**BIOSCIENCE BRANDS LIMITED**
**(Formerly Wellco Health Limited)**
**(Incorporated in the Republic of South Africa)**
(Registration Number: 2005/005805/06)
Share code: BIO ISIN code: ZAE 000115036
("BioScience" or "the company")

## UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

| CONDENSED GROUP INCOME STATEMENT | Unaudited 6 months ended 31 December 2008 R | Reviewed 6 months ended 31 August 2007 R | Audited 16 months ended 30 June 2008 R |
|---|---|---|---|
| Revenue | 38 227 131 | 3 045 943 | 27 985 573 |
| Cost of sales | (16 585 604) | (1 822 517) | (11 750 075) |
| Gross profit | 21 641 527 | 1 223 426 | 16 235 498 |
| Operating expenses | (19 968 959) | (6 276 711) | (29 398 323) |
| Impairment of intangible assets | - | (788 352) | - |
| Operating profit/(loss) | 1 672 568 | (5 841 637) | (13 162 825) |
| Net finance costs | (1 546 007) | (253 838) | (1 182 459) |
| Profit/(loss) before taxation | 126 561 | (6 095 475) | (14 345 284) |
| Taxation | - | - | 1 850 119 |
| Net profit/(loss) attributable to ordinary shareholders | 126 561 | (6 095 475) | (12 495 165) |

| CONDENSED GROUP BALANCE SHEET | Unaudited 31 December 2008 R | Reviewed 31 August 2007 R | Audited 30 June 2008 R |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Property plant and equipment | 764 020 | 314 981 | 952 437 |
| Intangibles assets | 52 144 154 | 13 153 534 | 42 144 154 |
| Deferred tax asset | 451 473 | - | 451 472 |
| **Total non-current assets** | **53 359 647** | **13 468 515** | **43 548 063** |

| | | | |
|---|---|---|---|
| **Curent assets** | | | |
| Inventories | 16 329 556 | 1 516 253 | 15 604 661 |
| Trade and other receivables | 20 900 304 | 1 804 285 | 16 892 094 |
| Cash and cash equivalents | 3 151 980 | 26 363 | 2 843 212 |
| **Total current assets** | **40 381 840** | **3 346 901** | **35 339 967** |
| | | | |
| **Total assets** | **93 741 487** | **16 815 416** | **78 888 030** |
| | | | |
| **SHAREHOLDER'S EQUITY** | | | |
| **Equity and liabilities** | | | |
| **Capital and reserves** | | | |
| Issued capital | 202 162 | 9 208 | 169 305 |
| Share premium | 98 077 440 | 40 100 751 | 88 110 297 |
| Accumulated loss | (47 841 207) | (41 568 078) | (47 967 768) |
| **Ordinary shareholders equity/(deficit)** | **50 438 395** | **(1 458 119)** | **40 311 834** |
| | | | |
| **LIABILITIES** | | | |
| **Non current liabilities** | | | |
| Deferred tax liability | - | 363 027 | - |
| Loans and borrowings | 25 519 | 2 152 571 | 25 308 |
| **Total non-current liabilities** | **25 519** | **2 515 598** | **25 308** |
| | | | |
| **Current liabilities** | | | |
| Taxation payable | 600 537 | 2 477 466 | 600 537 |
| Trade and other payables | 21 145 946 | 10 017 669 | 21 506 636 |
| Short term portion of loans and borrowings | 17 421 423 | 96 105 | 13 332 806 |
| Bank overdraft | 4 109 667 | 3 166 697 | 3 110 909 |
| **Total current liabilities** | **43 277 573** | **15 757 937** | **38 550 888** |
| | | | |
| **Total Equity and Liabilities** | **93 741 487** | **16 815 416** | **78 888 030** |

| **CONDENSED GROUP CASH FLOW STATEMENT** | **Unaudited 6 months ended 31 December 2008 R** | **Reviewed 6 months ended 31 August 2007 R** | **Audited 16 months ended 30 June 2008 R** |
|---|---|---|---|
| Cash flows used in operating activities | (4 778 818) | (1 610 449) | (13 600 583) |
| Cash flows from/(used in) investing activities | (4 911 172) | 12 868 | (30 136 454) |
| Cash flows from financing activities | 9 000 000 | 1 499 449 | 46 511 542 |
| (Decrease)/Increase in cash & cash equivalents | (689 720) | (98 132) | 2 774 505 |
| Cash & cash equivalents at beginning of year | (267 967) | (3 042 202) | (3 042 202) |
| Cash & cash equivalents at end of year | (957 687) | (3 140 334) | (267 967) |

| **CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY** | **Unaudited 6 months ended 31 December 2008 R** | **Reviewed 6 months ended 31 August 2007 R** | **Audited 16 months ended 30 June 2008 R** |
|---|---|---|---|
| Balance at beginning of the period | 40 311 834 | 4 637 356 | 4 637 356 |
| Issue of share capital | 10 000 000 | – | 48 169 643 |
| Profit/(loss) for the period | 126 561 | (6 095 475) | (12 495 165) |
| **Balance at end of the period** | **50 438 395** | **(1 458 119)** | **40 311 834** |

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim financial results have been prepared in accordance with IAS 34: Interim Financial Reporting and using accounting policies in compliance with International Financial Reporting Standards and the Companies Act in South Africa and is consistent with the prior year.

BioScience has adopted all the statements and interpretations issued and effective during the current period by the International Accounting Standards Board (“IASB”). The adoption of these standards and interpretations did not have any significant impact on the financial results.

## 2. EARNINGS, HEADLINE EARNINGS AND NET ASSET VALUE PER SHARE

| | **Unaudited 6 months ended 31 December 2008 R Cents per share** | **Reviewed 6 months ended 31 August 2007 R Cents per share** | **Audited 16 months ended 30 June 2008 R Cents per share** |
|---|---|---|---|
| Earnings per share | | | |
| - Basic | 0.000067 | (6.62) | (2.80) |
| - Diluted* | 0.000030 | (6.62) | (2.80) |
| Headline earnings per share | | | |
| - Basic | 0.000070 | (5.29) | (2.54) |
| - Diluted* | 0.000031 | (5.29) | (2.54) |
| Net asset (liability) value per share | 2.71 | (1.58) | 2.38 |
| Weighted average shares in issue ('000) | | | |
| - Basic | 1 892 666 | 92 083 | 446 020 |
| - Diluted* | 4 217 206 | 92 083 | 446 020 |
| | **R** | **R** | **R** |
| **Calculation of headline earnings:** | | | |
| Profit attributable to ordinary shareholders | 126 561 | (6 095 475) | (12 495 165) |
| Adjustments for: | | | |
| Impairment of intangible assets | - | 788 352 | 788 352 |
| Impairment of property, plant and equipment | - | 431 431 | - |
| Loss on disposal of property, plant and equipment | 5 322 | 4 705 | 360 522 |
| Headline profit for the period | **131 883** | **(4 870 987)** | **(11 346 291)** |

*the diluted per share information shows the full effect of the exercise of options granted by the company, which options terminate in June, August and September 2009.

## 3. COMMENTS

### 3.1. RESULTS

During the period under review, BioScience Brands Limited, formerly Wellco Health Limited, has been transformed from the perennial loss making business that it was prior to the change in the board of directors and the acquisition of Bioharmony (Proprietary) Limited ("Biohamony") and Aldabri 53 (Proprietary) Limited t/a Muscle Science ("Muscle Science"), to a company that is now profitable despite a challenging economic environment. This has been achieved through:

- Restructuring the business including the outsourcing of warehousing, distribution, invoicing and debt collection;
- Consolidation of the nearly 20 Bioharmony and Muscle Science representatives into a homogenous team of professional sales people calling on customers with the broader BioScience range of brands and products;
- Closure of the Bioharmony office and warehousing facility in Wynberg;
- The consolidation of the finance and supply chain functions at the old Muscle Science head office in Durban;
- Consolidation and formalising of manufacturing agreements with fewer key suppliers;
- Re-launching of the Herbology product range with new formulations and packaging; and
- Acquisition of the Phyto Nova brand and business from Thebe Medicare (Pty) Ltd ("Thebe").

Costs reduced during the period under review, particularly as a result of the closure of the Wynberg office and warehousing. With the exception of the rental on the old Wynberg building, which has not been sub-let yet, the restructuring and its impact was completed by the end of November 2008. As a result of this new cost structure and a relatively strong sales month, the December EBIT was R1.3m. Cumulatively the EBIT for the period under review was R1.7m. Included in this period were once-off costs amounting to R0.4m that related to the initial transaction as contained in the Circular to Shareholders, dated 13 August 2008.

The delay in completing the initial transaction and subsequent Rights Offer, which was only completed at the end of January 2009, has resulted in the business incurring a large interest expense which relates mainly to the funding required to complete the acquisition of Muscle Science and Bioharmony. As planned, funds from the Rights Offer have resulted in this liability being expunged at the end of January 2009.

Working capital has remained relatively constant except for Trade Receivables. This is because debts are collected by the service provider providing warehousing, distribution, invoicing and debt collection services at month-end and is only reflected in the BioScience accounts after the collection and allocation to our business. This process normally takes about 4 days after month-end, resulting in a higher debtors balance on 31 December 2008.

### 3.1.1. BIOHARMONY

Sales in Bioharmony on a comparative basis were 4% ahead of last year – Bioharmony having sold various non-Bioharmony products and raw materials in 2007, which were not included in the acquisition. Bioharmony's costs have been structurally overhauled during the period under review. This was completed by the end of November 2008 and the brand still delivered a strong operating profit during this 6 month period.

A key focus over the last 6 months has been development of new products. An innovative new product was launched under the Menoclove sub-brand in order to protect our leadership position in the menopausal supplements market particularly from private label products. A further 4 new Bioharmony products will be launched before year-end. Additionally, the business has focussed on all formulations, claims and cataloguing of supporting clinical studies to ensure that Bioharmony is a leader in complying with the changing regulatory environment in South Africa.

### 3.1.2. MUSCLE SCIENCE

The transition process undergone when outsourcing of the warehousing, distribution, and invoicing had a particularly detrimental effect on Muscle Science. Service delivery has been below expectations and has impacted sales. This has been addressed with the service provider and the stock is now housed in one warehouse in South Africa – similar to Bioharmony, thereby reducing the propensity of errors. Additionally, the significant growth in sales to a major South African retail chain and its stores across

Africa, has resulted in a shift in the mix of products to more entry-level products such as the whey protein powders, which have lower margins. As a result, sales were almost exactly the same as last year but profitability has declined. This has been addressed through the launch of higher margin, re-formulated products, re-evaluation of the advertising and sponsorship strategy and selective price increases. .

### 3.1.3. HERBOLOGY

The ‘new’ Herbology was launched in August 2008. The re-listing of the brand by the trade was slower than expected with many customers citing the unhappy experience of poor supply from ‘old’ Wellco resulting in disappointed consumers. Many therefore adopted a ‘wait-and-see’ approach before agreeing to list the ‘new’ Herbology. Our largest national customer listed the brand in October 2008 and independent pharmacies have cautiously started following. Listings are picking up daily. All design and innovation costs were expensed in the period under review and this together with a lower level of sales than planned resulted in an operating loss during the period under review.

### 3.1.4. PHYTO NOVA

The Phyto Nova brand and business was acquired by BioScience Trading (Proprietary) Limited (“BioScience Trading”) from Thebe Natural Medicines (Proprietary) Limited, a wholly-owned subsidiary of Thebe, with effect from 2 September 2008. This acquisition formed part of the Thebe empowerment transaction option as contained in the Circular to Shareholders dated 13 August 2008 and approved by shareholders on 1 September 2008 (“the Thebe Option”). The R9.0m valuation of the brand was independently determined by Moore Stephens Corporate Finance (Proprietary) Limited on the same basis on which Bioharmony and Muscle Science were valued (i.e. the brand must yield an internal rate of return of 21.3% after tax).

Phyto Nova had developed a number of innovative and unique products which were in the process of being launched at the time of the acquisition. The downturn in trading conditions is making it very difficult to encourage customers to list these new products in an environment in which consumers are becoming more cash strapped, and stay with tried and trusted offerings rather than trial innovative, new products. Initial sales were therefore less than envisaged prior to acquisition and the onset of the global ‘credit-crunch’. Advertising support has therefore been delayed until the consumer environment improves, thereby ensuring that the brand remains at least at break-even in the interim.

A segmental analysis has not been prepared as the group does not have more than one segment and operates within South Africa.

## 4. DIRECTOR APPOINTMENTS

There were no changes to the Board during the period under review. Subsequent to the period end, Mr Mark Di Nicola was appointed to the Board in the capacity of a non-executive director.

## 5. CONTINGENCIES AND COMMITMENTS

The group has no outstanding contingencies or commitments that the directors are aware of.

## 6. DIVIDENDS

No dividends have been declared for the period under review.

## 7. ACQUISITIONS, DISPOSALS AND ISSUES OF SHARES FOR CASH

During the period under review, shareholders approved the resolutions required to ratify the acquisition of Bioharmony and Muscle Science and the specific issue of shares for cash to selected corporations and individuals and the resolutions required to implement the other aspects of the restructuring transaction, including the disposal of the intellectual property rights in respect of the Nutrimax brand, the cancellation of the licence agreement that had been concluded by the previous board of directors in respect of the Herbology brand and the re-assignment of the right to use the Herbology IPR ("the Herbology Licence Agreement"), the specific issue of shares to directors and management, the granting of an option to directors to subscribe for zero-cost shares and the granting of an option to Thebe to subscribe for up to 40% of the share capital of the Company prior to 30 September 2009.

Following the approval by shareholders of the restructuring transaction, 71 428 571 shares were issued to Oxyboost (Proprietary) Limited in respect of the cancellation of the Herbology Licence Agreement and 176 448 296 shares were issued to directors and senior management of the company, which shares are subject to a claw-back should any of the individuals who received shares not fulfil their contractual obligations to the company (as reflected in the AFS for the period ending June 2008).

As detailed in paragraph 3.14 above, BioScience Trading, a wholly-owned subsidiary of the company, acquired the Phyto Nova brand and business in September 2008 for a purchase consideration of R9 million. The purchase price was settled through the part exercise by Thebe of the Thebe Option in respect of the subscription for 257 142 857 shares at 3.5 cents per share.

## 8. SUBSEQUENT EVENTS AND FUTURE PROSPECTS

*Rights Offer*

Subsequent to year end, the company finalised a rights offer in respect of 7 058 091 808 shares at 3.5 cents per share on the basis of four rights offer shares for every one BioScience share held. Prior to the opening of the rights offer, the company secured irrevocable undertakings not to follow their rights from shareholders holding 6 148 888 298 shares, resulting in a net rights offer of 909 202 880 shares. The company had sought to obtain such irrevocable undertakings, as the intention at the time of announcing the restructuring transaction was that only the former 'Wellco Health Limited' shareholders would be entitled to participate in the rights offer to the exclusion of those shareholders who had acquired shares in terms of the specific issue of shares for cash.

BioScience shareholders or their renounces subscribed for 28 296 433 rights shares (including excess applications of 3 961 010 rights shares), whilst Mr J Black, a director of the company, took up 28 571 429 shares in terms of an irrevocable undertaking to subscribe for such shares and the underwriters took up 340 038 310 shares, resulting in a total amount of R13 891 716 being raised and 396 906 171 new BioScience shares being issued and listed.

*Prospects*

Prospects for the group appear promising despite an expected further downturn in general retail trading conditions. The first week of February was the best sales-week of the financial year-to-date, at a time when retailers traditionally de-stock prior to their February year-ends, thereby making it difficult to predict when the much forecasted further deterioration in general retail trading conditions is going to impact the nutritional supplements market in South Africa. The board is, however, confident that the work done to date in restructuring the business has provided a solid foundation for the future growth of the group. Furthermore, Bioharmony and Muscle Science are trusted brands, respected by the trade and consumers alike, and hence are unlikely to be affected by the expected downturn as much as newer brands in the market.

**By order of the Board**

J Black
Chairperson

MG Allan
Chief Executive Officer

12 February 2008
Johannesburg

**Company Secretary and Registered Office**
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**Business Address**
10 Ennisdale Drive, Durban North

**Directors**
J Black Chairman*#, MG Allan (Chief Executive Officer), PA Ireland (Financial Director), M Strydom, M Di Nicola*, Y Bhayat*.
(*Non-executive #British)

**Designated Advisor**
Arcay Moela Sponsors (Pty) Ltd

**Transfer Office**
Computershare Investor Services (Pty) Ltd