT COMMITTEE REPORT

The audit committee of the Company and Group assists the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and control processes and the preparation of accurate financial reporting in compliance with all legal requirements, accounting standards and stock exchange regulations.

Its operations are governed by a charter which clearly sets out the duties and responsibilities of the committee, and has the following responsibilities:

- reviewing and approving the interim and annual financial statements;
- reviewing the external auditor's report on the annual financial statements;
- establishing processes for monitoring the effectiveness of internal controls and safeguarding of assets;
- developing risk management strategies;
- facilitating effective communication between the Board, management, and the external auditors;
- recommend the appointment of and determine the fees payable to the external auditors;
- determine the level of non-audit services provided by the external auditors by assessing each request on its merits; and
- verify the independence of the external auditor.

The committee is made up of three non-executive directors (Y Bhayat – chairman, S Schutz and J Fenster), and they met twice during the financial year under review, and twice subsequent to the current year-end. The chief executive officer, an approved executive from the Company's designated advisor and the external auditors attend the meetings by invitation.

The audit committee discharges its duties by meeting at least twice a year to receive and approve interim and annual financial results, to receive and review reports from the external auditors and to meet with management to review their progress on identifying and addressing key risk areas within the business; and to report at the following Board meeting. The audit committee is also available to meet with the external auditors to confirm they are receiving the full cooperation of management and to discuss any areas of concern.

The audit committee has deemed the system of internal controls in place to be sufficient to reduce significant risks to an acceptable level. The system is designed to manage the risks faced by BioScience and is not a guarantee that all risk is eliminated.

As required by JSE Listings Requirement 3.84(h), the audit committee has satisfied itself that the financial director (P Ireland, who resigned on 30 April 2011) had appropriate expertise and experience. The audit committee has further satisfied itself that the temporary financial director, M Allan, has appropriate expertise and experience. The audit committee has considered the consolidated annual financial statements of BioScience Brands Limited for the year ended 30 June 2011 and discussed them with both management and the external auditors. The audit committee believes that they present fairly the financial position of the Company and the Group at 30 June 2011 and their financial performance and cashflows for the year then ended in accordance with the statutory requirements of the various acts governing disclosure and reporting in the annual financial statements and International Financial Reporting Standards. The audit committee has further evaluated the independence of the external auditors and is satisfied that they have maintained their independence during the year, and have approved the fees for audit and non-audit services for the year.



Yaseen Bhayat
Chairman

BIOSCIENCE BRANDS LIMITED
STATEMENTS OF FINANCIAL POSITION
As at 30 June 2011

		GROUP		COMPANY	
	Note	2011	2010	2011	2010
		R	R	R	R
ASSETS					
Non-current assets		39 401 277	56 665 926	43 683 123	51 310 323
Plant and equipment	2	543 032	924 573	–	–
Intangible assets	3	37 232 683	54 659 016	1 579 621	10 579 621
Investment in subsidiaries	4	–	–	42 103 502	40 730 702
Deferred tax	5	1 625 562	1 082 337	–	–
Current assets		12 382 447	20 232 948	1 459 220	1 423 558
Inventories	6	4 574 525	9 791 385	–	–
Trade and other receivables	7	7 738 342	10 039 734	1 459 220	1 423 182
Cash and cash equivalents	8	69 580	401 829	–	376
Total assets		51 783 724	76 898 874	45 142 343	52 733 881
EQUITY AND LIABILITIES					
Capital and reserves		17 922 031	44 261 961	43 560 724	51 981 177
Issued capital	9	262 136	262 136	262 136	262 136
Share premium	10	113 138 607	113 138 607	113 138 607	113 138 607
Retained loss		(95 478 712)	(69 138 782)	(69 840 019)	(61 419 566)
Non-current liabilities		2 037 328	–	–	–
Borrowings	11	2 037 328	–	–	–
Current liabilities		31 824 365	32 636 913	1 581 619	752 704
Taxation payable		2 220 826	1 928 433	–	–
Trade and other payables	12	15 794 478	20 424 966	1 581 569	752 704
Short-term portion of borrowings	11	3 672 594	766 115	–	–
Bank overdraft	8	10 136 467	9 517 399	50	–
Total equity and liabilities		51 783 724	76 898 874	45 142 343	52 733 881

BIOSCIENCE BRANDS LIMITED
STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 30 June 2011

		GROUP		COMPANY	
	Note	2011	2010	2011	2010
		R	R	R	R
Revenue		29 762 219	51 370 241	46 887	96 982
Net operating expenses		(54 548 093)	(56 074 660)	(8 467 328)	(10 039 818)
Operating loss before finance costs	13	(24 785 874)	(4 704 419)	(8 420 441)	(9 942 836)
Finance income		–	5	–	–
Finance costs	14	(1 833 092)	(2 164 583)	(12)	(353 616)
Loss before taxation		(26 618 966)	(6 868 997)	(8 420 453)	(10 296 452)
Taxation	15	279 036	422 906	–	–
Total loss and comprehensive loss attributable to equity holders of the Company		(26 339 930)	(6 446 091)	(8 420 453)	(10 296 452)
Basic and diluted loss per share (cents)	16	(1.00)	(0.26)		

BIOSCIENCE BRANDS LIMITED
STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2011

	Share Capital R	Share Premium R	Retained Loss R	Total R
GROUP				
Balance at 1 July 2009	244 287	111 371 533	(62 692 691)	48 923 129
Issue of share capital *	17 849	1 767 074	–	1 784 923
Total comprehensive loss for the year	–	–	(6 446 091)	(6 446 091)
Balance at 30 June 2010	262 136	113 138 607	(69 138 782)	44 261 961
Balance at 1 July 2010	262 136	113 138 607	(69 138 782)	44 261 961
Total comprehensive loss for the year	–	–	(26 339 930)	(26 339 930)
Balance at 30 June 2011	262 136	113 138 607	(95 478 712)	17 922 031
COMPANY				
Balance at 1 July 2009	244 287	111 371 533	(51 123 114)	60 492 706
Issue of share capital *	17 849	1 767 074	–	1 784 923
Total comprehensive loss for year	–	–	(10 296 452)	(10 296 452)
Balance at 30 June 2010	262 136	113 138 607	(61 419 566)	51 981 177
Balance at 1 July 2010	262 136	113 138 607	(61 419 566)	51 981 177
Total comprehensive loss for the year	–	–	(8 420 453)	(8 420 453)
Balance at 30 June 2011	262 136	113 138 607	(69 840 019)	43 560 724

* net of share issue expenses

BIOSCIENCE BRANDS LIMITED
STATEMENTS OF CASH FLOWS
For the year ended 30 June 2011

	Note	GROUP		COMPANY	
		2011 R	2010 R	2011 R	2010 R
Cash flows (used in) from operating activities		(8 447 995)	156 908	(112 278)	(995 395)
Cash generated from (used in) operations	17.1	(6 614 903)	2 321 486	(112 266)	(641 779)
Interest received		–	5	–	–
Interest paid		(1 833 092)	(2 164 583)	(12)	(353 616)
Taxation paid	17.2	–	–	–	–
Cash flows from (used in) investing activities		2 552 871	(411 074)	111 852	1 882 017
Plant and equipment acquired		(37 960)	(450 674)	–	–
Proceeds on disposal of plant and equipment		90 831	39 600	–	–
Proceeds on disposal of intangible assets		2 500 000	–	–	–
Increase in loans to subsidiaries		–	–	111 852	1 882 017
Cash flows from (used in) financing activities		4 943 807	(1 956 391)	–	(884 409)
Increase in share capital and reserves		–	1 784 923	–	1 784 923
Increase (decrease) in loans and borrowings		4 943 807	(3 741 314)	–	(2 669 332)
(Decrease) increase in cash and cash equivalents		(951 317)	(2 210 557)	(426)	2 213
Cash and cash equivalents at beginning of year		(9 115 570)	(6 905 013)	376	(1 837)
Cash and cash equivalents at end of year	8	(10 066 887)	(9 115 570)	50	376

1. ACCOUNTING POLICIES

1.1 Statement of compliance and basis of preparation

The financial statements of the Group are prepared in accordance with International Financial Reporting Standards, the AC 500 standards as issued by the Accountancy Practices Board and the requirements of the Companies Act of South Africa, 2008, and incorporate the principal accounting policies set out below, which are consistent in all material respects with those adopted in the previous financial year.

1.2 Adoption of new and revised International Financial Reporting Standards

The following new standards, interpretations of standards, technical corrections and amendments which are effective for the Company's future financial years, were issued by the International Accounting Standards Board ("IASB").

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 1 (revised) : First time adoption of IFRS	1 January 2011
IFRS 7 (revised) : Financial Instruments: Disclosures	1 January 2011
IFRS 9 : Financial instruments	1 January 2013
IFRS 10 : Consolidated Financial Statements	1 January 2013
IFRS 11 : Joint Arrangements	1 January 2013
IFRS 12 : Disclosure of Interests in other entities	1 January 2013
IFRS 13 : Fair Value Measurement	1 January 2013
IAS 1 (revised) : Presentation of financial statements	1 January 2011
IAS 12 (revised) : Income Taxes	1 January 2012
IAS 19 (revised) : Employee Benefits	1 January 2013
IAS 24 (revised) : Related party disclosures	1 January 2011
IAS 27 (revised) : Consolidated and Separate Financial Statements	1 January 2013
IAS 28 (revised) : Investments in Associates	1 January 2013
IAS 34 (revised) : Interim Financial Reporting	1 January 2011

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company and Group.

No standards, amendments and interpretations not yet effective have been early adopted by the Group.

1.3 Group accounting

The group financial statements incorporate the assets, liabilities and results of the operations of the company, its subsidiaries and special purpose entities. The results of subsidiaries and special purpose entities acquired and disposed of during a financial year are included from the effective dates of acquisition and to the effective dates of disposal.

Subsidiaries are those entities over whose financial and operating policies the holding company has the power to exercise control, so as to obtain benefits from their activities. Special purpose entities are those entities which are neither a subsidiary nor a joint venture and in which the holding company has the right to economic benefit and the power to unilaterally dissolve the entity.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in the preparation of the consolidated financial statements.

1. ACCOUNTING POLICIES (continued)

1.4 Recognition of assets and liabilities

An asset, being a resource, controlled by the entity, as a result of a past event from which future economic benefits are expected to flow, is recognised when it is probable that future economic benefits associated with it will flow to the group and its cost or fair value can be measured reliably.

A liability, being a present obligation of the group arising from a past event the settlement of which is expected to result in an outflow from the group of resources embodying economic benefits, is recognised when it is probable that future economic benefits associated with it will flow from the group and its cost or fair value can be measured reliably.

A financial instrument, being a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity, is recognised when the group becomes a party to the contractual provisions of the instrument.

1.5 Foreign currencies

Transactions in currencies other than the group's measurement currency are recognised at the exchange rate ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on exchange differences are recognised in profit or loss.

1.6 Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on the straight-line method to write-off the cost of each asset to its residual values over its estimated useful life. The method of depreciation, useful lives and residual values are reviewed annually. The depreciation rates applicable to each category of plant and equipment are as follows:

• Plant and equipment	20.00%
• Motor vehicles	20.00%
• Furniture and fittings	10.00% to 20.00%
• Office equipment	10.00% to 16.67%
• Computer equipment	20.00% to 33.33%
• Computer software	20.00% to 50.00%
• Stands	33.33% to 50.00%

Plant and equipment is tested for impairment whenever there is an indication that the asset may be impaired, in accordance with the requirements of IAS 36: Impairment of Assets.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in operating profit.

Assets subject to financial lease agreements are capitalised at their cost equivalents and the corresponding liabilities are recognised. Lease finance charges are included in interest expenditure as they become due.

1. ACCOUNTING POLICIES (continued)

1.7 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

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

Assessment of useful lives

The useful lives of all intangible assets (excluding goodwill) acquired by the group are assessed to determine if the useful life is finite or indefinite. Useful lives of intangible assets are reviewed at least at the end of each financial year and altered if estimates have changed significantly. Any change is accounted for by changing the amortisation charge for the current and future periods. Intangible assets with finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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

The following intangible assets currently have an indefinite useful life:

- brands;
- development costs; and
- trademarks.

1. ACCOUNTING POLICIES (continued)

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and costs necessary to make the sale. Obsolete, defective and slow-moving inventories are identified and written-down to their estimated net realisable values.

1.9 Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, trade and other receivables, trade and other payables and borrowings.

Financial assets are recognised when the group has rights or other access to economic benefits. Such assets consist of cash or a contractual right to receive cash or other financial assets. Cash and cash equivalents are measured at fair value.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms.

The recognition and measurement criteria for each of these financial instruments are separately disclosed under their respective accounting policies. The face values of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. Receivables and payables are measured at amortised cost.

1.10 Provisions

A provision is a liability of uncertain timing or amount. Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the expenditure required to settle the present obligation.

1.11 Revenue recognition

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities when those inflows result in increases in equity, other than increases relating to contributions from equity participants. It is measured at the amount received or receivable net of Value Added Tax, cash discounts and rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, when delivery has been made and title has passed, when the amount of the revenue and the related costs can be reliably measured and when it is probable that the debtor will pay for the goods.

Interest received is recognised as it accrues taking into account the effective yield on the assets.

1.12 Equity

Equity is the residual interest in the assets after deducting all liabilities.

Transactions relating to the acquisition and sale of shares in the company, together with their associated costs, are accounted for in equity. Other transactions are accounted for directly in equity only if permitted by the standards

1. ACCOUNTING POLICIES (continued)

1.13 Headline earnings per share

The calculation of headline earnings per share is based on the net profit attributable to ordinary shareholders, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year.

An itemised reconciliation of the adjustments to earnings attributable to ordinary shareholders is detailed in note 16.

1.14 Leased assets

Operating leases

Leases of assets where a significant portion of the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease costs are charged to the income statement.

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

1.15 Impairment

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.16 Taxation

The charge for current tax is the amount of income taxes payable in respect of the taxable profit (tax loss) for the current year. It is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

1. ACCOUNTING POLICIES (continued)

1.16 Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

1.17 Borrowing costs

Borrowings costs include interest and other costs incurred in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

1.18 Post balance sheet events

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the balance sheet date are dealt with by way of note.

1.19 Significant accounting judgement and estimates

In the process of applying the company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Valuation of investments

The company's investments are initially measured at cost and are fair valued at each reporting date. Although best judgement is used in determining the fair value of the investments, there are inherent limitations in any valuation technique involving investments of the type in which the company invests. Therefore, the fair values presented herein are not necessarily indicative of the amount that the company and group could realise in a current transaction.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Impairment of intangible assets

The groups' intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Impairment losses are calculated using the value in use method, whereby the group estimates the future cash flows expected to arise from the intangible asset and a suitable discount rate is applied to these in order to calculate the present value.

1.20 Comparatives

Where necessary, comparative figures for prior periods have been restated.

2. PLANT AND EQUIPMENT

GROUP

	2011 Cost/ Valuation R	2011 Accumulated Depreciation R	2011 Carrying Value R	2010 Cost/ Valuation R	2010 Accumulated Depreciation R	2010 Carrying Value R
Plant and equipment	465 104	(174 652)	290 452	427 144	(84 864)	342 280
Motor vehicles	–	–	–	72 807	(44 286)	28 521
Furniture and fittings	–	–	–	304 363	(173 515)	130 848
Office equipment	5 156	(5 008)	148	53 083	(25 893)	27 190
Computer equipment	246 006	(153 259)	92 747	413 467	(232 544)	180 923
Computer software	287 572	(127 887)	159 685	287 572	(72 761)	214 811
Balance at end of year	1 003 838	(460 806)	543 032	1 558 436	(633 863)	924 573

The carrying amounts of plant and equipment can be reconciled as follows:

	Carrying value at beginning of year R	Additions R	Disposals R	Depreciation R	Carrying value at end of year R
2011					
Plant and equipment	342 280	37 960	–	(89 788)	290 452
Motor vehicles	28 521	–	(27 163)	(1 358)	–
Furniture and fittings	130 848	–	(79 312)	(51 536)	–
Office equipment	27 190	–	(14 880)	(12 162)	148
Computer equipment	180 923	–	(11 236)	(76 940)	92 747
Computer software	214 811	–	–	(55 126)	159 685
	924 573	37 960	(132 591)	(286 910)	543 032
2010					
Plant and equipment	52 092	358 776	(3)	(68 585)	342 280
Motor vehicles	44 820	–	(1)	(16 298)	28 521
Furniture and fittings	229 074	–	(22 760)	(75 466)	130 848
Office equipment	43 080	10 218	(9 394)	(16 714)	27 190
Computer equipment	264 815	20 955	(9)	(104 838)	180 923
Computer software	217 201	60 725	–	(63 115)	214 811
Stands	100 416	–	(54 392)	(46 024)	–
	951 498	450 674	(86 559)	(391 040)	924 573

Leased

2010: A motor vehicle with a carrying value of R 28 521 was pledged as security as set out in note 11 for loans obtained in terms of instalment sale agreements. In the current year, this vehicle was stolen, and the insurance proceeds used to settle the outstanding finance liability.

3. INTANGIBLE ASSETS

GROUP

	Brands	Development costs	Trademarks	Total
2011	R	R	R	R
Carrying value at beginning of year	52 607 800	1 833 490	217 726	54 659 016
Impairments	(14 802 318)	(124 015)	–	(14 926 333)
Disposals	(2 500 000)	–	–	(2 500 000)
Carrying value at end of year	35 305 482	1 709 475	217 726	37 232 683

2011

The carrying value of intangible assets can be reconciled as follows:

Cost/valuation	43 607 800	8 334 520	289 594	52 231 914
Accumulated impairment losses	(8 302 318)	(6 625 045)	(71 868)	(14 999 231)
Carrying value at end of year	35 305 482	1 709 475	217 726	37 232 683

2010

Carrying value at beginning and end of year	52 607 800	1 833 490	217 726	54 659 016
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2010

The carrying value of intangible assets can be reconciled as follows:

Cost/valuation	52 607 800	8 334 520	289 594	61 231 914
Accumulated impairment losses	–	(6 501 030)	(71 868)	(6 572 898)
Carrying value at end of year	52 607 800	1 833 490	217 726	54 659 016

COMPANY

	Brands	Development costs	Trademarks	Total
2011	R	R	R	R
Carrying value at beginning of year	10 579 621	–	–	10 579 621
Transfers*	(9 000 000)	–	–	(9 000 000)
Carrying value at end of year	1 579 621	–	–	1 579 621

2010

Carrying value at beginning of year	11 579 621	–	–	11 579 621
Transfers*	(1 000 000)	–	–	(1 000 000)
Carrying value at end of year	10 579 621	–	–	10 579 621

* The brand Phyto Nova, which was held in BioScience Brands Limited, was transferred to a subsidiary, Vitamology (Pty) Ltd, in which company the brand is traded. The brand was then sold to Akacia HealthCare (Pty) Ltd. In the prior year, the brand Herbology, which was held in BioScience Brands Limited, was transferred to a subsidiary, Vitamology (Pty) Ltd, in which company the brand is traded, and the associated development costs and trademarks are already housed.

Intangible assets, with the exception of KGB (2010: Phyto Nova and KGB), at a total value of R 36 545 847 (2010: R 44 972 180) have been pledged as security for banking facilities and certain loans.

3. INTANGIBLE ASSETS (continued)

Predicting the useful life of an intangible asset requires significant judgement. Management have classified the above intangible assets as having indefinite useful lives. This conclusion is supported by the following factors:

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

Key assumptions and basis for determining values assigned to key assumptions

Sales volumes or proceeds

The directors have used actual sales patterns to determine future sales volume projections with commensurate adjustments for trade promotions and seasonal influences. In the case of product launches detailed performance criteria and market share analysis has supported the best estimate sales projections. In the case of an anticipated or completed disposal the purchase consideration has been recognised for determining value.

Gross margins

The directors have applied gross margin percentages on an actual product by product costing basis and in line with the projected product sales mix.

Overheads and non direct costs

The directors have included cash outflows that can be directly attributed and allocated on a reasonable and consistent basis to the cash generating unit. These day to day outflows represent the servicing of the brands business and the overheads attributable directly to the operation of the brands business.

Specific information

In circumstances where we are able to provide external third party corroboration we have applied this information to the expectations about possible variations in the amount or timing of future cash flows. In addition we have used this specific information to influence our best estimates in preparing the projections.

Past information

The directors have examined the current cash flow projections in light of the causes of differences between past cash flow projections and actual cash flows. We have in the majority of circumstances used past cash flows to project forward.

Key assumptions

The key assumptions used in the value in use calculations are as follows:

	2011	2010
Gross margin	40% to 60%	40% to 70%
Growth rate	5% to 10%	5% to 10%
Discount rate	15%	15%

	COMPANY	
	2011	2010
	R	R
4. INVESTMENT IN SUBSIDIARIES		
Unlisted investments:		
Number of shares held:		
Vitamology (Pty) Ltd	100	100
Rare Earth Minerals (Pty) Ltd	100	100
Aldabri 53 (Pty) Ltd	100	100
Bioharmony (Pty) Ltd	100	100
Percentage holding:		
Rare Earth Minerals (Pty) Ltd	100%	100%
Vitamology (Pty) Limited	100%	100%
Aldabri 53 (Pty) Ltd	100%	100%
Bioharmony (Pty) Ltd	100%	100%
Cost of shares:		
Vitamology (Pty) Ltd	20 795 767	20 795 767
Rare Earth Minerals (Pty) Ltd	3 683 333	3 683 333
Aldabri 53 (Pty) Ltd	5 444 165	5 444 165
Bioharmony (Pty) Ltd	3 342 907	3 342 907
Impairment of investments	(24 479 100)	(23 921 010)
	8 787 072	9 345 162
Amounts due by (to) subsidiaries:		
Vitamology (Pty) Ltd	31 124 811	24 764 088
Rare Earth Minerals (Pty) Ltd	(1 144 105)	(1 659 926)
Aldabri 53 (Pty) Ltd	11 784 997	8 994 111
Bioharmony (Pty) Ltd	22 675 538	23 454 820
Provision against amount due by subsidiaries	(31 124 811)	(24 167 553)
	33 316 430	31 385 540
Net investment in subsidiaries	42 103 502	40 730 702

	GROUP		COMPANY	
	2011	2010	2011	2010
	R	R	R	R
5. DEFERRED TAX				
The balance at year-end comprises:				
Employee benefit accruals	37 968	165 493	–	–
Provision for impairment of trade receivables	94 509	40 600	–	–
Provision for impairment of inventories	87 460	–	–	–
Provision for credit notes	77 668	105 216	–	–
Unutilised tax loss	1 327 957	771 028	–	–
	1 625 562	1 082 337	–	–
Balance at beginning of year	1 082 337	659 431	–	–
Temporary differences	(13 704)	(235 505)	–	–
Unutilised tax loss	556 929	658 411	–	–
Balance at end of year	1 625 562	1 082 337	–	–

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has adopted a conservative approach and has not recognised deferred income tax assets in respect of estimated assessed losses amounting to R 57 886 505 (2010: R 50 235 526) for the Group and R 14 236 108 (2010: R 13 331 003) for the company that can be carried forward against future taxable income.

6. INVENTORIES

Raw materials	1 294 475	2 124 309	–	–
Finished goods	4 090 235	8 847 076	–	–
Provision for obsolete inventories	(810 185)	(1 180 000)	–	–
	4 574 525	9 791 385	–	–

Inventories are carried at the lower of cost and net realisable value. Inventory to the value of R 1 818 635 (2010: R 788 876) was written off during the year, and inventory provisions to the value of R 369 815 (2010: R 112 759) were released during the year.

Inventories have been ceded as security for banking facilities and certain loans.

	GROUP		COMPANY	
	2011	2010	2011	2010
	R	R	R	R
7. TRADE AND OTHER RECEIVABLES				
Trade receivables	6 628 969	9 179 782	–	–
Less: provision for impairment of trade receivables	(1 448 721)	(1 256 190)	–	–
Less: provision for credit notes	(324 832)	(375 772)	–	–
Trade receivables - net	4 855 416	7 547 820	–	–
Sundry debtors	1 602 765	1 484 479	1 335 173	1 335 173
Prepayments	28 000	111 861	–	–
Receiver of Revenue	1 252 161	895 574	124 047	88 009
	7 738 342	10 039 734	1 459 220	1 423 182

Trade receivables have been ceded as security for banking facilities and certain loans.

The above carrying values approximate the fair values of the receivables.

Movements on provision for impairment of trade receivables:

At beginning of year	1 256 190	1 256 190	–	–
Increase in provision	192 531	–	–	–
At end of year	1 448 721	1 256 190	–	–

The Group grants credit terms of 30 days to its customers. The analysis of trade receivables which are past due and impaired, or at representative date, is as follows:

1 – 30 days	2 914 209	4 435 887	–	–
Past due but not impaired:				
30 – 60 days	1 499 320	1 962 474	–	–
60 – 90 days	233 771	302 080	–	–
Past due and impaired:				
90 – 120 days	66 772	91 315	–	–
Over 120 days	1 914 897	2 388 026	–	–
Less: provision for impairment of trade receivables	(1 448 721)	(1 256 190)	–	–
Less: provision for credit notes	(324 832)	(375 772)	–	–
Total trade receivables - net	4 855 416	7 547 820	–	–

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	69 580	401 829	–	376
Bank overdraft	(10 136 467)	(9 517 399)	(50)	–
	(10 066 887)	(9 115 570)	(50)	376

Banking facilities with Mercantile Bank in the Group are secured by a cession of trade receivables and certain inventories, and a pledge of certain intangible assets, as disclosed in notes 3, 6 and 7.

The Group has an overdraft facility of R 4.8m with Mercantile Bank.

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
9. ORDINARY SHARE CAPITAL				
Authorised: 5 000 000 000 (2010: 5 000 000 000) ordinary shares of 0.01 cent each	500 000	500 000	500 000	500 000
Issued: 2 621 362 758 (2010: 2 548 628 058) ordinary shares of 0.01 cent each	262 136	254 863	262 136	254 863
To be issued: Nil (2010: 72 734 700) ordinary shares of 0.01 cent each	–	7 273	–	7 273
Total issued and to be issued: 2 621 362 758 (2010: 2 621 362 758) ordinary shares of 0.01 cent each	262 136	262 136	262 136	262 136

The un-issued shares have been placed under the control of the directors until the forthcoming annual general meeting.

10. SHARE PREMIUM

Balance at beginning of year	113 138 607	111 371 533	113 138 607	111 371 533
Arising on issue of ordinary shares	–	1 767 074	–	1 767 074
Balance at end of year	113 138 607	113 138 607	113 138 607	113 138 607
Reconciliation:				
Number of shares in issue at beginning of year	2 621 362 758	2 442 870 453	2 621 362 758	2 442 870 453
Shares issued	–	178 492 305	–	178 492 305
Number of shares in issue at end of year	2 621 362 758	2 621 362 758	2 621 362 758	2 621 362 758

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
11. BORROWINGS				
Non-current:				
Loans – interest bearing	5 709 922	–	–	–
Liabilities under instalment sale agreements	–	18 271	–	–
Short term portion included in current liabilities	(3 672 594)	(18 271)	–	–
Total non-current borrowings	2 037 328	–	–	–
Current:				
Liabilities under instalment sale agreements – short term portion	–	18 271	–	–
Loans – interest bearing – short term portion	3 672 594	747 844	–	–
Total current borrowings	3 672 594	766 115	–	–
Total borrowings	5 709 922	766 115	–	–

Liabilities under instalment sale agreements

2010: Liabilities under instalment sale agreements were payable at R 2 110 per month, over periods from one to five years at effective interest rates ranging from 8.5% to 11.0% per annum and were secured by assets with a book value of R 28 521.

Loans – interest bearing

Loans are unsecured and repayment terms have been arranged on all loans. The effective interest rate on these loans is 11%-13% (2010: 11%-14%).

Borrowing powers

No limit has been placed in the Articles of Association on the borrowing powers of the Company.

The above carrying values approximate fair values.

12. TRADE AND OTHER PAYABLES

Trade payables	5 124 812	10 413 690	254 856	40 658
Sundry creditors and accruals	3 985 232	3 667 318	1 326 713	712 046
Employee benefit accruals	135 599	591 046	–	–
Receiver of Revenue	6 548 835	5 752 912	–	–
Total trade and other payables	15 794 478	20 424 966	1 581 569	752 704

The above carrying values approximate fair values.

	GROUP		COMPANY	
	2011	2010	2011	2010
	R	R	R	R
13. OPERATING LOSS BEFORE FINANCE COSTS				
Operating loss before finance costs is arrived at as follows:				
Revenue	29 762 219	51 370 241	46 887	96 982
Less: Net operating expenses	54 548 093	56 074 660	8 467 328	10 039 818
Cost of sales ¹	16 402 250	24 176 094	–	–
Distribution costs	3 675 540	5 189 925	–	–
Advertising costs	3 153 913	6 986 859	–	–
Other operating costs	31 325 442	19 740 315	8 467 328	10 039 818
Other operating income	(9 052)	(18 533)	–	–
Operating loss before finance costs	(24 785 874)	(4 704 416)	(8 420 441)	9 942 836

¹Included in cost of sales above is R 1 288 450 (2010: R 676 117) of stock write-offs and provisions.

Classification of expenses by nature:

Expenditure:

Depreciation	286 910	391 040	–	–
Loss on sale of plant and equipment	41 760	46 959	–	–
Impairment of investment in subsidiary	–	–	558 090	–
Impairment of loan to subsidiary	–	–	6 957 258	9 292 816
Impairment of intangible assets	14 926 333	–	–	–
Impairment of trade receivables	35 359	10 999	–	–
Increase in provision for impairment of trade receivables	192 531	–	–	–
Operating lease charges	685 613	1 209 587	–	–
- Property	650 023	1 073 346	–	–
- Other	35 590	136 241	–	–
Auditor's remuneration	484 687	398 629	42 710	39 965
- Audit fees	427 100	398 629	42 710	39 965
- Other services	57 587	–	–	–
Administration and secretarial fees	1 646 044	414 537	422 005	386 688
Consulting fees	944 855	1 632 341	–	–
Royalty expense	211 998	722 091	–	–
Legal fees	1 156 887	302 659	–	–
Employee benefits expense	7 580 503	11 643 810	–	–
- Commission	101 547	462 393	–	–
- Directors' remuneration (note 20)	1 956 104	2 744 540	–	–
- Other staff costs	5 522 852	8 436 877	–	–

	GROUP		COMPANY	
	2011	2010	2011	2010
	R	R	R	R
13. OPERATING LOSS BEFORE FINANCE COSTS (continued)				
Classification of expenses by nature (continued):				
Income:				
Royalty income	–	–	(96 982)	(96 982)
Rental income	(9 052)	(36 207)	–	–
Foreign exchange loss (profit)	15 995	(18 533)	–	–
14. FINANCE COSTS				
Interest expense - Bank	1 271 845	1 363 875	12	406
Interest expense - SARS	–	320	–	–
Interest expense - Instalment sale	635	3 686	–	–
Interest expense - Other	560 612	796 702	–	353 210
	1 833 092	2 164 583	12	353 616
15. TAXATION				
South African normal tax:				
– current year	–	–	–	–
– prior year under-provision	264 189	–	–	–
Deferred tax:				
– current year	(543 225)	(422 906)	–	–
– rate change	–	–	–	–
Tax for year	(279 036)	(422 906)	–	–
Reconciliation of rate of taxation:				
	%	%	%	%
South African normal tax rate	(28.0)	(28.0)	(28.0)	(28.0)
Adjusted for:				
- Permanent differences	16.7	1.9	25.0	25.3
- Assessed loss not utilised	9.3	19.9	3.0	2.7
- Prior year under-provision	1.0	–	–	–
Net decrease	27.0	21.8	28.0	28.0
Effective rate	(1.0)	(6.2)	–	–

No provision has been made for 2011 (2010: nil) taxation as the Company has an accumulated tax loss. The Company's estimated assessed tax loss amounts to R 14 236 108 (2010: R 13 331 005) and the Group's combined estimated assessed tax loss amounts to R 62 629 308 (2010: R 52 989 198).

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
16. EARNINGS PER SHARE				
Basic loss per share is based on a loss after tax of	(26 339 930)	(6 446 091)		
and on the weighted average number of shares in issue for the year	2 621 362 758	2 451 672 813		
Headline loss per share is based on a headline loss of	(11 371 837)	(6 399 132)		
and on the weighted average number of shares in issue for the year	2 621 362 758	2 451 672 813		
Calculation of headline earnings:				
Loss per financial statements	(26 339 930)	(6 446 091)		
Impairment of intangible assets	14 926 333	–		
Loss on sale of plant and equipment	41 760	46 959		
Headline loss	(11 371 837)	(6 399 132)		
Basic and diluted loss per share (cents)	(1.00)	(0.26)		
Headline and diluted headline loss per share (cents)	(0.43)	(0.26)		
17. NOTES TO THE CASH FLOW STATEMENT				
17.1 Cash used in operating activities				
Net loss before taxation	(26 618 966)	(6 868 997)	(8 420 453)	(10 296 452)
Adjustments for:				
Depreciation	286 910	391 040	–	–
Loss on disposal of plant and equipment	41 760	46 959	–	–
Impairment of investment in subsidiary	–	–	558 090	–
Impairment of loan to subsidiary	–	–	6 957 258	9 292 816
Impairment of intangible assets	14 926 333	–	–	–
Tax penalties	28 204	–	–	–
Interest received	–	(5)	–	–
Finance costs	1 833 092	2 164 583	12	353 616
	(9 502 667)	(4 266 420)	(905 093)	(650 020)
Movements in working capital:				
Decrease in inventories	5 216 860	3 153 533	–	–
Decrease (increase) in trade and other receivables	2 301 392	4 413 461	(36 038)	(38 970)
(Decrease) increase in trade and other payables	(4 630 488)	(979 088)	828 865	47 211
	(6 614 903)	2 321 486	(112 266)	(641 779)

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
17. NOTES TO THE CASH FLOW STATEMENT (continued)				
17.2 Reconciliation of taxation paid during year				
Charge in income statement	279 036	422 906	–	–
Adjustment for deferred tax	(543 225)	(422 906)	–	–
Tax penalties	(28 204)	–	–	–
Movement in taxation balance	292 393	–	–	–
Taxation paid	–	–	–	–

18. FINANCIAL RISK MANAGEMENT

Categories of financial instruments

Financial assets

Loans and receivables	7 807 922	10 441 563	1 459 220	1 423 558
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Financial Liabilities

Financial liabilities measured at amortised cost	33 861 693	32 636 913	1 581 619	752 704
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Reconciliation to balance sheet:

Trade and other receivables	7 738 342	10 039 734	1 459 220	1 423 182
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Cash and cash equivalents	69 580	401 829	–	376
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Loans and receivables	7 807 922	10 441 563	1 459 220	1 423 558
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Loans and borrowings	2 037 328	–	–	–
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Taxation payable	2 220 826	1 928 433	–	–
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Trade and other payables	15 794 478	20 424 966	1 581 569	752 704
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Short term portion of loans and borrowings	3 672 594	766 115	–	–
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Bank overdraft	10 136 467	9 517 399	50	–
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Financial liabilities measured at amortised cost	33 861 693	32 636 913	1 581 619	752 704
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The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payables, loans and bank overdraft. In the normal course of its operations the Group is inter alia exposed to currency, credit, interest rate and liquidity risk.

Currency risk

The Group has limited operations internationally and has limited exposure to foreign exchange risk. It is the Group's policy not to hedge any of its purchases or revenue made abroad as the amounts are not deemed to be of significant value.

18. FINANCIAL RISK MANAGEMENT (continued)

Interest rate management

The Group adopts a policy of regularly reviewing interest rate exposure. Fluctuations in interest rates impact on the returns derived from short term bank deposits as well as on the cost of financing activities, giving rise to interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant in the case of variable rate borrowings.

If interest rates had been 1% higher/lower and all other variables held constant, the Group's loss for the year would increase / decrease by R 197 252 (2010: R 207 531).

Credit risk management

The Group 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 cash handling purposes. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring cash flows and the maturity profiles of the financial assets and financial liabilities.

The following table details the Company's and Group's remaining contractual maturity for its non-derivative financial liabilities:

	Within 1 month	1 - 3 months	3 - 12 months	Greater than 12 months
	R	R	R	R
GROUP 2011				
Interest bearing	10 376 031	479 127	2 953 903	2 037 328
Non-interest bearing	6 363 037	1 359 985	10 292 282	–
GROUP 2010				
Interest bearing	9 719 509	404 220	159 785	–
Non-interest bearing	10 095 674	2 240 149	10 017 576	–
COMPANY 2011				
Interest bearing	–	–	–	–
Non-interest bearing	203 885	17 280	1 360 404	–
COMPANY 2010				
Interest bearing	50	–	–	–
Non-interest bearing	40 658	–	712 046	–

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
19. RELATED PARTIES				
19.1 Identity of related parties				
Details of the Company's shareholders are included in the Directors' Report. The directors of the Company are disclosed in the Directors' Report. Key management and directors' emoluments are disclosed in note 20.				
19.2 Related party balances				
Loans to subsidiary companies:				
Loans to subsidiary companies are disclosed in note 4.				
Loans:				
Herbal-Homeopathic (Pty) Ltd	1 874 332	–	–	–
Akacia HealthCare (Pty) Ltd	3 037 761	–	–	–
	4 912 093	–	–	–
Loans from director:				
M Strydom	–	63 446	–	–
Accounts payable balances:				
Muscle Gear cc trading as Fight Force	23 906	85 500	–	–
My Shelf Trading Five (Pty) Ltd	(33 060)	–	–	–
Herbal-Homeopathic (Pty) Ltd	993 452	4 227 798	–	–
Akacia HealthCare (Pty) Ltd	83 977	585 758	–	–
	1 068 275	4 899 056	–	–
19.3 Related party transactions				
Related party transactions are transacted at arm's length.				
Royalties received:				
Vitamology (Pty) Ltd	–	–	–	57 436
Aldabri 53 (Pty) Ltd	–	–	46 887	39 546
	–	–	46 887	96 982
Rentals paid:				
My Shelf Trading Five (Pty) Ltd	377 921	449 262	–	–
Akacia HealthCare (Pty) Ltd	–	64 086	–	–
	377 921	477 484	–	–
Tournament sponsorship:				
Muscle Gear cc trading as Fight Force	15 000	215 000	–	–
Purchase of stock:				
Herbal-Homeopathic (Pty) Ltd	6 485 981	10 973 953	–	–
Akacia HealthCare (Pty) Ltd	–	331 604	–	–
	6 485 981	11 305 557	–	–

	GROUP		COMPANY	
	2011 R	2010 R	2011 R	2010 R
19. RELATED PARTIES (continued)				
19.3 Related party transactions (continued)				
Management fees:				
Akacia HealthCare (Pty) Ltd	1 250 000	–	42 501	–
Interest:				
Herbal-Homeopathic (Pty) Ltd	395 970	276 249	–	–
Akacia HealthCare (Pty) Ltd	35 395	–	–	–
	431 365	276 249	–	–

20. DIRECTORS' EMOLUMENTS

The remuneration of key management personnel for the period ended 30 June 2011 was as follows:

Executive directors

	Salary R	Leave pay R	Loss of office R	Total R
2011				
For managerial services to Group subsidiary companies				
M Allan	977 600	–	–	977 600
P Ireland ¹	827 200	102 372	50 932	980 504
	1 804 800	102 372	50 932	1 958 104
2010				
For managerial services to Group subsidiary companies				
M Allan	977 600	–	–	977 600
M Strydom	601 600	187 740	–	789 340
P Ireland	977 600	–	–	977 600
	2 556 800	187 740	–	2 744 540

¹ P Ireland resigned as a financial director on 30 April 2011.

20. DIRECTORS' EMOLUMENTS (continued)

Non-executive directors	Directors fees R	Consulting fees R	Fees paid to associates R	Total R
2011				
For services as directors of the Company				
Y Bhayat	50 000	–	–	50 000
M Di Nicola ¹	17 500	–	–	17 500
J Fenster	41 667	–	300 000 ²	341 667
M Strydom ³	13 145	150 000	150 000 ²	313 145
	122 312	150 000	450 000	722 312
2010				
For services as directors of the Company				
Y Bhayat	50 000	–	–	50 000
M Di Nicola ¹	30 000	–	–	30 000
J Fenster	33 333	–	150 000 ²	183 333
M Strydom ³	12 500	90 000	140 000 ²	242 500
J Black ⁴	29 167	–	–	29 167
	155 000	90 000	290 000	535 000

¹ M Di Nicola resigned as a non-executive director on 1 February 2011.

² Consulting fees paid for services rendered by J Fenster and M Strydom were paid to Retail Property Developers cc trading as Fencorp and Muscle Gear cc trading as Fight Force, respectively, as disclosed in note 19.3.

³ M Strydom resigned as a non-executive director on 7 December 2010.

⁴ J Black resigned as a non-executive director on 28 January 2010.

	GROUP		COMPANY	
	2011	2010	2011	2010
	R	R	R	R

21. COMMITMENTS

The Group has the following commitments in respect of operating leases:

Land and buildings	133 148	824 503	–	–
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The Group has no capital commitments at balance sheet date (2010: nil)

22. CONTINGENT LIABILITIES

Other than a 2006 claim for R 1 425 417 by a previous supplier against Bioharmony, which the directors believe will be successfully defended, there are no other contingencies and commitments that the directors are aware of.

23. RETIREMENT BENEFITS

The Group does not participate in a retirement benefit scheme for employees.

24. SEGMENTAL REPORTING

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

BIOSCIENCE BRANDS LIMITED SHAREHOLDERS' ANALYSIS¹

SHAREHOLDERS HOLDING MORE THAN 5% OF THE COMPANY'S SHARE CAPITAL

Shareholder	No. of Shares	% Holding
Shareholders holding more than 5% of total issued capital		
Peregrine Equities (Pty) Ltd	432 004 400	16.48%
Akacia HealthCare (Pty) Ltd	396 794 706	15.14%
Mike Allan ²	196 605 372	7.50%
Thebe Investment Corporation (Pty) Ltd	195 441 008	7.46%
Mark Strydom	139 833 616	5.33%
Total shareholders	1 360 679 102	51.91%

CATEGORIES OF SHAREHOLDERS

Shareholder	No. of Holders	24 June 2011	25 June 2010
Public	850	1 558 838 464	1 524 475 527
Non-Public			
<i>Shareholders holding more than 10% of total issued capital</i>	2	828 799 106	660 536 972
Directors and Associates	5	233 725 188	412 051 786
Total shareholders	857	2 621 362 758	2 597 064 285

SHAREHOLDERS ANALYSIS AND INFORMATION

Distribution of shareholders	No. of Holders	No. of Shares	% Holding
Individuals	760	1 090 386 973	41.60%
Nominees and Trusts	28	44 438 347	1.70%
Close Corporations	11	4 293 461	0.16%
Companies, Financial Institutions	53	1 481 331 069	56.51%
Unknown	5	912 908	0.03%
Total shareholders	857	2 621 362 758	100.00%

Shareholder spread	No. of Holders	No. of Shares	% Holding
1 – 1 000	19	9 992	0.00%
1 001 – 10 000	113	757 596	0.03%
10 001 – 100 000	300	14 797 110	0.56%
100 001 – 1 000 000	302	116 865 596	4.46%
1 000 001 and over	123	2 488 932 464	94.95%
Total shareholders	857	2 621 362 758	100.00%

CATEGORISATION OF SHAREHOLDERS PUBLIC VS NON-PUBLIC

	Number of shares	% holding
Non Public		
Shareholders holding more than 10% of total issued capital		
Peregrine Equities (Pty) Ltd (Portfolio managers/fund managers)	432 004 400	16.48%
Akacia HealthCare (Pty) Ltd	396 794 706	15.14%
Directors and Associates of the Company	233 725 188	8.92%
Public	1 558 838 464	59.47%
Total shareholders	2 621 362 758	100.00%

¹ Representative of shareholders on the Company's share register as at 24 June 2011.

² Includes 27 185 854 shares held in a fiduciary capacity as shares to be issued to other senior management at the Board's discretion.

BIOSCIENCE NOTICE OF ANNUAL GENERAL MEETING

A: NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of the Company will be held at the Company's registered office, 4 Brewery Street, Isando, Johannesburg, South Africa at 10:00 on Friday, 10 February 2012.

B. WHO HAS RECEIVED NOTICE OF THIS ANNUAL GENERAL MEETING

In accordance with Section 59(1) of the Companies Act, 71 of 2008 ("the Companies Act") the Company's board of directors have resolved the record date for the purposes of determining the shareholders of the Company entitled to receive notice of this Annual General meeting as being shareholders recorded as such in the share register of the Company, maintained by the transfer secretaries, as being the close of business on Thursday, 15 December 2011.

C. WHO MAY ATTEND THIS ANNUAL GENERAL MEETING

In accordance with Section 59(1)(b) of the Companies Act, the Company's board of directors have resolved that the record date for purposes of determining which shareholders of the Company are entitled to attend, participate in, and to vote at this Annual General Meeting, as being Friday, 3 February 2012. Accordingly, the last date to trade in the Company's shares on the JSE Limited ("JSE") in order to be eligible to attend, participate in and vote at this Annual General Meeting is Friday, 27 January 2012.

D. PURPOSE OF THE ANNUAL GENERAL MEETING

The purpose of this Annual General Meeting is to consider, and, if deemed fit, to pass, with or without modification, all of the resolutions set out below:

Ordinary Resolution Number 1 – Approval of annual financial statements

"RESOLVED THAT, the annual financial statements of the Company and its subsidiaries for the 12 months ended 30 June 2011, incorporating, *inter alia* the reports of the directors' and the auditors', be and it is hereby approved."

Quorum requirement for Ordinary Resolution Number 1 to be considered: sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on Ordinary Resolution Number 1.

Percentage of voting rights required for Ordinary Resolution Number 1 to be adopted: at least 50% of the voting rights exercised on Ordinary Resolution Number 1.

Ordinary Resolution Number 2 – Re-election of a director

"RESOLVED THAT, Mr Y Bhayat who retires in accordance with the provisions of the Company's Memorandum of Incorporation, and being eligible, and having offered himself for re-election, be and he is hereby, re-elected as a non-executive director of the Company."

The abridged curriculum vitae of Mr Bhayat is set out on page 6 of the annual report which also contains notice of this Annual General Meeting.

Quorum requirement for Ordinary Resolution Number 2 to be considered: sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on Ordinary Resolution Number 2.

Percentage of voting rights required for Ordinary Resolution Number 2 to be adopted: at least 50% of the voting rights exercised on Ordinary Resolution Number 2.

Ordinary Resolution Number 3 – Director appointment

"RESOLVED THAT, the appointment of Mr S Schutz by the board as a non-executive director of the Company with effect from 29 June 2011 be and is hereby approved."

The abridged curriculum vitae of Mr Schutz is set out on page 6 of the annual report which also contains notice of this Annual General Meeting.

Quorum requirement for Ordinary Resolution Number 3 to be considered: sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on Ordinary Resolution Number 3.

Percentage of voting rights required for Ordinary Resolution Number 3 to be adopted: at least 50% of the voting rights exercised on Ordinary Resolution Number 3.

Ordinary Resolution Number 4 – Election of the audit committee members

“RESOLVED THAT, the appointments of Messrs J Fenster, Y Bhayat and S Schutz presently non-executive directors of the Company, as members of the Company’s audit committee, be and are hereby approved subject to the election of each such proposed appointee director to the audit committee being approved by shareholders by way of separate votes in respect of each proposed appointee.”

Explanatory note on Ordinary Resolution Number 4:

- In terms of the Companies Act, the Audit Committee of a company is no longer a committee of the Board of Directors of a company but a committee to be elected by the shareholders of a company at each Annual General Meeting.
- In terms of the Companies Regulations, 2011, for the purposes contemplated in section 94 (5) of the Companies Act, at least one-third of the members of the company’s audit committee at any particular time must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management.
- As can be seen from the brief curriculum vitae of the proposed members, appearing on page 6, of the annual report which also contains the notice of Annual General Meeting, they all have the relevant experience.

Quorum requirement for each of the separate votes to be considered under Ordinary Resolution Number 4: sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on each separate vote in terms of Ordinary Resolution Number 4.

Percentage of voting rights required each of the separate votes to be considered under Ordinary Resolution Number 4 to be adopted: at least 50% of the voting rights exercised on Ordinary Resolution Number 4.

Ordinary Resolution Number 5 – Re-appointment of independent external auditors and remuneration of independent external auditors

“RESOLVED THAT, the re-appointment of Deloitte and Touche upon the recommendation of the Company’s audit committee, as the independent auditors of the Company for the current financial year ending 30 June 2012, and their concomitant remuneration, be and is hereby approved and that the designated audit partner of Deloitte and Touche for the Company for the year ending 30 June 2012, namely Mr Craig Sagar, who meets the requirements of Section 90(2) of the Companies Act, is hereby noted.”

Quorum requirement for Ordinary Resolution Number 5 to be considered: sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on Ordinary Resolution Number 5.

Percentage of voting rights required for Ordinary Resolution Number 5 to be adopted: at least 50% of the voting rights exercised on Ordinary Resolution Number 5.

Ordinary Resolution Number 6 – Placing unissued shares under control of directors

“RESOLVED THAT, the entire authorised, but unissued ordinary shares in the capital of the Company be and they are hereby placed under the control of the directors of the Company until the next Annual General Meeting of the Company and that the directors be and are hereby authorised and empowered to allot, issue and otherwise dispose of such shares, on such terms and conditions and at such times as the directors in their discretion deem fit, but subject always to the provisions of the Companies Act and the Listing Requirements of the JSE.”

Explanatory Note on Ordinary Resolution Number 6:

Shareholders are requested to approve the placing of unissued shares under the control of the directors in order to facilitate potential acquisitions or issues of shares for cash.

Quorum requirement for Ordinary Resolution Number 6 to be considered: sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on Ordinary Resolution Number 6.

Percentage of voting rights required for Ordinary Resolution Number 6 to be adopted: at least 50% of the voting rights exercised on Ordinary Resolution Number 6.

Ordinary Resolution Number 7 – General authority to allot and issue shares for cash

“RESOLVED THAT, subject to the passing of Ordinary Resolution Number 6 contained in the same notice of Annual General Meeting as that which contains notice of this Ordinary Resolution Number 7 and the Listings Requirements of the JSE, the directors are hereby given a general authority to issue shares in the authorised unissued share capital of the Company (or options to subscribe for, or securities that are convertible into such shares in the Company) as an issue for cash as defined in the Listings Requirements of the JSE and as and when suitable situations arise and on such terms and conditions as they deem fit. For the avoidance of doubt, it is recorded that this resolution and the restrictions contained herein do not apply to any *pro rata* rights offer to shareholders of the Company and it is hereby recorded that the Listings Requirements of the JSE as presently formulated pertaining to general issues of shares for cash are as follows:

- i. that this authority shall only be valid until the Company’s next Annual General Meeting or for 15 months from the date of the adoption of this resolution, whichever occurs first;
- ii. that the equity securities be issued to persons qualifying as public shareholders as defined by the Listings Requirements of the JSE, and not to related parties;
 - the aggregate issue of a class of shares already in issue in any financial year may not exceed 15% of the number of that class of shares (including securities which are compulsorily convertible into shares of that class;
- iii. that, in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the shares in question as determined over the 30 days prior to the date that the price of the issue is determined or agreed between the issuer and the party subscribing for the securities; and
- iv. that after the Company has issued equity shares in terms of an approved general issue for cash representing, on a cumulative basis within a financial year, 5% of the number of equity securities in issue prior to that issue, the Company shall publish an announcement containing full details of the issue

Quorum requirement for Ordinary Resolution Number 7 to be considered: sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on Ordinary Resolution Number 7.

Percentage of voting rights required for Ordinary Resolution Number 7 to be adopted: at least 75% of the voting rights exercised on Ordinary Resolution Number 7.

Ordinary Resolution Number 8 – Authority to provide financial assistance to related companies

“RESOLVED THAT, to the extent required by the Companies Act, the BioScience Board may, subject to compliance with the requirements of the Company’s Memorandum of Incorporation, the Companies Act and the JSE Listing Requirements, authorise the Company to provide direct or indirect financial assistance by way of loans, guarantees, the provision of security or otherwise to a related or inter-related company, provided that the BioScience Board is satisfied that :

- i. immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test; and
- ii. the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.”

Quorum requirement for Ordinary Resolution Number 8 to be considered: sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on Ordinary Resolution Number 8.

Percentage of voting rights required for Ordinary Resolution Number 8 to be adopted: at least 50% of the voting rights exercised on Ordinary Resolution Number 8.

Non-binding Ordinary Resolution Number 9 – Endorsement of the remuneration policy

“RESOLVED THAT as a non-binding vote, that the Company’s remuneration policy as set out on page 9 of the annual report to which annual report this notice of Annual General Meeting is attached and forms part, be and it is hereby endorsed”.

Explanatory note on Ordinary Resolution Number 9

In terms of King III, the Company’s remuneration policy should be tabled annually at the Annual General Meeting, for a non-binding advisory vote on order to provide the shareholders with the opportunity to express their views and opinions on and to endorse the remuneration policies adopted by the Company.

Quorum requirement for Non-binding Ordinary Resolution Number 9 to be considered: sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on Non-binding Ordinary Resolution Number 9.

Percentage of voting rights required for Non-binding Ordinary Resolution Number 9 to be adopted: at least 50% of the voting rights exercised on Non-binding Ordinary Resolution Number 9.

Special Resolution Number 1 – Remuneration of non-executive directors

“RESOLVED THAT, in terms of the provisions of section 66(9) of the Companies Act, the annual remuneration payable to the non-executive directors of BioScience for their services as directors of the Company for the financial year commencing 01 July 2011 be and is hereby approved as follows:”

	Chairman	Other directors/members of committees
Board meetings: Per annum	R 40,000.00	R 30,000.00
Audit and Risk Committee: Per annum	R 15,000.00	R 7,500.00
Remuneration Committee: Per annum	R 5,000.00	R 2,500.00

Reason for and effect of Special Resolution Number 1:

The reason for and effect of Special Resolution Number 1 is to approve the remuneration of the non-executive directors of the company for their services as directors for the ensuing financial year.

Quorum requirement for Special Resolution Number 1 to be considered: sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on Special Resolution Number 1.

Percentage of voting rights required for Special Resolution Number 1 to be adopted: at least 75% of the voting rights exercised on Ordinary Resolution Number 1.

Special Resolution Number 2 – General authority to repurchase shares

“RESOLVED THAT, the Company and/or its subsidiaries be and hereby is authorised, by way of general authority, to acquire ordinary shares issued by the Company, in terms of sections 46 and 48 of the Companies Act, the Memorandum of Incorporation of the Company and its subsidiaries and the Rules and Requirements of the JSE, being that:

- the Company is authorised to do so in terms of its Memorandum of Incorporation;
- only one agent may be appointed to effect any repurchases on the companies behalf;
- any such repurchase of ordinary shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counter-party (reported trades are prohibited);
- this general authority shall only be valid until the Company’s next Annual General Meeting, provided that it shall not extend beyond 15 months from the date of the passing of this special resolution, whichever is shorter;
- an announcement will be published on SENS as soon as the Company has repurchased ordinary shares constituting, on a cumulative basis, 3% of the number of ordinary shares in issue prior to the repurchase, and for each 3% in aggregate of the initial number of that class repurchased thereafter an announcement must be made containing full details of such repurchases;
- the general repurchase by the Company of its own securities shall not, in aggregate in any one financial year exceed 20% of the Company’s issued share capital of that class in any one financial year;
- in determining the price at which ordinary shares issued by the Company are acquired by it in terms of this general authority, the maximum premium at which such ordinary shares may be acquired will be 10% of the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five trading days immediately preceding the date of repurchase of such ordinary shares by the Company
- the Company may only undertake a repurchase of securities if, after such repurchase, it still complies with minimum shareholder spread requirements in accordance with JSE Listings Requirements; and
- the Company or its subsidiaries will not repurchase securities during a prohibited period in accordance with JSE Listings Requirements”. and
- a resolution by the board of directors that they have authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the group.

Reason and Effect of Special Resolution Number 2:

The reason for Special Resolution Number 2 is to obtain an authority for and to authorise, the Company and the Company's subsidiaries, by way of a general authority, to acquire the Company's issued ordinary shares, which authority shall be valid until the earlier of the next Annual General Meeting of the Company or the variation or revocation of such general authority by special resolution by any subsequent meeting of the Company, provided that the general authority shall not extend beyond 15 (fifteen) months from the date of this Annual General Meeting. The passing and registration of this special resolution will have the effect of authorising the Company or any of its subsidiaries to acquire shares issued by the Company or its holding Company. The following additional information, some of which may appear elsewhere in the annual report of which this notice forms part, is provided in terms of the JSE Listings Requirements for purposes of this general authority:

- Directors and management – see page 17 of the annual report;
- Major beneficial shareholders – see page 46 of the annual report;
- Directors' interests in ordinary shares – see page 16 of the annual report;
- Share capital of the Company – see page 36 of the annual report.
- Litigation statement-see page 17 of annual report

Directors' responsibility statement

The directors, whose names appear under board of directors on page 17 of the annual report, collectively and individually, accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information.

Material changes

Other than the facts and developments reported on in this annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the audit report and up to the date of this notice.

Statement by the Board of directors of the Company

Pursuant to, and in terms of, the JSE Listings Requirements, the Board of directors of the Company hereby state that:

- (a) the intention of the directors of the Company is to utilise the general authority to repurchase shares in the capital of the Company if, at some future date, the cash resources of the Company are in excess of its requirements or there are other good grounds for doing so. In this regard, the directors will take account of, *inter alia*, an appropriate capitalisation structure for the Company, the long-term cash needs of the Company, and the interests of the Company.
- (b) in determining the method by which the Company intends to repurchase its securities, the maximum number of securities to be repurchased and the date on which such repurchase will take place, the directors of the Company will ensure that:
 - the Company and its subsidiaries will, after the repurchase, be able to pay their debts as they become due in the ordinary course of business for the next 12 (twelve) months after the date of notice of this Annual General Meeting;
 - the consolidated assets of the Company and its subsidiaries fairly valued and recognised and measured in accordance with the accounting policies used in the latest audited financial statements, will, after the repurchase, be in excess of the consolidated liabilities of the Company and its subsidiaries for the next 12 (twelve) months after the date of this notice of the Annual General Meeting;
 - the issued share capital and reserves of the Company and its subsidiaries will, after the repurchase, be adequate for the ordinary business purposes of the Company and its subsidiaries for the next 12 (twelve) months after the date of notice of this Annual General Meeting; and
 - the working capital available to the Company and its subsidiaries will, after the repurchase, be sufficient for the ordinary business requirements of the Company and its subsidiaries for the next 12 (twelve) months after the date of this notice of Annual General Meeting; and
 - a resolution by the board of directors will be passed confirming that they have authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the group.

The Company may not enter the market to proceed with the repurchase until its Designated Advisor, has discharged all of its responsibilities in terms of the JSE Listing Requirements insofar as they apply to working capital statements for the purpose of undertaking a repurchase of its ordinary shares.

Quorum requirement for Special Resolution Number 2 to be considered: sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on Special Resolution Number 2.

Percentage of voting rights required for Special Resolution Number 2 to be adopted: at least 75% of the voting rights exercised on Ordinary Resolution Number 2.

Ordinary Resolution Number 10 – Authority for actions

“RESOLVED THAT, any one or more of the BioScience Board and/or the company secretary for the time being of the Company, be and they are hereby authorised to do all such things and procure the signature of all documents as may be necessary for or incidental to the implementation of the resolutions to be proposed at the Annual General Meeting as that at which this Ordinary Resolution Number 10 is to be proposed.”

Quorum requirement for Ordinary Resolution Number 10 to be adopted: sufficient persons being present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on Ordinary Resolution Number 10.

Percentage of voting rights required for Ordinary Resolution Number 10 to be adopted: at least 50% of the voting rights exercised on Ordinary Resolution Number 10.

VOTING AND PROXIES

A shareholder entitled to attend, participate in and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend, participate in and vote in such shareholder's stead. A proxy need not be a shareholder of the company. For the convenience of Certificated Shareholders and Own Name Dematerialised Shareholders, a form of proxy is attached hereto. Duly completed forms of proxy must be lodged with the Transfer Secretaries at either of the below addresses not less than 24 hours before the commencement of the Annual General Meeting (or any adjournment of the Annual General Meeting) or handed to the chairperson of the Annual General Meeting before the appointed proxy exercises any of the relevant shareholder's rights at the Annual General Meeting (or any adjournment of the Annual General Meeting), provided that should a shareholder lodge a form of proxy with the Transfer Secretaries at either of the below addresses less than 24 hours before the Annual General Meeting, such shareholder will also be required to furnish a copy of such form of proxy to the chairperson of the Annual General Meeting before the appointed proxy exercises any of such shareholder's rights at the Annual General Meeting (or any adjournment of the Annual General Meeting).

Dematerialised Shareholders not having “own-name” registration:

- who wish to attend the Annual General Meeting in person should request their CSDP or Broker to provide them with the necessary Letter of Representation in terms of their Custody Agreement with their CSDP or Broker;
- who do not wish to attend but wish to be represented at the Annual General Meeting must advise their CSDP or Broker of their voting instructions; and
- should contact their CSDP or Broker with regard to the cut-off time for their voting instructions.

On a show of hands, every shareholder present in person or represented by proxy and entitled to vote shall have only one vote, irrespective of the number of shares such shareholder holds. On a poll, every Shareholder present in person or represented by proxy and entitled to vote shall be entitled to one vote for every share held or represented by that shareholder. On a poll taken at any such meeting a shareholder entitled to more than one vote need not, if he votes, use all of his votes, or cast all the votes he uses in the same way.

By order of the Board

Statucor (Pty) Ltd
(Registration Number 1989/005394/07)
Company Secretary
Date: 21 December 2011

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

FORM OF PROXY (for use by certificated and own name dematerialised shareholders only)

This Form of Proxy is issued in accordance with the provisions of the Memorandum of Incorporation of the Company and the provisions of section 58 of the Companies Act.

For use by certificated and "own name" registered dematerialised shareholders of the company ("shareholders") at the Annual General Meeting of BioScience Brands to be held at 4 Brewery Street, Isando, Johannesburg, at 10:00 on Friday, 10 February 2012 ("the annual general meeting").

If you are a Dematerialised Shareholder without "own-name" registration you must **not** complete this Form of Proxy but must instruct your CSDP or Broker as to how you wish to vote. This must be done in terms of the Custody Agreement between you and your CSDP or Broker.

Please read the notes on the reverse hereof carefully, which, amongst other things, set out the rights of shareholders in terms of section 58 of the Companies Act with regard to the appointment of proxies.

I/We (please print) _____

of (address) _____

being the holder/s of _____ ordinary shares of **R0.0001** each in BioScience Brands, appoint (see notes 1 and 2):

1. _____ or failing him,
2. _____ or failing him,
3. the chairperson of the Annual General Meeting,

as my/our proxy to act for me/us and on my/our behalf at the Annual General Meeting which will be held for the purpose of considering, and if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name/s, in accordance with the following instructions (see note 3):

	Number of votes		
	For	Against	Abstain
Ordinary Resolution Number 1 – Approval of annual financial statements			
Ordinary Resolution Number 2 – Re-election of a director – Mr Y Bhayat			
Ordinary Resolution Number 3 – Appointment of a director – Mr S Schutz			
Ordinary Resolution Number 4 – Election of audit committee members:			
Mr J Fenster			
Mr Y Bhayat			
Mr S Schutz			
Ordinary Resolution Number 5 – Re-appointment and remuneration of auditors			
Ordinary Resolution Number 6 – Placing unissued shares under control of directors			

	Number of votes		
	For	Against	Abstain
Ordinary Resolution Number 7 – General authority to allot and issue shares for cash			
Ordinary Resolution Number 8 – Authority to provide financial assistance to related companies			
Ordinary Resolution Number 9 – Endorsement of the remuneration policy			
Special Resolution Number 1 – Remuneration of non-executive directors			
Special Resolution Number 2 – General authority to repurchase shares			
Ordinary Resolution Number 10 – Authority for actions			

Signed at _____ on _____ 20__

Signature _____

Assisted by me (where applicable) _____

Name _____ Capacity _____ Signature _____

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- a Shareholder of the company may appoint any individual (including an individual who is not a shareholder) as a proxy to participate in, and speak and vote at, the Annual General Meeting on behalf of such shareholder;
- any appointed proxy of a Shareholder may delegate authority to act on behalf of that shareholder to another person, subject to any restriction set out in the instrument appointing such proxy (see note 14 below);
- irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant Shareholder chooses to act directly and in person at the Annual General Meeting in the exercise of any of such shareholder's rights as a shareholder (see note 5 below);
- any appointment by a shareholder of a proxy is revocable;
- a Shareholder may revoke the proxy appointment by: (i) cancelling it in writing or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to company;
- a proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the company's Memorandum of Incorporation, or the instrument appointing the proxy, provides otherwise (see note 3 below); and
- unless revoked, an appointment of a proxy pursuant to this Form of Proxy remains valid only until the end of the Annual General Meeting or any adjournment of the Annual General Meeting.

Notes to this Form of Proxy

1. Each shareholder is entitled to appoint one (or more) proxies (none of whom need be a shareholder of the company) to attend, speak and vote in place of that shareholder at the Annual General Meeting.
2. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided with or without deleting "the Chairperson of the Annual General Meeting", but the shareholder must initial any such deletion. The person whose name stands first on this Form of Proxy and who is present at the Annual General Meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the shareholder in the relevant boxes provided. Failure to comply with the above will be deemed to authorise and direct the Chairperson of the Annual General Meeting, if the Chairperson is the authorised proxy, to vote in favour of the resolutions, or any other proxy to vote or abstain from voting at the Annual General Meeting as such proxy deems fit, in respect of all of the Shareholder's votes exercisable at the Annual General Meeting.
4. Completed Forms of Proxy and the authority (if any) under which they are signed must be lodged with or posted to the Transfer Secretaries, namely, Computershare Investor Services Proprietary Limited at Ground Floor, 70 Marshall Street, Johannesburg, 2001, South Africa (PO Box 61051, Marshalltown, 2107, South Africa) to be received by them by not later than 10:00 on Wednesday, 8 February 2012.
5. The completion and lodging of this Form of Proxy will not preclude the relevant Shareholder from attending the Annual General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
6. The Chairperson of the Annual General Meeting may accept or reject any Form of Proxy not completed and/or received in accordance with these notes or with the MOI of the Company.
7. Any alteration or correction made to this Form of Proxy must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this Form of Proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund deceased estate, etc.) must be attached to this Form of Proxy, unless previously recorded by the company or the Transfer Secretaries.
9. Where this Form of Proxy is signed under power of attorney, such power of attorney must accompany this Form of Proxy, unless it has been registered by the Company or the Transfer Secretaries or waived by the Chairperson of the Annual General Meeting.
10. Where Shares are held jointly, all joint holders are required to sign this Form of Proxy.
11. A minor Shareholder must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company or the Transfer Secretaries.
12. This Form of Proxy shall be valid at any resumption of an adjourned Annual General Meeting to which it relates, although this Form of Proxy shall not be used at the resumption of an adjourned Annual General Meeting if it could not have been legally used at the Annual General Meeting from which it was adjourned. This Form of Proxy shall, in addition to the authority conferred by the Companies Act except insofar as it provides otherwise, be deemed to confer the power generally to act at the Annual General Meeting in question, subject to any specific direction contained in this Form of Proxy as to the manner of voting.
13. A vote given in accordance with the terms of this instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal, or revocation of the authority, or the transfer of the Share in respect of which the proxy is given, unless an intimation in writing of the death, insanity, revocation or transfer shall have been received by the Transfer Secretaries before the Annual General Meeting.
14. Any proxy appointed pursuant to this Form of Proxy may not delegate his/her authority to act on behalf of the relevant Shareholder.