Atos Wellness Limited

ABN 85 100 531 191

and

Controlled Entities

2009

ANNUAL FINANCIAL REPORT

INDEX

CORPORATE INFORMATION

This annual report covers both Atos Wellness Limited as an individual entity and the consolidated entity comprising Atos Wellness Pte Ltd and controlled entities.

The presentation currency is Australian dollars.

DIRECTORS

Jitto Arulampalam Chairman

Ananda Rajah

Frank Cannavo

COMPANY SECRETARY

Ian E Gregory

REGISTERED OFFICE

22 Letchworth Centre Avenue
Salter Point
Western Australia 6152

Tel: +61 (08) 9450 7411
Fax: +61 (08) 9450 7422

ACN: 100 531 191

STOCK EXCHANGE

The company's shares are listed on the ASX Limited

CODE: ATW

The company's shares are listed on the Berlin-Bremen Stock Exchange TICKER SYMBOL: MZW

GERMAN SECURITIES CODE NUMBER : 726156

WEBSITE www.atoswellness.com

SHARE REGISTER

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

Tel: (08) 9315 2333
Fax: (08) 9315 2233

e-mail: registrar@securitytransfer.com.au

AUDITORS

Grant Thornton (WA) Partnership
10 Kings Park Road
West Perth WA 6005

BANKERS

Westpac Banking Corporation
109 St Georges Terrace
Perth WA

National Australia Bank Ltd
West Perth WA

SOLICITORS

Blakiston & Crabb
1202 Hay Street
West Perth WA 6005

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2009.

Directors

The names of directors in office at any time during or since the end of the year are:

Jitto Arulampalam – Executive Chairman (Appointed 16 January 2009)

Ananda Rajah – Executive Director and CEO

Frank Cannavo – Non-Executive Director (Appointed 16 January 2009)

Gordon Getley (Resigned 16 January 2009)

Giulio Cimetta (Resigned 31 December 2008)

John Darling (Resigned 5 June 2009)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Ian Gregory — Bachelor of Business, FCPA, FCIS, MAICD. Ian was appointed as Company Secretary of Atos Wellness Ltd on 12 December 2007. He has over 25 years experience in the provision of company secretarial and business administration services in a variety of industries, including exploration, mining, mineral processing, oil and gas, banking, insurance and aquaculture. Ian is a consulting Company Secretary and provides services to a number of listed and private companies.

Ian was a Company Secretary of the Iluka Resources Limited Group for 6 years and prior to that the Company Secretary of IBJ Australia Bank Limited, the Australian operations of the Industrial Bank of Japan for 12 years. He was also Company Secretary of the Griffin Coal Mining group of companies for 4 years.

Ian is the immediate Past Chairman of the Western Australian Branch Council of Chartered Secretaries Australia.

Principal Activities

The principal activities of the consolidated group during the financial year were:

- Manufacture of health care products (Medec Systems GmbH sold 31 December 2008)
- distribution and marketing of health care products;
- operation of franchise distribution system
- operation of total health care & wellness centres

The following significant changes in the nature of the principal activities occurred during the financial year:

- During the year, 51% of Medec International Pty Ltd, 100% of Medec Systems GmbH, Medec International Management and Medec Ltd Hong Kong were disposed, following a management buy-out.
- During the year, the remaining 49% of Bodycure Deutschland GmbH was disposed.

There were no other significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results

The consolidated loss of the consolidated group after providing for income tax and eliminating minority equity interests amounted to $849,812 (2008: loss of $2,783,066).

Dividends Paid or Recommended

No dividends have been paid or declared during the period and no dividend is recommended by the Directors.

Review of Operations

The results for the year ended 30 June 2009 include the operations from:

- Atos Wellness Limited was the legal parent entity for the full financial year. Due to the reverse acquisition in the previous year, the company was accounted for as a subsidiary of Atos Wellness Pte Ltd from 1 January 2008. Accordingly, the results of Atos Wellness Limited and its legal subsidiaries prior to 1 January 2008 are not reflected in the previous year's consolidated results.
- Atos Wellness Pte Ltd.
- Body Contours Pte Ltd.

- Atos Consumer Products Pte Ltd, Slimcare Studio Pte Ltd, Slimline Studio Pte Ltd and Inahamani Pte Ltd.
- Inspired Life Bentley joint venture until 31 December 2008.
- Medec Systems GmbH, Medec International Pty Ltd and Medec International Management Pty Ltd until 31 December 2008.
- Bodycure Deutschland GmbH until 31 December 2008.

The financial year was a challenging one with the world recession impacting Singapore's retail sector particularly from October 2008 until May 2009. At the same time the company divested its loss making subsidiaries, Bodycure Gmbh in Germany and Inspired Life in Australia, to allow it to focus on its core business in Singapore. The outlook for the financial year ending June 2010 is positive which was reflected in the final quarter of April to June 2009 and this momentum has carried on in the first quarter of July 2009 to September 2009. The company plans to expand Body Contours outlets by at least 3 new outlets in the West, in Orchard Road and in the Marina bay area where the Integrated Resort/casino is being built.

The company is also negotiating to purchase a medical supplies company to reach out to medical doctors who would refer clients to us for the purchase of the Bioresonance systems made in our associate company's factory in Germany. Atos has an exclusive distribution agreement to market the laser acupuncture device from Weber medical that has sold to more than 500 doctors in Europe. The recommendation is that after the doctors have administered the laser acupuncture treatments to their patients they would recommend their patients to purchase the Bioresonance systems as aftercare from Atos Wellness centres. Once this model is proven successful it would be replicated to the rest of Asia and Europe and the United States where the laser acupuncture device has FDA approval.

The operations in Singapore were adversely affected by the global financial crisis in the 2nd and 3rd quarter of the financial year. This was partially buffered by governmental assistance plans such as the Job Credits Scheme. The final quarter saw an encouraging turnaround and the economic climate in Singapore has shown significant improvements and indicates an upward trend. This will encourage spending sentiment and the benefits are now being felt.

The longer term outlook in Singapore is good and the coming on stream of the two mega integrated resorts and casinos towards the end of 2009 and the beginning of 2010. The company is now negotiating to open a luxurious spa and wellness centre in one of the integrated resorts and casinos.

The operations in Australia continued to face difficulty with the Gym and Day Spa in Bentley and the Letchworth House Pty Ltd has been placed into voluntary administration in order to preserve the company's cash flow.

The businesses in Europe were partially divested resulting in the company having only a minority interest of 49% in Medec International Pty Ltd. This was done largely to enable the Company to concentrate on its business in Singapore.

Bodycure Deutschland GmbH, a German based weight management franchise operation was initially divested 51% to Mr Lothar Neff and 49% to Atos Wellness Pte Ltd in the previous year. The remaining 49% was sold effective 31 December 2008.

The operations of Inspired Life Medec Health Centre, a total health care centre in Bentley did not perform well despite a joint venture with the Sol group which commenced in May 2008 and ended in December 2008.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the parent entity occurred during the financial year:

i. On 4 August 2008, the Group issued 1,250,000 fully paid ordinary shares at an issue price of $0.06 in consideration for investor relations services provided to the Group. The value of the services provided was $75,000. The shares have been placed in voluntary escrow until 31 July 2009.

ii. On 7 October 2008, the Group issued 3,300,000 fully paid ordinary shares at an issue price of $0.06 pursuant to a convertible loan agreement between the company and United Auto Co Pte Ltd. On the same day, the Group issued 2,066,667 fully paid ordinary shares at an issued price of $0.06 to provide funding for working capital. The shares were placed in voluntary escrow until 2 September 2009 and a holding lock was placed on these shares until the end of the escrow period.

iii. In June 2008 Bodycure Deutschland GmbH was divested to Lothar Neff 51% and Atos Wellness Pte Ltd 49% (Vienna branch). The management felt that it would be better to manage the European operations out of Vienna than through Singapore or Australia.

iv. On 16 December 2008, Atos Wellness Ltd signed an agreement for the management buy-out of 51% of Medec International Pty Ltd and 100% of Medec Hong Kong Limited, Medec Systems GmbH and Medec International Management Pty Ltd thereby discontinuing its operations in these businesses.

v. On 28 December 2008 Atos Wellness Ltd signed an agreement to sell Body Cure Deutschland GmbH to Mensaco GmbH an unrelated party for the sum of 1 Euro.

vi. In December 2008 the branch office of Atos Wellness Pte Ltd (Singapore) in Vienna was sold to Atos Wellness GmbH in which Mr. Ananda Rajah the CEO of the parent entity holds a 49% equity stake in trust for Atos Wellness Ltd.

Changes in controlled entities and divisions:

i. As part of an exercise to rationalise the Group's structure the following disposals were made during the year:

1. 100% of Medec Systems GmbH, Medec Ltd Hong Kong
2. 51% of Medec International Pty Ltd.
3. 49% of Bodycure Deutschland GmbH

After Balance Sheet Date Events

On 4 July 2009, the centre at Bentley under Letchworth House Pty Ltd T/A Inspired Life was placed into voluntary administration as part of the group's effort to preserve and strengthen its cash position.

The joint venture with the Sol Group, which effectively ceased trading after losing its core business of managing the Inspired Life center at Bentley, was placed into voluntary liquidation in August 2009.

On 7 September 2009, the Company issued 1,250,000 fully paid ordinary shares at a deemed price of $0.02 per share to Andreas Empl of Munchen, Germany as an initial payment for investor relations services in Europe over the next 12 months and in lieu of a €15,000 contract signed in December 2007.

The company has negotiated a Financing Facility Agreement with Mr. Lim Teow Beng, a Singaporean Financier, for the provision of an advance of A$300,000 to the company. The interest rate for the advance is 10% per annum. The Financier may convert the outstanding loan to ordinary shares in the Company by the end of 6 months at AUD 0.02 per share but agrees to keep below 20% of total equity in the company with the rest being repaid in cash.

In the event that the company is not in a position to repay the loan on the due date the financier obtains a conversion price of AUD 0.0125 per share but still stays below 20% with the balance to be repaid in cash. The conversion of the loan to shares will be subject to the company's shareholder approval.

Siva Ananda Rajah, CEO of the company, provides his personal guarantee to ensure timely repayment of the loan.

This finance facility provides the company with the necessary short-term working capital to improve its performance in its overseas centre in Kuala Lumpur, Malaysia and Chennai, India that would help the group to improve turnover and profit.

On 21 September 2009 the company received a notice of claim for a liquidated sum of $40,000, which includes the refund of the purchase price and related costs, being alleged liability for breach of contract in respect of the sale of a 'Caloriefit' machine which is used to perform metabolic testing. The company is assessing the validity of the claim.

Future Developments, Prospects and Business Strategies

The consolidation of the group's structure will enable it to consolidate and focus its resources in the development of its core business as well as its franchise distribution system. It has continued to adopt new strategies in the fluid wellness market, to consolidate its existing market and develop new products and services for its core business of providing wellness products and services. Refer to the Review of Operations for further information.

The Company intends to roll out additional, but smaller, centres of around 100^{m2} in size which are easier to manage and license as franchise operations rather than the existing 'ATOS' centres that are around 800^{m2}. These smaller centres will concentrate on a 40-minute rejuvenation package that includes an 'ATOS hydro wave-massage' flotation treatment, the ATOS Fit which gives a 5 minute workout to all muscle groups in the body and the 'ATOS' Bio-resonance total wellness treatment which meets the needs of business executives as well as other affluent clients. As this concept is easily replicable, it is an ideal model for franchising options in Asia and Europe.

Environmental Issues

The consolidated group's operations are not subject to significant environmental regulation under the law of the Commonwealth or State of Australia, Singapore or Malaysia.

Information on Directors

Jitto Arulampalam	—	**Executive Chairman** (appointed 16 December 2008)
Qualifications	—	Member of AICD
Experience	—	Jitto Arulampalam is an experienced company director and has extensive corporate restructuring skills gained in several turnaround situations. Having spent more than 8 years with Westpac Banking Corporation in several key operational and strategic roles, Jitto was hired by Newsnet Ltd as its CEO in 2005 to assist in the successful restructuring of the company and to position it for an IPO. He successfully repositioned Newsnet as a leading innovator in the messaging/telco space to be recognised by the Australian Financial Review MIS magazine as one of the "Top 25 global rising stars" in 2006. Jitto is a charter member of TIE, the largest entrepreneurial network in the world and is a member of the Australian Institute of company directors. Jitto is executive chairman for ASX listed company Medic Vision Ltd.
Interest in Shares and Options	—	None
Directorships held in other listed entities	—	None
Ananda Rajah	—	**Chief Executive Officer** (Appointed 27 February 2008)
Qualifications	—	Bachelor of Medicinal Chemistry (Hons) at University of Northwest London
Experience	—	Mr Ananda Rajah studied Medicinal Chemistry at the University of Northwest London from 1979 – 1983 and graduated with an honours degree. In 1984 he started Atos which grew over the last 25 years to become the Atos group including Body Contours which he founded in 1997, Atos Wellness Pte Ltd and Inahamani Pte Ltd with a combined staff of more than 350 employees.
Interest in Shares and Options	—	97,553,101 Ordinary Shares in Atos Wellness Limited
Directorships held in other listed entities	—	None
Frank Cannavo	—	**Non-Executive Director** (Appointed 16 December 2008)
Experience	—	Frank Cannavo is a businessman with interests in the medical services, investment and mining industries. He currently serves as chairman and non-executive director of ASX listed company Medic Vision Ltd, which specialises in the deployment of medical and surgical skills training utilising advanced simulation technology.
Interest in Shares and Options	—	1,863,060 Ordinary Shares in Atos Wellness Limited
Directorships held in other listed entities	—	Chairman and non-executive director of Medic Vision Ltd (ASX: MVH)

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each key management person of Atos Wellness Limited, and for the executives receiving the highest remuneration.

Remuneration policy

The remuneration policy of Atos Wellness Ltd Group has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Atos Wellness Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the consolidated group, as well as create goal congruence between directors, executives and shareholders.

There is no formal remuneration committee. The functions that would have been carried out by a remuneration committee are performed as follows:

- The remuneration of executive directors and senior executives is determined by the Board as a whole.
- A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. The Board as a whole determines the remuneration of each non-executive. In determining the allocation of remuneration to each non-executive director, the Board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.
- When the Board as a whole considers the remuneration of a particular director, that director will take no part in the decision making process or discussions.
- Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a director of the Company. One third of the directors retires annually in accordance with the Constitution and is required to seek re-election by shareholders.

There are no schemes for retirement benefits other than superannuation for non-executive directors. There is no policy on prohibiting transactions in associated products which limit the economic risk to directors and executives of participating in unvested entitlements under equity based remuneration scheme. The Company does not currently have an unvested equity based remuneration scheme.

The employment contract of the current CEO, Mr Ananda Rajah, includes provision for the issue of options subject to meeting minimum performance criteria and shareholder approval. The performance clause provides for the issue of 3 million options at various prices subject to achieving a profit target of $2 million EBITDA for the year ending 30 June 2009. No options have been issued pursuant to this clause as the performance target was not achieved for the year ended 30 June 2009 for the reasons outlined in the review of operations.

There is no direct link between remuneration paid to any of the other directors and corporate performance such as bonus payments for achievements of certain key performance indicators.

The directors and executives based in Australia receive a superannuation guarantee contribution required by law, which is currently 9% and do not receive any other retirement benefits, except as disclosed. Individuals may choose to sacrifice part of their salary and fees towards superannuation. Upon retirement executive directors and executives are paid employee benefit entitlements accrued to date of entitlement.

The consolidated entity employs a small number of executives. Remuneration levels for executives are competitively set to attract the most qualified and experienced individuals, in the context of prevailing market conditions at the relevant time.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at the Annual General Meeting held on 30 November 2004 when shareholders approved an aggregate remuneration of $150,000 per year which made allowance for additional directors when deemed necessary.

DIRECTORS' REPORT

Key Management Personnel Remuneration

2009

Key Management Person	Short-term Benefits			Post-employment Benefits	Share-based Payment		Total	Performance Related
	Directors Fees	Salary and commission	Non-cash benefits	Super-annuation	Equity	Options	Total	
	$	$	$	$	$	$	$	%
J Arulampalam	20,832	-	-	1,875	-	-	22,707	-
F Cannavo	16,250	-	-	1,463	-	-	17,713	-
C Guillio	5,000	10,000	-	1,098	-	-	16,098	-
J Darling	27,500	-	-	2,475	-	-	29,975	-
G Getley	21,754	-	-	1,957	-	-	23,711	-
A.Rajah	-	-	8,750	-	-	-	8,750	-
P Tulsidas	-	353,469	8,669	6,796	-	-	368,934	-
P Ayadurai	-	82,220	-	3,356	-	-	85,576	-
T Wai	-	85,373	-	6,711	-	-	92,084	-
P Wee	-	116,911	-	5,886	-	-	122,797	-
M Kaur	-	101,870	-	4,851	-	-	106,721	-
	91,336	749,843	17,419	36,468	-	-	895,066	-

Key Management Personnel Remuneration

2008

Key Management Person	Short-term Benefits			Post-employment Benefits	Share-based Payment		Total	Performance Related
	Directors Fees	Salary and commission	Non-cash benefits	Super-annuation	Equity	Options	Total	
	$	$	$	$	$	$	$	%
G.T. Getley	40,000	-	-	3,600	-	-	43,600	-
G.D. Cimetta	10,000	22,000	-	2,700	-	-	34,700	-
C. Fairman	20,000	-	-	1,800	-	-	21,800	-
J Darling	5,000	-	-	450	-	-	5,450	-
A.Rajah	-	5,108	-		-	-	5,108	-
P Tulsidas	-	146,964	7,783	4,178	-	-	158,925	36.6%
B Wee	-	124,567	-	-	-	-	124,567	-
P Ayadurai	-	62,262	-	-	-	-	62,262	-
P Wee	-	57,672	1,012	3,218	-	-	61,902	73.6%
L Halvorson	-	60,904	-	-	-	-	60,904	-
	75,000	479,477	8,795	15,946	-	-	579,218	-

DIRECTORS' REPORT

The performance related remuneration comprises commissions paid on sales of products and services.

Meetings of Directors

During the financial year, 7 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	**Number attended**
Jitto Arulampalam	4	4
Gordon Getley	4	4
Giulio Cimetta	3	3
Ananda Rajah	7	7
John Darling	7	5
Frank Cannavo	4	2

Indemnifying Officers or Auditor

During or since the end of the financial year the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has indemnified the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the company and has paid insurance premium for directors' and officers' liability insurance coverage in a controlled entity during the year. The amount of premiums paid during the year was $25,000.

Options

At the date of this report, there were nil unissued shares under options (2008: Nil).

Proceedings on Behalf of Company

On 21 September 2009 the company received a notice of claim for a liquidated sum of $40,000, which includes the refund of the purchase price and related costs, being alleged liability for breach of contract in respect of the sale of a 'Caloriefit' machine which is used to perform metabolic testing. The company is assessing the validity of the claim.

No other person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any other proceedings during the year.

Non-audit Services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2009:

	$
Taxation services	27,000
	27,000

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 11 which forms part of this report.

Signed in accordance with a resolution of the Board of Directors.

Ananda Rajah, Director

Dated this 30th day of September 2009

Grant Thornton

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Auditor's Independence Declaration
To The Directors of Atos Wellness Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Atos Wellness Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

MJ Hillgrove
Partner

Perth, 30 September 2009

INCOME STATEMENTS FOR YEAR ENDED 30 June 2009

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent 2009 $	Parent 2008 $
Revenue	2	27,420,546	17,112,622	2,891	216,414
Other income	2	-	-	881,432	-
Changes in inventories of finished goods and work in progress		(458,779)	(931,451)	-	-
Raw materials and consumables used		(3,641,408)	(1,686,659)	-	-
Employee benefits expense		(13,524,749)	(8,125,198)	(217,201)	(277,060)
Depreciation and amortisation expense		(1,728,997)	(972,835)	-	-
Finance costs		(64,833)	(305,668)	-	(190,832)
Impairment of goodwill		(1,484,068)	(815,230)	-	-
Impairment of receivables		(1,356,233)	(58,843)	(3,215,112)	-
Impairment of other assets		(177,175)	-	-	-
Rent and occupancy costs		(4,271,153)	(1,866,169)	(21,900)	(2,935)
Royalties		(65,000)	-	(65,000)	-
Selling & marketing		(1,732,310)	(3,124,188)	(107,000)	-
Foreign currency translation loss		(326,389)	(19,730)	(324,929)	(9,533)
Loss on disposal of investments in controlled entities		-	-	(308,628)	(3,471,384)
Share of net loss of joint venture entities		(90,108)	(9,407)	(90,108)	(9,407)
Impairment of investments in controlled entities		-	-	-	(3,623,866)
Other expenses		(3,174,300)	(280,855)	(223,570)	(199,857)
Profit/(Loss) before income tax	3	(4,674,956)	(1,083,611)	(3,689,125)	(7,568,460)
Income tax (expense) / benefit	4	(206,475)	(178,621)	-	-
Profit/(Loss) from continuing operations		(4,881,431)	(1,262,232)	(3,689,125)	(7,568,460)
Profit from discontinued operations	5	4,001,407	(1,368,188)	-	-
Profit/(loss) for the period		(880,024)	(2,630,420)	(3,689,125)	(7,568,460)
(Profit)/loss attributable to minority equity interest		30,212	(152,646)	-	-
Profit(Loss) attributable to members of the parent entity		(849,812)	(2,783,066)	(3,689,125)	(7,568,460)
Overall Operations					
Basic (loss) per share (cents per shares)		(0.45)	(2.34)		
Diluted (loss) per share (cents per share)		(0.45)	(2.34)		
Continuing Operations					
Basic earnings/(loss) per share (cents per shares)		(2.58)	(1.19)		
Diluted earnings/(loss) per share (cents per share)		(2.58)	(1.19)		
Discontinued Operations					
Basic earnings per share (cents per shares)		2.13	(1.15)		
Diluted earnings per share (cents per share)		2.13	(1.15)		

The accompanying notes form part of these financial statements.

BALANCE SHEETS AS AT 30 JUNE 2009

	Note	Consolidated Group		Parent	
		2009 $	2008 $	2009 $	2008 $
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	2,722,798	1,888,475	90,024	56,078
Trade and other receivables	10	2,399,993	2,749,569	31,285	117,805
Inventories	11	1,954,975	2,077,857	-	-
Other current assets	19	188,043	20,000	20,000	20,000
		7,265,809	6,735,901	141,309	193,883
Non-current assets classified as held for sale	12	-	2,170,552	-	-
TOTAL CURRENT ASSETS		7,265,809	8,906,453	141,309	193,883
NON-CURRENT ASSETS					
Trade and other receivables	10	5,932,650	2,104,430	3,731,113	6,392,786
Investments accounted for using the equity method	13	-	90,108	-	90,108
Financial assets	16	-	-	608,261	608,261
Property, plant and equipment	17	1,398,388	2,758,939	-	-
Intangible assets	18	1,476,693	3,995,494	-	-
TOTAL NON-CURRENT ASSETS		8,807,731	8,948,971	4,339,374	7,091,155
TOTAL ASSETS		16,073,540	17,855,424	4,480,683	7,285,038
CURRENT LIABILITIES					
Trade and other payables	20	7,609,788	10,202,778	1,742,220	2,871,398
Financial liabilities	21	1,100,088	2,606,229	622,174	-
Current tax liabilities	22	896,037	934,406	-	-
TOTAL CURRENT LIABILITIES		9,605,913	13,743,413	2,364,394	2,871,398
NON-CURRENT LIABILITIES					
Trade and other payables	20	2,775,273	418,661	2,039,409	1,044,635
Financial liabilities	21	425,497	258,295	-	-
Deferred tax liabilities	22	63,760	75,607	9,557	9,557
TOTAL NON-CURRENT LIABILITIES		3,264,530	752,563	2,048,966	1,054,192
TOTAL LIABILITIES		12,870,443	14,495,976	4,413,360	3,925,590
NET ASSETS		3,203,097	3,359,448	67,323	3,359,448
EQUITY					
Issued capital	23	5,173,814	4,776,814	20,814,490	20,417,490
Reserves		423,266	211,875	339,005	339,005
Retained earnings (accumulated losses)		(3,348,181)	(2,498,369)	(21,086,172)	(17,397,047)
Parent interest		2,248,899	2,490,320	67,323	3,359,448
Minority equity interest	25	954,198	869,128	-	-
TOTAL EQUITY		3,203,097	3,359,448	67,323	3,359,448

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2009

	Note	Share Capital Ordinary $	Retained Earnings $	Foreign Currency Translation $	Option Reserve $	Minority Interest $	Total $
Consolidated Group							
Balance at 1 July 2007		395,150	284,697	(18,287)	-	-	661,560
Movement from translation of foreign controlled entities		-	-	230,162	-	-	230,162
Loss attributable to members of parent company		-	(2,783,066)	-	-	-	(2,783,066)
Profit attributable to minority Shareholders		-	-	-	-	152,646	152,646
Total recognised income and expenses during the year		-	(2,783,066)	230,162	-	152,646	(2,400,258)
Minority interest eliminated as part of business combination		-	-	-	-	551,268	551,268
Adjustment to minority interest		-	-	-	-	211,466	211,466
Shares issued during the year		4,381,664	-	-	-	-	4,381,664
Sub-total		4,776,814	(2,498,369)	211,875	-	915,380	3,405,700
Dividends paid or provided for		-	-	-	-	(46,252)	(46,252)
Balance at 30 June 2008		4,776,814	(2,498,369)	211,875	-	869,128	3,359,448
Movement from translation of foreign controlled entities		-	-	211,391	-	115,282	326,673
Loss attributable to members of parent company		-	(849,812)	-	-	-	(849,812)
Loss attributable to minority Shareholders		-	-	-	-	(30,212)	(30,212)
Total recognised income and expenses during the year		-	(849,812)	211,391	-	85,070	(553,351)
Shares issued during the year		397,000	-	-	-	-	397,000
Sub-total		5,173,814	(3,348,181)	423,266		954,198	3,203,097
Dividends paid or provided for		-	-	-	-	-	-
Balance at 30 June 2009		5,173,814	(3,348,181)	423,266		954,198	3,203,097

The accompanying notes form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2009

	Note	Share Capital Ordinary $	Retained Earnings $	Foreign Currency Translation $	Option Reserve $	Minority Interest $	Total $
Parent Entity							
Balance at 1 July 2007		16,035,826	(9,828,587)	-	339,005	-	6,546,244
Loss attributable to members of parent company		-	(7,568,460)	-	-	-	(7,568,460)
Total recognised income and expenses during the year		-	(7,568,460)	-	-	-	(7,568,460)
Shares issued during the year		4,381,664	-	-	-	-	4,381,664
Balance at 30 June 2008		20,417,490	(17,397,047)	-	339,005	-	3,359,448
Loss attributable to members of parent company		-	(3,689,125)	-	-	-	(3,689,125)
Total recognised income and expenses during the year		-	(3,689,125)	-	-	-	(3,689,125)
Shares issued during the year		397,000	-	-	-	-	397,000
Balance at 30 June 2009		20,814,490	(21,086,172)	-	339,005	-	67,323

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENTS FOR YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Cash Flows From Operating Activities					
Receipts from customers		26,572,408	23,795,370	-	-
Payments to suppliers and employees		(27,642,846)	(20,660,922)	(778,910)	(533,038)
Interest received		43,332	24,639	1,126	2,635
Interest paid		(66,455)	(116,433)	-	-
Dividends received		-	-	-	213,779
Income tax paid		(410,891)	(137,985)	-	-
Net cash from (used in) operating activities	29a	(1,504,452)	2,904,669	(777,784)	(316,624)
Cash flows from Investing Activities					
Proceeds from sale of plant and equipment		2,396,322	44,424	-	-
Purchase of property, plant and equipment		(717,605)	(709,760)	-	-
Purchase of intangible assets		-	(4,561)	-	-
Research and development expenses		-	(73,723)	-	-
Payments for controlled entities, net of cash acquired		-	1,584,278	-	(27,235)
Adjustment on disposal of subsidiaries		(30,000)	-	(30,000)	-
Loans (to)/from controlled entities		-	-	(93,118)	(516,968)
Loans (to)/from other related parties		2,179,559	(2,051,300)	-	-
Investments in associated companies		-	(117,805)	-	(117,805)
Disposal of subsidiaries		2	10	-	10
Net overdrafts disposed on sale of subsidiaries		51,756	-	-	-
Net cash flows (used in) investing activities		3,880,034	(1,328,437)	(123,118)	(661,998)
Cash flows from Financing Activities					
Repayment of borrowings		(2,661,124)	(729,821)	-	-
Proceeds from borrowings		1,266,250	-	622,174	-
Proceeds from share issues		322,000	754,000	322,000	754,000
Dividends Paid		-	(46,252)	-	-
Net cash flows from financing activities		(1,072,874)	(22,073)	944,174	754,000
Net increase/(decrease) in cash and cash equivalents held		1,302,708	1,554,159	43,272	(224,622)
Effect of foreign exchange rates		(270,247)	(10,665)	(9,326)	9,533
Cash and cash equivalents at beginning of financial period		1,668,575	125,081	56,078	271,167
Cash and cash equivalents at end of financial period	9	2,701,036	1,668,575	90,024	56,078

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Atos Wellness Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of Altos Wellness Limited as an individual parent entity ('Parent Entity').

The financial report was authorised for issue on 30 September 2009.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

During the previous financial year, Atos Wellness Limited completed the acquisition of Atos Wellness Pte Ltd, a company incorporated in Singapore, with effect from 1 January 2008. The purchase price was paid by the issue of 97,656,250 ordinary fully paid shares in Atos Wellness Limited. Under the terms of Australian Accounting Standard AASB 3 Business Combinations, Atos Wellness Pte Ltd was deemed to be the accounting acquirer in the business combination. The transaction has therefore been accounted for as a reverse acquisition under AASB 3. Accordingly, the financial statements of the Consolidated Group have been prepared as a continuation of the consolidated financial statements of Atos Wellness Pte Ltd. Atos Wellness Pte Ltd, as the deemed acquirer, has accounted for the acquisition of Atos Wellness Limited from 1 January 2008. Refer to note 34 for further details of the business combination.

a. **Principles of Consolidation**

A controlled entity is any entity over which Atos Wellness Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 16 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the consolidated group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the consolidated Balance Sheet and in the consolidated Income Statement.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

b. **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax Consolidation

Atos Wellness Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group has notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 January 2004. The tax consolidated group has entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the Group in proportion to their contribution to the group's taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

c. **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

d. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Leasehold improvements	33.3% straight line
Plant and equipment	11.25% – 50% diminishing
Leased plant and equipment	15% diminishing

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

f. **Financial Instruments**

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified as 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and Subsequent Measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;

b. less principal repayments;

c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments. Available-for-sale financial assets are measured at fair value with changes in carrying value being included in equity.

v. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g. **Impairment of Non-Financial Assets**

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. **Investments in Associates**

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised the Group's share of post-acquisition reserves of its associates.

i. **Interests in Joint Ventures**

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method. Details of the consolidated group's interests are shown at Note 15.

j. **Intangibles**

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business combination exceeds the fair value attributed to the interest in the net fair value of identifiable assets, liabilities and contingent liabilities at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Membership databases, patents and trademarks

Membership databases, patents and trademarks are recognised at cost of acquisition. Membership databases, patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Membership databases, patents and trademarks are amortised over their useful life ranging from 2 to 3 years.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

k. **Foreign Currency Transactions and Balances**

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The functional currency of the entities based in Singapore is Singapore dollars and the function currency of German entities is Euros.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

— assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;

— income and expenses are translated at average exchange rates for the period; and

— retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

The functional currency of the overseas subsidiaries located in Singapore are Singapore dollars. The functional currencies of former subsidiaries, Medec Systems GmbH & Bodycure Deutschland Gmbh, is Euros, Medec Ltd Hong Kong and Bodycure International Ltd are Hong Kong dollars.

l. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Equity-settled compensation

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

m. **Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

n. **Provision for Warranties**

Provision is made in respect of the consolidated group's estimated liability on all products and services under warranty at balance date. The provision is measured as the present value of future cash flows estimated to be required to settle the warranty obligation. The future cash flows have been estimated by reference to the consolidated group's history of warranty claims.

o. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheets.

p. **Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Sale of goods and services

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

Interest

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Dividends

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Rental income

Investment property revenue is recognised on a straight-line basis over the period of lease term so as to reflect a constant periodic rate of return on the net investment. Contingent rental income is recognised as income in the periods in which it is earned.

All revenue is stated net of the amount of goods and services tax (GST)

q. **Borrowing Costs**

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

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

r. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. The net amount receivable from, or payable to, the taxation authority is included within receivables or payables in the balance sheet.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

s. **Non-Current Assets Classified as Held for Sale**

Non-current assets are classified as held for sale where an active program to locate a buyer has been initiated. Non-current assets held for sale are carried at fair value less estimated costs of disposal.

t. **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) **Significant Accounting Judgements**

Impairment of Non-Financial Assets other than Goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

Classification of Assets and Liabilities as Held for Sale

The Group classifies assets and liabilities as held for sale when its carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

Taxation

The Group's accounting policy for taxation requires management's judgement as to types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

(ii) **Significant Accounting Estimates and Assumptions**

(a) *Impairment of Goodwill and Intangibles with Indefinite Useful Lives*

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. When an impairment trigger exists, the recoverable amount of the assets is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Should projected turnover be below the budgeted figures over the next 5 years of $181,931,980 (2008: $172,495,000), incorporated in value-in-use calculations, an impairment loss would be recognised up to a maximum carrying value of goodwill amounting to $1,476,693 (2008: $3,917,210). The total impairment loss on goodwill was $1,484,068 (2008: $870,563). An impairment loss of $116,817 (2008: $Nil) has been recognised on the carrying value in respect of goodwill on consolidation for the acquisition of Atos Consumer Products Pte Ltd. An impairment of $Nil (2008: $476,688) has been recognised on the full carrying value in respect of goodwill on consolidation for the acquisition of Slimline Studio Pte Ltd and Slimcare Studio Pte Ltd. An impairment loss of $700,000 (2008: $Nil) has been recognised on the carrying value in respect of goodwill on consolidation for the acquisition of Atos Wellness Pte Ltd. An impairment loss of $17,001 (2008: $Nil) has been recognised on the carrying value in respect of goodwill on consolidation for the acquisition of subsidiaries of Body Contours Pte Ltd. An impairment loss of $650,250 (2008: $338,542) has been recognised on the carrying value in respect of goodwill held by Letchworth House Pty Ltd. An impairment loss of $Nil (2008: $55,333) has been recognised on the carrying value of goodwill held by Medec Systems GmbH. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill and intangibles with indefinite useful lives are allocated. No other impairment has been recognised in respect of goodwill for the year ended 30 June 2009 (2008: Nil).

(b) *Impairment of Non-Financial Assets Other than Goodwill*

The Group determines whether non-financial assets, other than goodwill, are impaired at least on an annual basis. When an impairment trigger exists, the recoverable amount of the assets is determined. An impairment loss of $177,175 has been recognised on the carrying value of property, plant and equipment held by Letchworth House Pty Ltd. No other impairment has been recognised in respect to other non-financial assets.

(c) *Going Concern*

The financial report has been prepared on a going concern basis. The directors continue to monitor the on-going funding requirements of the Company and will seek further equity funding where necessary. The directors are of the opinion that preparation of the financial statements on a going concern basis is appropriate as;

- Group profit forecasts for the financial year ended 30 June 2010 and later years indicate a return to profitability from operating divisions;
- The company has completed the acquisition of the Atos Wellness Pte Ltd group of Singapore entities;
- The company has disposed of all loss making subsidiaries which will go towards improving and preserving its cash position;
- The company intends to roll out additional but smaller centres of around 100^{m2} in size which are easier to manage and license as franchise operations rather than the existing ‘ATOS’ centres that are around 800^{m2}. The smaller centres. which focus on a 40 minute rejuvenation package that includes an ‘ATOS hydro wave – massage’ flotation treatment, the ATOS Fit which gives a 5 minute workout to all muscle groups in the body and the ‘ATOS’ Bio-resonance total wellness treatment, are easily replicable and is an ideal concept for franchising options in Asia and Europe;
- The company’s largest shareholder, Siva Ananda Rajah, has given his support in the form of a signed undertaking; and
- The company has undertaken various cost cutting initiatives, restructuring of its group operations and it continues to rationalise its unprofitable activities.

Estimation of Useful Lives of Assets

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers’ warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group 2009	2008	Parent Entity 2009	2008
NOTE 2: REVENUE AND OTHER INCOME		$	$	$	$
Revenue					
— sales		26,802,686	15,964,252	-	-
— dividends received	2a	-	-	-	213,779
— interest received	2b	39,024	21,871	1,126	2,635
— Bad debts recovered		-	457,239	-	-
— Profit on disposal of property, plant and equipment		173,531	-	-	-
— other revenue		372,317	666,538	1,765	-
— rental revenue		32,988	2,722	-	-
Total Revenue		27,420,546	17,112,622	2,891	216,414
a. Dividend revenue from:					
— Partly-owned subsidiaries		-	-	-	213,779
		-	-	-	213,779
b. Interest revenue from:					
— other persons		39,024	24,639	1,126	2,635
		39,024	24,639	1,126	2,635
Other Income					
— Gain on deferred settlements	20a	-	-	881,432	-

NOTE 3: PROFIT/(LOSS) FOR THE YEAR

Profit/(loss) from ordinary activities before income tax has been determined after:

	Consolidated Group 2009	2008	Parent Entity 2009	2008
a. Expenses				
Cost of sales	4,100,187	2,618,110	-	-
Depreciation of non-current assets:				
— plant and equipment	1,728,997	972,835	-	-
Loss on disposal of wholly-owned entities	-	-	308,628	3,471,384
Impairment of investment in controlled entities	-	-	-	3,623,866
Impairment of goodwill in controlled entities	1,484,068	815,230	-	-
Bad and doubtful debts:				
— trade debtors	42,802	58,843	-	-
— wholly-owned subsidiaries	-	-	2,128,893	-
— Associated companies	1,220,355	-	1,086,219	-
— Joint venture entities	93,076	-	-	-
Rental and occupancy on operating leases:				
— rental and occupancy expense	4,271,153	1,866,169	21,900	2,935
Foreign currency translation (profit) / losses	326,389	19,730	324,929	9,533
Loss on disposal of property, plant & equipment	-	31,279	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 4: INCOME TAX

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Accounting profit/(loss) before tax from continuing Australian tax consolidated operations		(241,782)	(1,628,581)	(3,689,125)	(7,568,460)
Accounting profit/(loss) before tax from continuing international operations		(431,767)	(823,218)	-	-
Consolidated profit/(loss) loss before tax		(673,549)	(2,451,799)	(3,689,125)	(7,568,460)
Income Tax Benefit for Australian consolidated group					
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2008: 30%)		(202,065)	(735,540)	(1,106,738)	(2,270,538)
Sundry non-deductible (deductible) expenses for Australian tax consolidated group					
- non-deductible (deductible) expenses		221,824	181,457	191,686	2,314,765
Sundry assessable (non-assessable) items for Australian tax consolidated group					
- assessable (non-assessable) items		(1,760,652)	-	(264,430)	-
Sundry non-deductible (deductible) expenses for International Operations					
- non-deductible expenses		180,431	(62,254)	-	-
Deferred tax asset relating to tax loss not brought to account		1,668,520	688,402	1,179,482	(44,227)
Difference in international tax rates and exchange rates		31,362	(32,283)	-	-
Under provision in respect of prior years		67,055	138,839	-	-
Income tax expense/(benefit)		206,475	178,621	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 4: INCOME TAX (continued)	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
Income Statement					
Current tax:		160,635	55,165	-	44,227
Deferred tax asset relating to tax losses		-	-	-	-
Under/(over) provision in respect of prior years		67,055	138,839	-	(72,245)
Deferred income tax:					
Temporary differences recognised in equity		-	-	-	-
Relating to origination and reversal on temporary differences		(21,215)	(15,383)	-	72,245
Current year tax losses not recognised in the current period		1,275,259	90,860	1,093,062	17,351
Temporary differences not recognised in the current period		(1,275,259)	(90,860)	(1,093,062)	(61,578)
Income tax expense reported in income statement		206,475	178,621	-	-

NOTE 5: DISCONTINUED OPERATIONS

On 16 December 2008, Atos Wellness Limited (Atos) signed an agreement for the management buy-out of 51% of Medec International Pty Ltd, 100% of Medec Hong Kong Limited, Medec Systems GmbH and Medec International Management Pty Ltd, thereby discontinuing its operations in these businesses. Under the management buy-out agreement, Medec Ltd Hong Kong became the holding company of Medec International Pty Ltd, Medec International Pty Ltd will be the holding company of Medec Systems GmbH and Medec International Management Pty Ltd. Atos will continue to hold a 49% indirect interest in these operations. As part of the sale, outstanding consultancy fees and other amounts owing to the purchasers totalling $362,710 were forgiven and constitute consideration for the disposal of these entities.

On 28 December 2008, Atos signed an agreement to sell Bodycure Deutschland GmbH to Mensaco GmbH, an unrelated party, for the sum of 1 Euro, thereby discontinuing its operations in this business.

The divisions were sold on 31 December 2008.

Financial information relating to the discontinued operation to the date of disposal is set out below. The gain on disposal of the discontinued operations is included in the profit from discontinued operations in the Income Statement. The financial information for the comparative period is included at Note 28 Segment Reporting and in the consolidated results from the date of the reverse acquisition of Atos Wellness Limited by Atos Wellness Pte Ltd on 1 January 2008.

The financial performance of the discontinued operation to the date of sale is as follows:

	Consolidated Group	
	2009	2008
	$	$
Revenue	556,146	2,011,509
Expenses	(791,883)	(3,147,467)
Loss before income tax	(235,737)	(1,135,958)
Income tax expense	-	-
Loss attributable to members of the parent entity	(235,737)	(1,135,958)
Profit/(loss) on sale before income tax	4,237,144	(232,230)
Income tax expense	-	-
Profit/(loss) on sale after income tax	4,237,144	(1,368,188)
Total profit after tax attributable to the discontinued operation	4,001,407	(1,368,188)

The net cash flows of the discontinuing division which have been incorporated into the statement of cash flows are as follows:

	2009 $	2008 $
Net cash inflow/(outflow) from operating activities	(605,665)	(251,565)
Net cash flow from investing activities	543,695	226,020
Net cash (outflow)/inflow from financing activities	-	-
Net cash increase in cash generated by the discontinuing division	(61,970)	(25,545)

NOTE 5: DISCONTINUED OPERATIONS (CONT'D)

	Consolidated Group	
	2009	2008
	$	$

On 21 December 2007, Atos Wellness Limited signed an agreement for the management buy-out of Medec Australia Pty Ltd, thereby discontinuing its operations in this business.

This announcement was made subsequent to approval by the group's management and shareholders.

The division was sold on 21 December 2007.

Financial information relating to the discontinued operation to the date of disposal is set out below. The financial information for the comparative period is not included at Note 28 Segment Reporting or in the consolidated results for the previous year as the disposal occurred prior to the date of the reverse acquisition of Atos Wellness Limited by Atos Wellness Pte Ltd on 1 January 2008 and therefore was not part of the Consolidated Group. Accordingly, the following disclosures are shown for information purposes only.

The financial performance of the discontinued operation to the date of sale was as follows:

	2009 $	2008 $
Revenue	-	2,700,643
Expenses	-	(3,377,148)
Loss before income tax	-	(676,505)
Income tax expense	-	-
Loss attributable to members of the parent entity	-	(676,505)
Loss on sale before income tax	-	(1,356,826)
Income tax expense	-	-
Profit/(loss) on sale after income tax	-	(1,356,826)
Total profit after tax attributable to the discontinued operation	-	(2,033,331)

The net cash flows of the discontinuing division which have not been incorporated into the statement of cash flows are as follows:

	2009 $	2008 $
Net cash inflow/(outflow) from operating activities	-	(753,357)
Net cash flow from investing activities	-	-
Net cash (outflow)/inflow from financing activities	-	-
Net cash increase in cash generated by the discontinuing division	-	(753,357)

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

a. **Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:**

Key Management Persons	Position
Jitto Arulampalam	Executive Chairman (appointed 16 January 2009)
Gordon T Getley	Chairman (resigned 16 January 2009)
Giulio D Cimetta	Director (resigned 31 December 2008)
Ananda Rajah	Chief Executive Officer / Executive Director
John H Darling	Non-executive Director (resigned 5 June 2009)
Frank Cannavo	Non-executive Director (appointed 16 January 2009)
Pushpa Tulsidas	Managing Director – Body Contours Pte Ltd (resigned 31 July 2009)
Pathma Ayadurai	Director – Atos Wellness Pte Ltd
Tony Wai	Financial Controller (appointed 24 June 2008, resigned 22 June 2009)
Pauline Wee Tyng Lin	Senior Studio Manager – Body Contours Pte Ltd
Malkit Kaur	Senior Studio Manager – Atos Wellness Pte Ltd

b. **Remuneration**

	2009	2008
	$	$
Short-term	841,179	554,477
Post-employment	36,468	15,946
Non-cash benefits	17,419	8,795
Long-term benefits	-	-
Share-based payments	-	-
	895,066	579,218

c. **Key Management Personnel Compensation**

Detailed information on key management personnel remuneration has been included in the Remuneration Report section of the Directors report.

There were no options on issue during the year ended 30 June 2009.

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

d. **Number of Shares held by Key Management Personnel**

	Balance 1.7.2007	Granted as Compensation	Options Exercised	Net Change* Other	Balance 30.6.2008
Ananda Rajah	10,206,298	-	-	62,932,740	73,139,038
Gordon T Getley	302,845	-	-	(49,334)	253,511
Giulio D Cimetta	1,282,501	-	-	(50,000)	1,232,501
Pathma Ayadurai	-	-	-	24,414,063	24,414,063
Pushpa Tulsidas	-	-	-	421,906	421,906
Total	11,791,644	-	-	87,669,375	99,461,019

	Balance 1.7.2008	Granted as Compensation	Options Exercised	Net Change* Other	Balance 30.6.2009
Jitto Arulampalam	-	-	-	-	-
Ananda Rajah	73,139,038	-	-	-	73,139,038
Frank Cannavo ~	1,500,000	-	-	363,060	1,863,060
Gordon T Getley	253,511	-	-	391,204	644,715
Giulio D Cimetta	1,232,501	-	-	-	1,232,501
Pathma Ayadurai	24,414,063	-	-	-	24,414,063
Pushpa Tulsidas	421,906	-	-	-	421,906
Total	100,961,019	-	-	754,264	101,715,283

* Net Change Other refers to shares purchased or sold during the financial year.

~ Appointed during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
NOTE 7: AUDITORS' REMUNERATION				
Remuneration of the auditor of the parent entity:				
— Grant Thornton (WA) Partnership for auditing or reviewing the financial report	76,573	96,487	76,573	96,487
— Grant Thornton Limited for tax services	27,000	9,330	27,000	9,330
— Grant Thornton Limited for other services	-	3,000	-	3,000
Remuneration of other auditors of subsidiaries for:				
— auditing or reviewing the financial report of subsidiaries	41,693	61,368	-	-

NOTE 8: EARNINGS PER SHARE

	Consolidated Group	
	2009	2008
	$	$
a. Reconciliation of earnings to profit or loss		
Profit/(loss)	(880,024)	(2,630,420)
(Profit)/loss attributable to minority equity interest	30,212	(152,646)
Earnings used to calculate basic EPS	(849,812)	(2,783,066)
b. Reconciliation of earnings to profit or loss from continuing operations		
Profit/(loss)	(4,881,431)	(1,262,232)
(Profit)/loss attributable to minority equity interest in respect of continuing operations	30,212	(152,646)
Earnings used to calculate basic EPS from continuing operations	(4,851,219)	(1,414,878)
c. Reconciliation of earnings to profit or loss from discontinuing operations		
Profit from discontinuing operations	4,001,407	(1,368,188)
(Profit)/loss attributable to minority equity interest in respect of discontinuing operations	-	-
Earnings used to calculate basic EPS from continuing operations	4,001,407	(1,368,188)
	No.	No.
d. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	187,835,509	119,160,907
Weighted average of options outstanding	-	-
Weighted average of number of ordinary shares outstanding during the year used in calculating dilutive EPS	187,835,509	119,160,907

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
NOTE 9: CASH AND CASH EQUIVALENTS					
Cash at bank and in hand		2,722,798	1,888,475	90,024	56,078
Short-term bank deposits		-	-	-	-
		2,722,798	1,888,475	90,024	56,078

Reconciliation of Cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Cash and cash equivalents	2,722,798	1,888,475	90,024	56,078
Bank overdrafts	(21,762)	(219,900)	-	-
	2,701,036	1,668,575	90,024	56,078

NOTE 10: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
CURRENT					
Trade receivables		452,277	1,082,260	1,942	-
Provision for impairment of receivables	10a	-	(150,202)	-	-
		452,277	932,058	1,942	-
Deposits	10b	1,036,431	117,805	-	117,805
Other receivables		911,285	1,699,706	29,343	-
		2,399,993	2,749,569	31,285	117,805
NON CURRENT					
Amounts receivable from:					
— Wholly-owned subsidiaries		-	-	2,117,252	6,225,574
— Provision for impairment – wholly-owned subsidiaries	10a(ii)	-	-	(1,921,012)	-
— Other controlled entities		-	-	-	167,212
— Associated companies		4,995,244	-	4,621,092	-
— Provision for impairment – associated companies	10a(ii)	(1,086,219)	-	(1,086,219)	-
— Other related companies		2,023,625	2,038,714	-	-
— Directors of wholly-owned subsidiaries		-	65,716	-	-
		5,932,650	2,104,430	3,731,113	6,392,786

The amounts receivable from controlled entities (refer note 16) and other related companies are carried at cost. The ultimate recoupment of these receivables is dependent on upon the generation of sufficient future cash flows from the sale of the products of the Consolidated Group and the respective related companies.

As there is no current intention for loans to wholly owned entities, amounts receivable from wholly owned subsidiaries are treated as an investment in subsidiaries for accounting purposes & carried at cost, less provision for impairment.

NOTE 10: TRADE AND OTHER RECEIVABLES (CONT'D)

a. **Provision for Impairment of Receivables**

Current trade and term receivables are non-interest bearing loans and generally on 30 day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

Movement in the provision for impairment of receivables is as follows:

		Opening Balance 1 July 2007	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2008
	Consolidated Group				
(i)	Current trade receivables	-	207,045	(56,843)	150,202
(ii)	Non-current associated companies	-	-	-	-
(iii)	Joint venture entities	-	-	-	-
		-	207,045	(56,843)	150,202

		Opening Balance 1 July 2008	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2009
	Consolidated Group				
(i)	Current trade receivables	150,202	42,802	(193,004)	-
(ii)	Non-current associated companies	-	1,220,355	(134,136)	1,086,219
(iii)	Joint venture entities	-	93,076	(93,076)	-
		150,202	1,356,233	(420,216)	1,086,219

		Opening Balance 1 July 2008	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2009
	Parent Entity				
(i)	Non-current wholly-owned subsidiaries	-	2,128,893	(207,881)	1,921,012
(ii)	Non-current associated companies	-	1,086,219	-	1,086,219
		-	3,215,112	(207,881)	3,007,231

Impaired assets are provided for in full.

Credit Risk — Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than those receivables specifically provided for and mentioned within Note 10. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Singapore (2008: Singapore and Germany) given the substantial operations in those regions. The Group's exposure to credit risk for receivables at reporting date in those regions is as follows:

NOTE 10: TRADE AND OTHER RECEIVABLES (CONT'D)

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Singapore	450,335	492,712	-	-
Germany	-	305,395	-	-
	450,335	798,107	-	-

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
iii. **Ageing analysis of trade receivables**				
0 – 30 days past due	274,736	434,734	-	-
31 – 60 days past due	21,521	96,708	-	-
61 – 90 days past due not impaired	4,840	28,192	-	-
61 – 90 days past due considered impaired	-	-	-	-
91 + days past due not impaired	151,180	372,424	1,942	-
91 + days past due considered impaired	-	150,202	-	-
	452,277	1,082,260	1,942	-

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

b. Deposits includes a deposit for the acquisition of 40% of issued capital of Bionic Care GmbH of $214,425 (2008: $117,805).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 11: INVENTORIES

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
CURRENT					
Raw materials and stores, at cost		-	194,602	-	-
Finished goods, at cost		1,954,975	1,883,255	-	-
		1,954,975	2,077,857	-	-

NOTE 12: NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
LAND & BUILDINGS					
Freehold land and buildings					
At fair value		-	2,170,552	-	-
		-	2,170,552	-	-

Non-current assets are classified as held for sale where an active program to locate a buyer has been initiated. The assets held for sale in the prior year comprised land and buildings held by Inahamani Pte Ltd. The properties were sold in the current year. The proceeds were used to repay existing bank loan facilities.

NOTE 13: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Interests in joint venture entities	15a	-	90,108	-	90,108
		-	90,108	-	90,108

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 14: ASSOCIATED COMPANIES

Interests are held in the following associated companies

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest 2009 %	Ownership Interest 2008 %	Carrying amount of investment 2009 $	Carrying amount of investment 2008 $
Unlisted:							
Medec International Pty Ltd	Medical products manufacturing	Australia	Ord	49%	100%	-	N/A
						-	N/A

		Note	Consolidated Group 2009 $	Consolidated Group 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
a.	**Movements During the Year in Equity Accounted Investment in Associated Companies**					
	Balance at beginning of the financial year		-		-	
Add:	New investments during the year		-		-	
	Share of associated company's profit after income tax	15b	199,170		199,170	
Less:	Accumulated losses offset		(199,170)		(199,170)	
	Balance at end of the financial year		-		-	
b.	**Equity accounted profits of associates are broken down as follows:**					
	Share of associate's profit before income tax expense		199,170		199,170	
	Share of associate's income tax expense		-		-	
	Share of associate's profit after income tax		199,170		199,170	
c.	**Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates**					
	Current assets		865,476		865,476	
	Non-current assets		1,878,701		1,878,701	
	Total assets		2,744,177		2,744,177	
	Current liabilities		310,077		310,077	
	Non-current liabilities		6,159,485		6,159,485	
	Total liabilities		6,469,562		6,469,562	
	Net liabilities		(3,725,385)		(3,725,385)	
	Revenues		1,129,265		1,129,265	
	Profit after income tax of associates		170,743		170,743	

d. Ownership interest in Medec International Pty Ltd at that company's balance date was 49% (2008: 100%) of ordinary shares. The reporting date of Medec International Pty Ltd is 30 June. This reporting date coincides with the entity's holding company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 15: JOINT VENTURE

a. **Interests in Joint Venture Entities**

Atos Wellness Ltd has a 50% interest in the joint venture entity ATOS SOL Wellness Pty Ltd incorporated in Australia which is involved in the wellness industry.

The voting power held by Atos Wellness Ltd is 50%

The interest in joint venture entities is accounted for in the consolidated statements using the equity method of accounting	-	90,108	-	90,108
i. Share of joint venture entity's results and financial position:				
Current Assets	36,404	66,934	36,404	66,934
Non-current Assets	281,255	109,348	281,255	109,348
Total Assets	317,659	176,282	317,659	176,282
Current Liabilities	409,150	8,900	409,150	8,900
Non-current Liabilities	245,951	31,568	245,951	31,568
Total Liabilities	655,101	40,468	655,101	40,468
Revenues	462,047	82,120	462,047	82,120
Expenses	(899,789)	(91,527)	(899,789)	(91,527)
Loss before income tax	(437,742)	(9,407)	(437,742)	(9,407)
Income tax expense	-	-	-	-
Loss after income tax	(437,742)	(9,407)	(437,742)	(9,407)

A voluntary administrator was appointed to the joint venture entity in August 2009. See note 31 for more details.

NOTE 16: OTHER FINANCIAL ASSETS

Unlisted shares held at recoverable amount	16a	-	-	608,261	608,261
		-	-	608,261	608,261

a. **Other Financial Assets Comprise**

Unlisted investments, at recoverable amount				
— Shares in controlled entities, at cost	-	-	8,770,760	11,196,487
Less: Impairment provision	-	-	(8,162,499)	(10,588,226)
Total other financial assets	-	-	608,261	608,261

Other financial assets comprise investments in the ordinary issued capital of various entities and an interest in a joint venture. There are no fixed returns or fixed maturity date attached to these investments.

NOTE 16: OTHER FINANCIAL ASSETS (CONT'D)

b. Controlled Entities

		Country of Incorporation	Percentage Owned *	
			2009	2008
Legal Parent Entity:				
Atos Wellness Limited		Australia		
Subsidiaries of Atos Wellness Limited				
Atos Wellness Pte Ltd		Singapore	100	100
Swandale Holdings Pty Ltd		Australia	100	100
Learange Holdings Pty Ltd		Australia	100	100
Medec International Pty Ltd	16d	Australia	-	100
Medec Systems GmbH	16d	Germany	-	100
Medec Ltd	16d	Hong Kong	-	100
Bodycure International Ltd		Hong Kong	60	60
Body Contours Pte Ltd		Singapore	51	51
Bodycure Deutschland GmBH	16d	Germany	-	49
Eaglemaster Ltd		Hong Kong	60	60
Inahamani Pte Ltd		Singapore	100	100
Letchworth House Pty Ltd		Australia	100	n/a
Subsidiaries of Atos Wellness Pte Ltd				
Atos Consumer Products Pte Ltd		Singapore	100	100
SlimLine Studio Pte Ltd		Singapore	100	100
SlimCare Studio Pte Ltd		Singapore	100	100
Subsidiaries of Medec International Pty Ltd				
Medec International Management Pty Ltd	16d	Australia	n/a	100
Letchworth House Pty Ltd		Australia	n/a	100
Subsidiaries of Body Contours Pte Ltd				
The Aesthetics Clinic (Body Contours) Pte Ltd		Singapore	100	100
Body Contours Wellness Spa Sdn. Bhd.		Malaysia	51	51
Kooch Pte Ltd		Singapore	80	80

** Percentage of voting power is in proportion to ownership*

This note represents the legal structure of investments in subsidiaries held by Atos Wellness Limited. Refer to note 34 in relation to the business combinations for details of how these investments have been accounted for.

c. **Acquisition of controlled entities**

During the previous year, the parent entity acquired 100% of the legal subsidiary Atos Wellness Pte Ltd, a company incorporated in Singapore with effect from 1 January 2008.

While the legal entity acquired as a result of the acquisition is set out above, this transaction has been accounted for as a reverse acquisition.

These financial statements therefore represent a continuation of the legal subsidiary, Atos Wellness Pte Ltd, and the income statement for this financial period incorporates consolidated results for Atos Wellness Pte Ltd for the financial period and the results of Atos Wellness Limited and its controlled entities from the date of acquisition of 1 January 2008.

This has resulted in the consolidated Balance Sheet reflecting the historial assets, liabilities and equity of Atos Wellness Pte Ltd and the cost of the combination being recognised at fair value of the net assets of Atos Wellness Limited at the date of acquisition.

NOTE 16: OTHER FINANCIAL ASSETS (CONT'D)

d. **Disposal of controlled entities**

On 31 December 2008, the parent entity sold 51% of the subsidiary Medec International Pty Ltd, 100% of Medec Systems GmbH, Medec Ltd Hong Kong and Medec International Management Pty Ltd as part of a management buy-out. See note 6 for more details.

On 31 December 2008, the parent entity sold its remaining 49% interest in the controlled entity Bodycure Deutschland GmbH. See note 5 for more details.

During the previous year the following entities were disposed of prior to the reverse acquisition involving Atos Wellness Pte Ltd. Accordingly, their results are not included in the consolidation financial statements for the financial period.

- Medec Australia Pty Ltd

NOTE 17: PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Plant and equipment				
At cost	7,251,998	6,669,404	-	-
Accumulated depreciation	(5,676,435)	(3,910,465)	-	-
Accumulated impairment losses	(177,175)	(3,910,465)	-	-
	1,398,388	2,758,939	-	-

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Balance at the beginning of year	2,758,939	776,907	-	-
Additions through business combinations	-	2,465,438	-	-
Additions	931,234	816,158	-	-
Disposals	(374,097)	(175,218)	-	-
Depreciation expense	(1,740,513)	(1,124,346)	-	-
Impairment of assets	(177,175)	-	-	-
Carrying amount at the end of year	1,398,388	2,758,939	-	-

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
NOTE 18: INTANGIBLE ASSETS				
Intellectual property, trademarks, copyright, licences & membership databases at cost	-	4,561	-	-
Accumulated amortisation & impairment	-	-	-	-
Net carrying value	-	4,561	-	-
Development costs	-	73,723	-	-
Accumulated amortisation & impairment	-	-	-	-
Net Carrying Value	-	73,723	-	-
Goodwill	3,831,324	4,787,773	-	-
Accumulated impaired losses	(2,354,631)	(870,563)	-	-
Net Carrying Value	1,476,693	3,917,210	-	-
Total	1,476,693	3,995,494	-	-

Development costs have been capitalised at cost. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over a period of 5 years. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

Trademarks, membership databases and patents are amortised over 2 to 3 years.

No amortisation was recognised in the previous period as the transactions occurred just prior to the end of the previous reporting period.

Movements in Carrying Amounts

		Goodwill	Intellectual Property	Development Costs	Total
		$	$	$	$
Consolidated Group:					
Year ended 30 June 2008					
Balance at the beginning of year		-	-	-	-
Additions		-	4,561	73,723	78,284
Additions through business combinations		4,787,773	-	-	4,787,773
Impairment losses		(870,563)			(870,563)
Balance at 30 June 2008		3,917,210	4,561	73,723	3,995,494
Disposals		(75,017)	(4,561)	(73,723)	(153,301)
Adjustment to deferred settlements	20a	(881,432)	-	-	(881,432)
Impairment losses		(1,484,068)	-	-	(1,484,068)
Balance at 30 June 2009		1,476,693	-	-	1,476,693

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement. Goodwill has an infinite life.

NOTE 18: INTANGIBLE ASSETS (CONT'D)

Impairment Disclosures

Goodwill is allocated to cash-generating units which are based on the Group's reporting segments.

	2009 $	2008 $
Asian segment	1,476,693	3,917,210
Australian segment	-	-
European segment	-	-
Total	1,476,693	3,917,210

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period. The cash flows are discounted using the Reserve Bank of Australia cash rate plus a risk premium appropriate for the segments in which the Group operates.

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Asian segment	10%	10%
Australian segment	Nil%	10%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which are consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular segment.

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
NOTE 19: OTHER ASSETS				
CURRENT				
Prepayments	188,043	20,000	20,000	20,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 20: TRADE AND OTHER PAYABLES

CURRENT					
Unsecured liabilities:					
Trade payables		603,396	931,252	73,772	55,285
Accrued expenses and sundry payables		3,616,453	3,704,211	15,701	281,934
Deferred income		1,737,192	3,033,136	-	-
Deferred settlements	20a	1,652,747	2,534,179	1,652,747	2,534,179
		7,609,788	10,202,778	1,742,220	2,871,398
NON-CURRENT					
Unsecured liabilities:					
Amounts payable to wholly-owned subsidiaries		-	-	1,382,102	669,065
Amounts payable to other controlled entities		-	-	504,411	375,570
Amounts payable to associated companies		479,240	-	-	-
Amount payable to director		75,540			
Amounts payable to directors of wholly-owned subsidiaries		1,377,808	-	-	-
Amounts payable to other related parties		842,685	418,661	152,896	-
		2,775,273	418,661	2,039,409	1,044,635

a. Deferred settlements includes $1,652,747 (2008: $2,534,179) for the deferred consideration relating to the acquisition of Body Contours Pte Ltd in Singapore. At 30 June 2009, the amount payable was reduced as a result of a performance clause in the purchase agreement.

NOTE 21: FINANCIAL LIABILITIES

CURRENT					
Secured Liabilities					
Bank overdrafts		21,762	219,900	-	-
Hire purchase liabilities		287,112	266,447	-	-
Bank loans		169,040	2,119,882	-	-
Unsecured Liabilities					
Other loans	21d	622,174	-	622,174	-
		1,100,088	2,606,229	622,174	-
NON CURRENT					
Secured Liabilities					
Hire purchase liabilities		131,373	258,295	-	-
Bank loans		294,124	-	-	-
		425,497	258,295	-	-

NOTE 21: FINANCIAL LIABILITIES (CONT'D)

a.	Total current and non-current secured liabilities:				
	Bank overdraft	21,762	219,900	-	-
	Hire purchase liabilities	418,485	524,742	-	-
	Bank loans	463,164	2,119,882	-	-
		903,411	2,864,524	-	-
b.	The carrying amounts of non-current assets pledged as security are:				
	First mortgage over freehold land and buildings	-	2,170,552	-	-
	Plant and equipment under hire purchase	237,723	328,028	-	-
		237,723	2,498,580	-	-

c. **Collateral Provided**

The bank overdrafts of the subsidiaries are secured by a registered first mortgage over certain freehold properties in which one of the directors has a beneficial interest.

The bank loans are secured by registered first mortgages over certain freehold property of a related party and by way of joint and several personal guarantees of the directors of Atos Wellness Pte Ltd, Body Contours Pte Ltd and a third party.

d. Other unsecured loans refers to a US$500,000 facility provided by British Virgin Islands based Bestempire Ltd. The loan term is 6 months with a further 6 month term with the consent of the financier. The financier has the right to convert the loan to ordinary shares should the loan not be repaid prior to the expiry of the finance term.

Financing facilities available

At reporting date, the following banking facilities had been negotiated and were available:

Bank loans	463,164	2,531,230	-	-
Other loans	622,174	-	622,174	-
Hire purchase facilities	418,485	524,742	-	-
Bank overdraft facility	85,646	219,900	-	-
Credit cards	38,541	10,000	-	-
	1,628,010	3,285,872	622,174	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 22: TAX

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
a. **Liabilities**				
CURRENT				
Income Tax	896,037	934,406	-	-
NON-CURRENT				

	Opening Balance	Charged to Income	Business Combination	Changes in Tax Rate	Exchange Differences	Closing Balance
	$	$	$	$	$	$
Consolidated Group						
Deferred Tax Liability						
Property Plant and Equipment						
— tax allowance	18,820	(15,383)	64,200	-	(1,587)	66,050
— Other	-	-	9,557	-	-	9,557
Balance at 30 June 2008	18,820	(15,383)	73,757	-	(1,587)	75,607
Property Plant and Equipment						
— tax allowance	66,050	(21,215)	-	-	9,368	54,203
— other	9,557	-	-	-	-	9,557
Balance at 30 June 2009	75,607	(21,215)	-	-	9,368	63,760
Parent Entity						
Deferred Tax Liability						
— other	81,802	(72,245)	-	-	-	9,557
Balance at 30 June 2008	81,802	(72,245)	-	-	-	9,557
— other	9,557	-	-	-	-	9,557
Balance at 30 June 2009	9,557	-	-	-	-	9,557

NOTE 22: TAX (CONT'D)

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
b. **Assets**				
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:				
Australian Operations				
— temporary differences	1,546,847	271,588	1,093,062	36,602
— temporary differences in equity	36,448	82,401	36,448	82,401
— tax losses: operating losses	2,594,045	1,993,317	2,577,971	1,993,317
Unrecognised deferred tax liabilities	-	-	-	-
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax	164,634	164,634	164,634	164,634

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
NOTE 23: ISSUED CAPITAL				
189,392,861 (2008: 182,776,194) fully paid ordinary shares	5,173,814	4,776,814	20,814,490	20,417,490

The company has no specified level of authorised capital and the shares have no par value.

a. Ordinary shares	**No. of shares**	**No. of shares**	**No. of shares**	**No. of shares**
At the beginning of the reporting year	182,776,194	81,612,725	182,776,194	81,612,725
Shares issued during the period:				
- 4 August 2008 issued @ $0.06	1,250,000	-	1,250,000	-
- 7 October 2008 issued @ $0.06	5,366,667	-	5,366,667	-
- 7 February 2008 issued @ $0.06	-	5,000,000	-	5,000,000
- 7 February 2008 issued as consideration for the acquisition of Atos Wellness Pte Ltd @ $0.05	-	97,656,250	-	97,656,250
- 14 February 2008 issued @ $0.06	-	5,566,666	-	5,566,666
- 17 June 2008 issued @ $0.06	-	2,000,000	-	2,000,000
Shares cancelled during the year				
- 30 November 2007 cancelled shares issued on cancellation of acquisition of Body Contours Pte Ltd	-	(9,059,447)	-	(9,059,447)
At reporting date	189,392,861	182,776,194	189,392,861	182,776,194

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

On 4 August 2008, 1,250,000 ordinary shares were issued at $0.06 per share as consideration for investor relations services.

On 7 October 2008, 3,300,000 ordinary shares were issued at $0.06 per shares pursuant to a convertible loan agreement between the Company and United Auto Pte Ltd and 2,066,667 ordinary shares were issued at $0.06 per share to raise working capital.

On 31 January 2008, the parent entity issued 97,656,250 ordinary fully paid shares to shareholders of Atos Wellness Pte Ltd in exchange for all of the ordinary shares in Atos Wellness Pte Ltd. Pursuant to AASB 3 Business Combinations, the acquirer was identified as Atos Wellness Pte Ltd, being responsible for the reverse acquisition of the Atos Wellness Limited. The fair value was calculated on the number of ordinary shares on issue at the date of acquisition of 72,553,278 at a fair value of $0.05 per share. The fair value was based on the share price of Atos Wellness Limited on the date of acquisition.

8,000,000 & 1,059,447 shares issued to Mr Ananda Rajah as partial consideration for the acquisition of an additional 24.5% share in Body Contours Pte Ltd were cancelled on 30 November 2007 as a result of the deal being cancelled. The cancellation of the shares was approved at the annual general meeting held on 30 November 2007.

NOTE 23: ISSUED CAPITAL (CONT'D)

c. Options

i. For information relating to the Atos Wellness Limited unlisted employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at the year end, refer to Note 30 Share Based Payments.

ii. For information relating to share options issued to key management personnel during the financial year, refer to Note 30 Share Based Payments.

d. Capital Management

Management controls the capital of the group in order to maintain an acceptable debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital, and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distribution to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. This strategy is to ensure that the group's gearing ratio within an acceptable range. The gearing ratio's for the year ended 30 June 2009 and 30 June 2008 are as follows:

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
Total borrowings	20,21	11,910,646	13,485,963	4,403,803	3,916,033
Less cash and cash equivalents	9	(2,722,798)	(1,888,475)	(90,024)	(56,078)
Net Debt		9,187,848	11,597,488	4,313,779	3,859,955
Total equity		3,202,097	3,359,448	67,323	3,359,448
Total capital		12,389,945	14,956,936	4,381,102	7,219,403
Gearing Ratio		74.2%	77.5%	98.5%	53.5%

NOTE 24: RESERVES

Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of the financial statements of foreign controlled entities.

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Group		Parent Entity	
		2009	2008	2009	2008
		$	$	$	$
NOTE 25: MINORITY EQUITY INTEREST					
Body Contours Pte Ltd		954,198	869,128	-	-
		954,198	869,128	-	-
NOTE 26: CAPITAL AND LEASING COMMITMENTS					
a) Hire Purchase Commitments					
Payable					
— not later than 1 year		309,232	291,889	-	-
— later than 1 year but not later than 5 years		146,285	290,896	-	-
— later than 5 years		8,253	-	-	-
Total hire purchase liability		463,770	582,785	-	-
Less future finance charges		(45,284)	(58,043)	-	-
		418,486	524,742	-	-
The Group finances various items of plant and equipment under hire purchase agreements which expire within 6 years.					
b) Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Payable					
— Not later than 1 year		2,813,287	1,842,825	-	-
— Later than 1 year but not later than 5 years		1,720,607	1,221,671	-	-
— Later than 5 years		-	-	-	-
		4,533,894	3,064,496	-	-

The operating leases for properties in Australia and Singapore are for terms ranging from 2 to 3 years with options to renew the leases for a further 3 years. Rent is payable monthly in advance. Contingent rental provisions within the lease agreements require the minimum lease payments shall be increased by the lower of CPI and either 3% or 4% per annum.

c) Joint Ventures					
Share of capital commitments of joint venture entity contracted for:					
— equity contributions per joint venture agreement		-	450,000	-	450,000

NOTE 27: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2009.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 28: STATEMENT OF OPERATIONS BY SEGMENTS (Consolidated Group)

a. Primary reporting - Geographic Segments	Australia **2009** **$**	Europe **2009** **$**	Asia **2009** **$**	Eliminations **2009** **$**	Consolidated Group (Continuing Operations) **2009** **$**	Discontinuing Operations **2009** **$**
External Sales	645,879	472,874	26,235,232	-	26,802,686	551,299
Other Revenue	3,724	4,498	614,485	-	617,860	4,847
Inter-segment Revenue	-	-	-	-	-	-
Total Segment Revenue	649.603	477,372	26,849,717	-	27,420,546	556,146
Unallocated Revenue					-	-
Total revenue	649.603	477,372	26,849,717	-	27,420,546	556,146
RESULT						
Segment result	(6,020,513)	(190,524)	(241,242)	5,778,730	(4,674,956)	4,001,407
Unallocated expenses net of unallocated revenue					-	-
Loss before income tax					(4,674,956)	4,001,407
Income tax benefit/(expense)					(206,475)	-
Loss after income tax					(4,881,431)	4,001,407
ASSETS						
Segment assets	5,046,378	-	12,339,267	(1,312,105)	16,073,540	-
Unallocated assets					-	-
Total Assets					16,073,540	-
LIABILITIES						
Segment liabilities	8,028,360	-	9,131,839	(4,289,756)	12,870,443	-
Unallocated liabilities						
Total Liabilities					12,870,443	-
OTHER						
Acquisitions of non-current segment assets	(9,703,251)	(250,371)	994,438	6,120,003	109,131	(2,948,312)
Depreciation and amortisation of segment assets	31,972	-	1,708,541	-	1,728,997	11,516
Investments accounted for using the equity method	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 28: STATEMENT OF OPERATIONS BY SEGMENTS (Consolidated Group)

a. Primary reporting - Geographic Segments	Australia 2008 $	Europe 2008 $	Asia 2008 $	Eliminations 2008 $	Consolidated Group (Continuing Operations) 2008 $	Discont-inuing Operations 2008 $
External Sales	848,217	1,788,018	15,339,526	-	15,964,252	2,011,509
Other Revenue	1,434	2,768	1,146,936	-	1,148,370	2,768
Inter-segment Revenue					-	-
Total Segment Revenue	849,651	1,790,786	16,486,462	-	17,112,622	2,014,277
Unallocated Revenue					-	-
Total revenue	849,651	1,790,786	16,486,462	-	17,112,622	2,014,277
RESULT						
Segment result	(1,628,581)	(1,092,248)	269,030	-	(1,083,611)	(1,368,188)
Unallocated expenses net of unallocated revenue					-	-
Loss before income tax					(1,083,611)	(1,368,188)
Income tax benefit/(expense)					(178,621)	-
Loss after income tax					(1,262,232)	(1,368,188)
ASSETS						
Segment assets	14,552,661	1,665,930	13,154,649	(11,517,816)	17,855,424	-
Unallocated assets					-	-
Total Assets					17,855,424	-
LIABILITIES						
Segment liabilities	10,699,649	3,229,754	10,416,517	(9,849,944)	14,495,976	-
Unallocated liabilities					-	-
Total Liabilities					14,495,976	-
OTHER						
Acquisitions of non current segment assets	14,062,840	805,183	3,929,796	(11,613,317)	8,119,362	(934,860)
Depreciation and amortisation of segment assets	28,513	145,730	950,103	-	972,835	151,511
Investments accounted for using the equity method	90,108	-	-	-	90,108	-

Accounting policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. Whilst most such assets can be directly attributable to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the consolidated group at an arm's length. These transfers are eliminated on consolidation.

Business and geographical segments

The Consolidated Group had the following business segments;
- Manufacturing and distribution division based in Germany that manufactures the Medec range of products
- Health and wellness division based in Singapore, that provides a range of health and beauty treatments

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 29: CASH FLOW INFORMATION

(a). Reconciliation of Cash Flow from Operations with Profit (Loss) after Income Tax

	Consolidated Group		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$
Profit/(Loss) after income tax	(880,024)	(2,630,420)	(3,689,125)	(7,568,460)
Non-cash flows in profit				
Depreciation	1,740,513	1,124,346	-	-
(Gain)/loss on disposal of property, plant and equipment	(170,198)	31,279	-	-
(Gain)/loss on disposal of investments in controlled entities	(4,237,144)	232,230	308,628	3,471,384
Share of joint venture entity net loss after income tax	90,108	9,407	90,108	9,407
Impairment of investment in controlled entities	-	-	-	3,623,866
Impairment of goodwill	1,484,068	870,563	-	-
Impairment of receivables	1,313,431	-	3,215,112	-
Impairment of other assets	177,175	-	-	-
Gain on deferred consideration	-	-	(881,432)	-
Movement on foreign exchange reserve	762,303	270,772	102,515	(9,533)
Other	75,000	176,556	75,000	1,699
Changes in asset and liabilities, net of effects of purchase and disposal of subsidiaries				
(Increase)/decrease in receivables	(192,043)	2,054,407	(1,942)	-
(Increase)/decrease in inventories	(413,650)	636,947	-	-
(Increase)/decrease in other assets	(168,043)	-	-	-
Increase in current tax assets	(31,229)	(4,576)	-	-
Increase/(decrease) in payables	(1,004,503)	87,946	3,352	227,258
Increase/(decrease) in current tax liabilities	(38,369)	33,257	-	-
Increase/(decrease) in deferred tax liabilities	(11,847)	11,955	-	(72,245)
Net cash provided by/(used in) operating activities	(1,504,452)	2,904,669	(777,784)	(316,624)

b) Acquisition of Entities

On 14 February 2008, Atos Wellness Pte Ltd acquired 100% if the issued share capital of Atos Consumer Products Pte Ltd, Slimcare Studio Pte Ltd and Slimline Studio Pte Ltd for Singapore $1 each. The effective date of the acquisition was 1 January 2008. See Note 34 for further details.

On 14 February 2008, the parent company acquired 100% of Inahamani Pte Ltd for Singapore $1. The effective date of acquisition was 1 January 2008. See note 34 for further details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 29: CASH FLOW INFORMATION (CONT'D)

c) Disposal of Entities

On 21 December 2007, Medec Australia Pty Ltd was sold for $10. Medec Australia Pty Ltd was a subsidiary of Atos Wellness Limited. Aggregate details of this transaction are:				
Disposal price	-	-	-	10
Cash consideration	(30,000)	-	(30,000)	10
Net (loss)/gain on disposal	(30,000)	-	(30,000)	(1,356,826)
On 16 December 2008, 51% of Medec International Pty Ltd, 100% of Medec Systems GmbH, Medec International Management Pty Ltd and Medec Ltd Hong Kong were sold as part of a management buy-out. Aggregate details of this transaction are:				
Disposal price	362,710	-	-	-
Cash consideration	-	-	-	-
Net (loss)/gain on disposal	3,855,036	-	-	-
On 28 December 2008, the Group's remaining interest 49% of Bodycure Deutschland GmbH were sold for €1. Aggregate details of this transaction are:				
Disposal price	2	-	2	-
Cash consideration	2	-	2	-
Net (loss)/gain on disposal	412,108	-	(278,628)	-

d. Non-cash Financing and Investing Activities

i. Share issues

On 4 August 2008, 1,250,000 shares were issued at $0.06 as consideration for investor relations services.

In the previous year, 97,656,250 shares were issued as consideration for the purchase of Atos Wellness Pte Ltd, a company incorporated in Singapore. The share issue was based on the fair value of the company which was determined by the share price of the parent entity on the date of acquisition of $0.05 per share on the existing 72,553,278 shares on issue on that date. See note 34 for further details.

ii. During the year the consolidated group acquired plant and equipment with an aggregate value of $Nil (2008: $97,285) by means of hire purchases. These acquisitions are not reflected in the cash flow statement.

NOTE 30 : SHARE BASED PAYMENTS

There are no share-based payment arrangements existing at 30 June 2009:

Included under employee benefits expense in the income statement is $nil (2008: $nil)

No shares were issued during the year that were granted as compensation (2008: nil).

NOTE 31: EVENTS AFTER THE BALANCE SHEET DATE

On 6 July 2009, the Company announced that it had withdrawn financial support from its wholly-owned subsidiary Letchworth House Pty Ltd, which operated the 'Inspired Life' centre in Bentley, WA. On 9 July 2009, the Company announced the appointment of a voluntary administrator of Letchworth House Pty Ltd as part of the Group's strategy to preserve and strengthen its cash position.

The joint venture with the Sol Group, which effectively ceased trading after losing its core business of managing the Inspired Life center at Bentley, was placed into voluntary liquidation in August 2009.

On 7 September 2009, the Company issued 1,250,000 fully paid ordinary shares at a deemed price of $0.02 per share to Andreas Empl of München, Germany as an initial payment for investor relations services in Europe over the next 12 months and in lieu of a €15,000 contract signed in December 2007.

The company has negotiated a Financing Facility Agreement with Mr. Lim Teow Beng, a Singaporean Financier, for the provision of an advance of A$300,000 to the company. The interest rate for the advance is 10% per annum. The Financier may convert the outstanding loan to the company ordinary shares at the end of 6 months at AUD 0.02 per share but agrees to keep below 20% of total equity in the company with the rest being repaid in cash.

In the event that the company is not in a position to repay the loan on the due date the financier obtains a conversion price of AUD 0.0125 per share but still stays below 20% with the balance to be repaid in cash. The conversion of the loan to shares will be subject to the company's shareholder approval.

Siva Ananda Rajah, CEO of the company, provides his personal guarantee to ensure timely repayment of the loan.

This finance facility provides the company with the necessary short-term working capital to improve its performance in its overseas centre in Kuala Lumpur, Malaysia and Chennai, India that would help the group to improve turnover and profit.

On 21 September 2009 the company received a notice of clam for a liquidated sum of $40,000, which includes the refund of the purchase price and related costs, being alleged liability for breach of contract in respect of the sale of a 'Caloriefit' machine which is used to perform metabolic testing. The company is assessing the validity of the claim.

There were no other material events occurring after the balance sheet date.

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
NOTE 32: RELATED PARTY TRANSACTIONS				
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Transactions with related parties:				
(i) Director related entities				
The following transactions are associated with Mr Ananda Rajah:				
— Inventories purchased from associated companies:				
- Medec Systems GmbH	4,878	-	-	-
- Medec International Pty Ltd	13,548	-	-	-
— Inventories purchased from related companies:				
- A-Quest Pte Ltd	-	13,695	-	-
- Atos Consumer Products Pte Ltd	-	1,219,214	-	-
- Slimline Studio Pte Ltd	-	-	-	-
- Ryan's Pte Ltd	-	-	-	-
- The Ultimate Pte Ltd	3,791	7,865	-	-
- The Aesthetic Clinic Pte Ltd	50,632	-	-	-
— Sales to related companies:				
- The Ultimate Pte Ltd	164,894	52,908	-	-
- The Aesthetic Clinic (Body Contours) Pte Ltd	2,582	-	-	-
- Ryan's Pty Ltd	121	-	-	-
- A Quest Pte Ltd	10,448	-	-	-
- Absolute Care Pte Ltd	12,418	-	-	-
- I Spa Pte Ltd	21,123	-	-	-
- Ooora Pte Ltd	6,161	-	-	-
- Oora Sdn Bhd	3,545	-	-	-
- Spa Ziwi Pte Ltd	920	-	-	-
— Other income received from related companies:				
- Slimline Studio Pte Ltd	-	546,729	-	-
- I Spa Pte Ltd	724	-	-	-
— Consultancy fees paid to related companies:				
- Unique Slim Care Studio Pvt Ltd	-	43,429	-	-
Management fees paid to related companies:				
- The Aesthetics Clinic Pte Ltd	73,307	-	-	-
— Fixed assets purchased from related companies:				
- Ryan's Pte Ltd	92	-	-	-
Fixed assets sold to related companies				
- The Ultimate Pte Ltd	490	-	-	-

NOTE 32: RELATED PARTY TRANSACTIONS (CONT'D)

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
— Rental income from related companies:				
- The Ultimate Pte Ltd	32,988	2,335	-	-
— Loans to/(from) associated companies				
- Medec International Pty Ltd	3,540,873	-	3,540,873	-
- Medec International Pty Ltd	(467,159)	-	-	-
- Medec International Management Pty Ltd	477,604	-	309,708	-
- Medec Systems GmbH	976,767	-	770,511	-
- Medec Systems GmbH	(12,081)	-	-	-
— Loans to/(from) other related companies				
- Atos Group Pte Ltd	(819,097)	-	-	-
- Atos Group Pte Ltd	188,421	412,334	-	-
- Absolute Care Sanctuary Pte Ltd	318,014	274,020	-	-
- A Quest Pte Ltd	175,132	172,159	-	-
- A Quest Pte Ltd	(23,349)	-	-	-
- Atoz Performance Pte Ltd	1,397	1,246	-	-
- Beverly Hill Pte Ltd	5,246	4,680	-	-
- Chantique Lifestyle Pte Ltd	7,730	6,897	-	-
- I Spa Pte Ltd	31,226	93,683	-	-
- Matahari Spa Pte Ltd	343,772	315,095	-	-
- Oora Pte Ltd	446,964	-	-	-
- Oora Sdn Bhd	3,314	-	-	-
- Medec Systems Pte Ltd	-	353,996	-	-
- Slimrite Pte Ltd	41,114	36,680	-	-
- The Ultimate Pte Ltd	53,366	118,883	-	-
- Unique Slim Care Studio Pte Ltd	309,906	241,209	-	-
- Unisense Sdn Bhd	8,779	7,832	-	-
- The Aesthetic Clinic (Body Contours) Pte Ltd	-	(52,744)	-	-
- Spa Ziwi Pte Ltd	603	-	-	-
- Spa Ziwi Pte Ltd	(239)	-	-	-
- Ryan's Pte Ltd	86	-	-	-
- Le Aesthetics Sdn Bhd	2,284	-	-	-
- Sol Wellness Pty Ltd	86,271	-	-	-

(ii) Transactions within the wholly-owned group

Dividends received from Body Contours Pte Ltd	-	-	-	213,779

Administration fees and rentals were charged by Medec International Pty Ltd to other group entities for the provision of office and administration services prior to the sale of the company.

NOTE 32: RELATED PARTY TRANSACTIONS (CONT'D)

A loan agreement with ATOS Consumer Products Pte Ltd was established in the previous year for A$500,000 with ten draw downs of A$50,000 per month commencing August 2007.

Goods were sold between the Australian and European manufacturing and marketing entities. The manufacturing entities were within the Group prior to the disposal of 49% of the Company's interest in those operations and are subsequently associated companies.

Software licence fees were charged by Medec International Pty Ltd to the European branch operations on a product unit sale basis.

(iii) Key Management Personnel

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Directors fees owing to Joseph Plattner, a former director	-	48,000	-	48,000
Loan to (from) directors of Atos Wellness Pte Ltd				
- Chua Soo Lim	(102,861)	65,716	-	-
- Pathma Ayadurai	(588,730)	-	-	-
- Ananda Rajah	(355,387)	-	-	-
Loan (from) director of Body Contours Pte Ltd				
- Ananda Rajah	(75,540)	(67,394)	-	-
Loan (from) director of Body Contours Wellness Spa Sdn Bhd				
- Jane Kang Yein Mei	(330,830)	(298,523)	-	-

NOTE 33: FINANCIAL RISK MANAGEMENT

a. **Financial Risk Management Policies**

The group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bank loans, leases and hire purchases.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

i. Treasury Risk Management

Senior executives of the Group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the board of directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of credit risk policies and future cash flow requirements.

ii. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

NOTE 33: FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2009 approximately 98% (2008: 65%) of group debt is fixed. For further details on interest rate risk refer to Note 33(b)(i) & (ii).

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. Refer to Note 33(b)(i) for further details.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Collateral has been given in the form of joint and several personal guarantees from Ananda Rajah and Pathma Ayadurai, directors of Atos Wellness Pte Ltd in respect of bank loans in the name of Atos Wellness Pte Ltd and its subsidiaries. Should Atos Wellness Pte Ltd be unable to pay the outstanding debt within the agreed terms, this amount will be settled by the guarantors.

There are no other material amounts of collateral held as security at 30 June 2009.

Credit risk is managed on a group basis and reviewed regularly by senior executives. It arises from exposures to customers as well as through certain derivative financial instruments and deposits with financial institutions.

The senior executives monitor credit risk by actively assessing the rating quality and liquidity of counter parties:

— only banks and financial institutions with an 'A' rating are utilised;

— all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and

— customers that do not meet the group's strict credit policies may only purchase in cash or using recognised credit cards.

The credit risk for counterparties included in trade and other receivables at 30 June 2009 is detailed below:

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Trade receivables				
Counterparties not rated	452,277	932,058	1,942	-
Total	452,277	932,058	1,942	-

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

Price risk

The group is not materially exposed to commodity price risk.

NOTE 33: FINANCIAL RISK MANAGEMENT (CONT'D)

b. **Financial Instruments**

i. **Financial instrument composition and maturity analysis:**

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

Consolidated Group	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate		Non - Interest Bearing	TOTAL
			Within 1 year	1 to 5 years		
2009	**%**	**$**	**$**	**$**	**$**	**$**
Financial Assets						
Cash		2,722,798	-	-	-	2,722,798
Receivables		-	-	-	8,332,643	8,332,643
Total Financial Assets		2,722,798	-	-	8,332,643	11,055,441
Financial Liabilities						
Trade & sundry payables		-	-	-	7,609,788	7,609,788
Amounts payable to related parties		-	-	-	2,775,273	2,775,273
Lease liabilities	3.2%	-	287,112	131,373	-	418,485
Bank loans & overdrafts	4.2%	21,762	169,040	294,124	-	484,926
Other		-	622,174	-	896,037	1,518,211
Total Financial Liabilities		21,762	1,078,326	425,497	11,281,098	12,806,683

	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate		Non - Interest Bearing	TOTAL
			Within 1 year	1 to 5 years		
2008	**%**	**$**	**$**	**$**	**$**	**$**
Financial Assets						
Cash		1,888,475	-	-	-	1,888,475
Receivables		-	-	-	2,732,066	2,732,066
Current tax assets		-	-	-	17,503	17,503
Other financial assets		-	-	-	110,108	110,108
Total Financial Assets		1,888,475	-	-	2,859,677	4,748,152
Financial Liabilities						
Trade & sundry payables		-	-	-	10,202,778	10,202,778
Amounts payable to related parties		-	-	-	418,661	418,661
Lease liabilities	6.0%	-	266,447	258,295	-	524,742
Bank loans & overdrafts	4.2%	-	532,727	1,807,055	-	2,339,782
Other		-	-	-	934,406	934,406
Total Financial Liabilities		-	799,174	2,065,350	11,555,845	14,420,369

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 33: FINANCIAL RISK MANAGEMENT (CONT'D)

Parent Entity	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate		Non - Interest Bearing	TOTAL
			Within 1 year	1 to 5 years		
2009	**%**	**$**	**$**	**$**	**$**	**$**
Financial Assets						
Cash and cash equivalents		90,024	-	-	-	90,024
Receivables		-	-	-	31,285	31,285
Receivables related parties		-	-	-	3,731,113	3,731,113
Other financial assets		-	-	-	608,261	608,261
Total Financial Assets		90,024	-	-	4,370,659	4,460,683
Financial Liabilities						
Trade & sundry payables		-	-	-	1,742,220	1,742,220
Amounts payable to related parties		-	-	-	2,039,409	2,039,409
Other financial liabilities		-	-	-	622,174	622,174
Total Financial Liabilities		-	-	-	4,403,803	4,403,803

	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate		Non - Interest Bearing	TOTAL
			Within 1 year	1 to 5 years		
2008	**%**	**$**	**$**	**$**	**$**	**$**
Financial Assets						
Cash and cash equivalents		56,078	-	-	-	56,078
Receivables		-	-	-	117,805	117,805
Receivables related parties		-	-	-	6,392,786	6,392,786
Other financial assets		-	-	-	698,369	698,369
Total Financial Assets		56,078	-	-	7,208,960	7,265,038
Financial Liabilities						
Trade & sundry payables		-	-	-	2,871,398	2,871,398
Amounts payable to related parties		-	-	-	1,044,635	1,044,635
Total Financial Liabilities		-	-	-	3,916,033	3,916,033

NOTE 33: FINANCIAL RISK MANAGEMENT (CONT'D)

ii. **Net Fair Values**

The net fair values of:

- Term receivables and fixed interest securities are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Unlisted investments, where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- Loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments, forward exchange contracts and interest rate swaps.

Financial assets where the carrying amount exceeds net fair values have not been written down as the consolidated group intends to hold these assets to maturity.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date.

	2009		2008	
Consolidated Group	**Carrying Amount $**	**Net Fair Value $**	**Carrying Amount $**	**Net Fair Value $**
Financial Assets				
Cash and cash equivalents	2,722,798	2,722,798	1,888,475	1,888,475
Loans and receivables	8,332,643	8,332,643	2,732,066	2,732,066
Other financial assets	-	-	90,108	90,108
	11,055,411	11,055,411	4,710,649	4,710,649
Financial Liabilities				
Trade & sundry payables	10,385,061	10,385,061	10,621,439	10,621,439
Lease liabilities	418,485	418,485	524,742	524,742
Bank loans & overdrafts	484,926	484,926	2,339,782	2,339,782
Other liabilities	1,518,211	1,518,211	934,406	934,406
	12,806,683	12,806,683	14,420,369	14,420,369

NOTE 33: FINANCIAL RISK MANAGEMENT (CONT'D)

Parent Entity	**Carrying Amount $**	**Net Fair Value $**	**Carrying Amount $**	**Net Fair Value $**
Financial Assets				
Cash and cash equivalents	90,024	90,024	56,078	56,078
Loans and receivables	3,762,398	3,762,398	6,510,591	6,510,591
Other financial assets	608,261	608,261	698,369	698,369
	4,460,683	4,460,683	7,265,038	7,265,038
Financial Liabilities				
Trade & sundry payables	3,781,629	3,781,629	3,916,033	3,916,033
Other liabilities	622,174	622,174	-	-
	4,403,803	4,403,803	3,916,033	3,916,033

Fair values are materially in line with carrying values.

iii. *Sensitivity Analysis*

Interest Rate Risk, Foreign Currency Risk and Price Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group		**Parent Entity**	
	2009 $	**2008 $**	**2009 $**	**2008 $**
Change in profit				
— Increase in interest rate by 1%	(4,524)	(8,382)	-	-
— Decrease in interest rate by 1%	4,524	8,382	-	-
Change in equity				
— Increase in interest rate by 1%	(4,524)	(8,382)	-	-
— Decrease in interest rate by 1%	4,524	8,382	-	-

NOTE 33: FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign Currency Risk Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the Singapore Dollar, with all other variables remaining constant is as follows:

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Change in profit				
— Improvement in AUD to SGD by 5%	(869)	(34,273)	(100)	(129)
— Decline in AUD to SGD by 5%	869	34,273	100	129
Change in equity				
— Improvement in AUD to SGD by 5%	110,759	(71,436)	(100)	(129)
— Decline in AUD to SGD by 5%	(110,759)	71,436	100	129

At 30 June 2009, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the Euro, with all other variables remaining constant is as follows:

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Change in profit				
— Improvement in AUD to EUR by 5%	(8,422)	(90)	(8,422)	(90)
— Decline in AUD to EUR by 5%	8,422	90	8,422	90
Change in equity				
— Improvement in AUD to EUR by 5%	(8,422)	(51,118)	(8,422)	(90)
— Decline in AUD to EUR by 5%	8,422	51,118	8,422	90

At 30 June 2009, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the Malaysian Ringgit, with all other variables remaining constant is as follows:

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Change in profit				
— Improvement in AUD to MYR by 5%	13,209	11,912	-	-
— Decline in AUD to MYR by 5%	(13,209)	(11,912)	-	-
Change in equity				
— Improvement in AUD to MYR by 5%	13,209	11,912	-	-
— Decline in AUD to MYR by 5%	(13,209)	(11,912)	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 33: FINANCIAL RISK MANAGEMENT (CONT'D)

At 30 June 2009, the Group had the following exposure to Singapore $ foreign currency that is not designated in cash flow hedges:

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Financial Assets				
Cash and cash equivalents	2,618,720	1,787,436	1,109	2,692
Trade and other receivables	4,308,062	5,030,889	-	-
Other financial assets	-	17,503	-	-
	6,926,782	6,835,828	1,109	2,692
Financial Liabilities				
Trade and sundry payables	7,838,233	4,801,110	-	-
Lease liabilities	418,485	524,742	-	-
Bank loans & overdrafts	484,926	2,303,346	-	-
Other	896,037	934,406	-	-
	9,637,681	8,563,604	-	-
Net exposure	(2,710,899)	(1,727,776)	1,109	2,692

At 30 June 2009, the Group had the following exposure to Euro € foreign currency that is not designated in cash flow hedges:

	Consolidated Group		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Financial Assets				
Cash and cash equivalents	1,439	14,929	1,439	11,406
Trade and other receivables	-	856,707	-	-
Inventories	-	365,636	-	-
	1,439	1,237,272	1,439	11,406
Financial Liabilities				
Trade and sundry payables	-	3,193,318	-	-
Interest bearing loans and borrowings	-	36,436	-	-
	-	3,229,754	-	-
Net exposure	1,439	(1,992,482)	1,439	11,406

At 30 June 2009, the Group had the following exposure to Malaysian Ringgit foreign currency that is not designated in cash flow hedges:

	Consolidated Group		Parent Entity	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Financial Assets				
Cash and cash equivalents	3,222	126,893	-	-
Trade and other receivables	115,517	61,220	-	-
	118,739	188,113	-	-
Financial Liabilities				
Trade and sundry payables	340,055	421,988	-	-
	340,055	421,988	-	-
Net exposure	(221,316)	(233,875)	-	-

Price Risk Sensitivity Analysis

As at 30 June 2009, the group is not exposed directly to fluctuations in commodity prices. Accordingly, there is no material quantifiable change in profit or equity as a result of fluctuations in commodity prices.

The above interest rate, foreign exchange rate and price risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

NOTE 34: BUSINESS COMBINATIONS

a. Atos Wellness Pte Ltd

On 31 January 2008, the parent entity acquired 100% of the legal subsidiary Atos Wellness Pte Ltd, a company incorporated in Singapore with effect from 1 January 2008.

While the legal entity acquired as a result of the acquisition is set out above, this transaction has been accounted for as a reverse acquisition.

These financial statements therefore represent a continuation of the legal subsidiary, Atos Wellness Pte Ltd, and the income statement for this financial period incorporates consolidated results for Atos Wellness Pte Ltd for the financial period and the results of Atos Wellness Limited and its controlled entities from the date of acquisition of 1 January 2008.

This has resulted in the consolidated Balance Sheet reflecting the historial assets, liabilities and equity of Atos Wellness Pte Ltd and the cost of the combination being recognised at fair value of the net assets of Atos Wellness Limited at the date of acquisition.

The total cost of the combination was $3,627,664 and comprised the entire issued capital at the date of acquisition of 72,553,278 ordinary shares in Atos Wellness Limited (deemed value $0.05 per share). The deemed value was determined by reference to the share price on the date of acquisition.

The fair value of the identifiable assets and liabilities of Atos Wellness Limited and its controlled entities as at the date of acquisition were:

	Note	Recognised on acquisition	Carrying value
		$	$
Cash and cash equivalents		1,301,321	1,301,321
Receivables		1,873,117	1,873,117
Inventories		1,323,265	1,323,265
Property, plant and equipment		1,899,367	1,899,367
Deferred tax assets		-	-
Other assets		200,000	3,029,643
		6,597,070	9,426,713
Payables		4,068,625	4,068,625
Income in advance			
Financial liabilities		366,283	366,283
Current tax liabilities		217,029	217,029
Provisions		-	-
Deferred tax liability		60,072	60,072
Other liabilities		2,213,797	2,213,797
		(6,925,806)	(6,925,806)
Fair value of identifiable net assets		(328,736)	
Minority interest in net assets		(551,268)	
Goodwill arising on acquisition	18	4,507,668	
Total cost of the combination		3,627,664	
The cash outflow on acquisition is as follows:			
Net cash acquired with the subsidiary		1,301,321	
Cash paid		-	
Direct costs relating to the acquisition		(27,023)	
Net consolidated cash inflow		1,274,298	

NOTE 34: BUSINESS COMBINATIONS (CONT'D)

From the date of acquisition, Atos Wellness Limited contributed $791,166 to the net loss of the Group for the year ended 30 June 2008. If the acquisition had taken place on 1 July 2007, the Consolidated Group total revenue of the Group for the year ended 30 June 2008 would have been $25,820,360 and the Group net loss would have been $6,524,889.

The goodwill arising on the transaction pertains to the directors assessment of the business valuation based on the future maintainable earnings of the Group. Goodwill represents the difference between the business valuation and the net tangible assets.

b. Kooj Pte Ltd

In July 2007, Body Contours Pte Ltd acquired 80% of the issued capital of Kooj Pte Ltd, a company incorporated in the republic of Singapore and engaged in the wellness industry, with an effective date of 1 July 2007.

The total cost of the combination was $26,657 and comprised the entire issued capital at the date of acquisition.

The fair value of the identifiable assets and liabilities of Kooj Pte Ltd as at the date of acquisition were:

	Note	Recognised on acquisition	Carrying value
		$	$
Cash and cash equivalents		5,294	5,294
Receivables		37,830	37,830
Inventories		5,733	5,733
Property, plant and equipment		125,183	125,183
		174,040	174,040
Payables		32,808	32,808
Financial liabilities		11,928	11,928
Lease liabilities		16,483	16,483
Deferred tax liability		5,492	5,492
		66,711	66,711
Fair value of identifiable net assets		107,329	
Discount arising on acquisition	18	(80,672)	
Total cost of the combination		26,657	
The cash outflow on acquisition is as follows:			
Net cash acquired with the subsidiary		5,294	
Cash paid		(26,657)	
Direct costs relating to the acquisition		(155)	
Net consolidated cash outflow		(21,518)	

From the date of acquisition, Kooj Pte Ltd contributed $140,200 to the net loss of the Group for the year ended 30 June 2008.

NOTE 34: BUSINESS COMBINATIONS (CONT'D)

c. Atos Consumer Products Pte Ltd

On 14 February 2008, Atos Wellness Pte Ltd acquired 100% of the issued share capital of Atos Consumer Products Pte Ltd, a company incorporated in the republic of Singapore and engaged in the wellness industry, for a cash consideration of Singapore $1.

The total cost of the combination was $1 and comprised the entire issued capital at the date of acquisition.

The fair value of the identifiable assets and liabilities of Atos Consumer Products Pte Ltd as at the date of acquisition were:

	Note	Recognised on acquisition	Carrying value
		$	$
Cash and cash equivalents		1,639	1,639
Receivables		1,461,627	1,461,627
Inventories		708,470	708,470
Property, plant and equipment		4,751	4,751
		2,176,487	2,176,487
Payables		1,911,227	1,911,227
Financial liabilities		235,950	235,950
Lease liabilities		-	-
Current tax liability		238,401	238,401
		2,385,578	2,385,578
Fair value of identifiable net assets		(209,091)	
Goodwill arising on acquisition	18	209,092	
Total cost of the combination		1	
The cash outflow on acquisition is as follows:			
Net cash acquired with the subsidiary		1,639	
Cash paid		(1)	
Direct costs relating to the acquisition		-	
Net consolidated cash inflow		1,638	

From the date of acquisition, Atos Consumer Products Pte Ltd contributed $249,465 to the net profit of the Group for the year ended 30 June 2008.

NOTE 34: BUSINESS COMBINATIONS (CONT'D)

d. Slimcare Studio Pte Ltd

On 14 February 2008, Atos Wellness Pte Ltd acquired 100% of the issued share capital of Slimcare Studio Pte Ltd, a company incorporated in the republic of Singapore and engaged in the wellness industry, for a cash consideration of Singapore $1.

The total cost of the combination was $1 and comprised the entire issued capital at the date of acquisition.

The fair value of the identifiable assets and liabilities of Slimcare Studio Pte Ltd as at the date of acquisition were:

	Note	Recognised on acquisition	Carrying value
		$	$
Cash and cash equivalents		7,315	7,315
Receivables		481,134	481,134
Inventories		-	-
Property, plant and equipment		-	-
		488,449	488,449
Payables		721,177	721,177
Financial liabilities		-	-
Lease liabilities		18,617	18,617
Current tax liability		91,671	91,617
		831,465	831,465
Fair value of identifiable net assets		(343,016)	
Goodwill arising on acquisition	18	343,017	
Total cost of the combination		1	
The cash outflow on acquisition is as follows:			
Net cash acquired with the subsidiary		7,315	
Cash paid		(1)	
Direct costs relating to the acquisition		-	
Net consolidated cash inflow		7,314	

From the date of acquisition, Slimcare Studio Pte Ltd contributed $114,692 to the net profit of the Group for the year ended 30 June 2008.

NOTE 34: BUSINESS COMBINATIONS (CONT'D)

e. Slimline Studio Pte Ltd

On 14 February 2008, Atos Wellness Pte Ltd acquired 100% of the issued share capital of Slimline Studio Pte Ltd, a company incorporated in the republic of Singapore and engaged in the wellness industry, for a cash consideration of Singapore $1.

The total cost of the combination was $1 and comprised the entire issued capital at the date of acquisition.

The fair value of the identifiable assets and liabilities of Slimline Studio Pte Ltd as at the date of acquisition were:

	Note	Recognised on acquisition	Carrying value
		$	$
Cash and cash equivalents		22,235	22,235
Receivables		673,860	673,860
Inventories		-	-
Property, plant and equipment		41,683	41,683
		737,778	737,778
Payables		598,075	598,075
Financial liabilities		87,417	87,417
Lease liabilities		57,442	57,442
Current tax liability		128,515	128,515
		871,449	871,449
Fair value of identifiable net assets		(133,671)	
Goodwill arising on acquisition	18	133,672	
Total cost of the combination		1	
The cash outflow on acquisition is as follows:			
Net cash acquired with the subsidiary		22,235	
Cash paid		(1)	
Direct costs relating to the acquisition		-	
Net consolidated cash inflow		22,234	

From the date of acquisition, Slimline Studio Pte Ltd contributed $270,103 to the net profit of the Group for the year ended 30 June 2008.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 34: BUSINESS COMBINATIONS (CONT'D)

f. Inahamani Pte Ltd

On 1 January 2008, Atos Wellness Limited acquired 100% of the issued share capital of Inahamani Pte Ltd, a company incorporated in the republic of Singapore and engaged in the wellness industry, for a cash consideration of Singapore $1.

The total cost of the combination was $1 and comprised the entire issued capital at the date of acquisition.

The fair value of the identifiable assets and liabilities of Inahamani Pte Ltd as at the date of acquisition were:

	Note	Recognised on acquisition	Carrying value
		$	$
Cash and cash equivalents		278,795	278,795
Receivables		306,581	306,581
Inventories		333,141	333,141
Property, plant and equipment		2,729.247	2,729.247
Current tax assets		12.927	12.927
		3,660,691	3,660,691
Payables		1,490,297	1,490,297
Financial liabilities		1,635,378	1,635,378
Lease liabilities		96,066	96,066
Deferred tax liabilities		3,580	3,580
		3,225,321	3,225,321
Fair value of identifiable net assets		435,370	
Goodwill arising on acquisition	18	(435,369)	
Total cost of the combination		1	
The cash outflow on acquisition is as follows:			
Net cash acquired with the subsidiary		278,795	
Cash paid		(1)	
Direct costs relating to the acquisition		-	
Net consolidated cash inflow		278,794	

From the date of acquisition, Inahamani Pte Ltd contributed $19,690 to the net profit of the Group for the year ended 30 June 2008.

NOTE 35: COMPANY DETAILS

The registered office of the company is:

22 Letchworth Centre Avenue
SALTER POINT WA 6153

The principal places of business are:

— Atos Wellness Limited
22 Letchworth Centre Avenue
SALTER POINT WA 6153

— Atos Wellness Pte Ltd
No. 1 Tannery Road
#09-01/03, One Tannery
SINGAPORE 347719

NOTE 36: CHANGE IN ACCOUNTING POLICY

The following Australian Accounting Standards have been issued or amended and are applicable to the Parent Enity and Consolidated Group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

New Standard	Superseeded Standard	Explanation of amendments not yet effective	Effective date (reporting periods ending on or after)	Impact of New Standard	Expected date of adoption
Accounting Standards AASB 1 First time adoption of Australian Accounting Standards (May 2009) – "AASB 1R"	AASB 1 First Time adoption of Australian Equivalents to International Financial Reporting Standards (June 2007)	As this is not the first year of adoption of IFRSs, these amendments will not have any impact on the entity's financial report.	30 June 2010	None	1 July 2008
AASB 3 Business Combinations (March 2008) – "AASB 3R"	AASB 3 Business Combinations (April 2007)	AASB 3R amends how entities account for business combinations and changes in ownership interests in subsidiaries. Many changes have been made to this standard affecting acquisition related costs, step acquisitions, measurement of goodwill and contingent considerations. AASB 3 also replaces the term "Minority Interest" with "Non-controlling Interest". This standard can be early adopted, but only for reporting periods that begin on or after 30 June 2007. AASB 3 is applied prospectively.	Business combinations occurring on or after an annual reporting beginning on or after 1 July 2009	As the entity has not been a party to a business combination during the year, this standard is not expected to have any impact on the entity's financial report.	1 July 2009
AASB 8 Operating Segments (February 2007)	AASB 114 Segment Reporting (September 2005)	AASB 8 supersedes AASB 114. AASB 8 has a different scope of application to AASB 114; it is applicable only to listed entities and those in the process of listing, and requires that segment information be disclosed using the management approach. This may result in a different set of segments being identified than those previously disclosed under AASB 114.	31 December 2009	AASB 8 is a disclosure standard therefore has no impact on the entity's reported position and performance. The new standard will however result in changes to operating segments disclosures within the financial report or the removal of the segment note for certain entities.	1 July 2009
AASB 123 Borrowing Costs (June 2007) – "AASB 123R"	AASB 123 Borrowing Costs (July 2004)	AASB 123R incorporates amendments removing the option to immediately expense borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.	31 December 2009	As the entity does not have borrowings associated with qualifying assets, these amendments are not expected to have any impact on the entity's financial report.	1 July 2009

NOTE 36: CHANGE IN ACCOUNTING POLICY (CONT'D)

New Standard	Superseeded Standard	Explanation of amendments not yet effective	Effective date (reporting periods ending on or after)	Impact of New Standard	Expected date of adoption
AASB 101 Presentation of Financial Statements (September 2007) – "AASB 101R"	AASB 101 Presentation of Financial Statements (July 2007)	AASB 101R contains a number of changes from the previous AASB 101. The main changes are to require that an entity must: • present all non-owner changes in equity ('comprehensive income') either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income • present an additional statement of financial position (balance sheet) as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in its financial statements • disclose income tax relating to each component of other comprehensive income • disclose reclassification adjustments relating to components of other comprehensive income There are other changes to terminology, however these are not mandatory.	31 December 2009	AASB 101R does not affect recognition or measurement criteria, therefore the changes are not expected to have any impact on the entity's reported financial position.	1 July 2009
AASB 127 Consolidated and Separate Financial Statements (March 2008) – "AASB 127R"	AASB 127 Consolidated and Separate Financial Statements (July 2004)	AASB 127R amends how entities account for business combinations and changes in ownership interests in subsidiaries. Many changes were made to this standard affecting acquisitions and disposals which do not result in a change of control, partial disposals where control is lost, attribution of profit or loss to non-controlling interests and loss of significant influence or control in relation to Associates and Joint Ventures. AASB 127 replaces the term "Minority Interest" with the "Non-controlling Interest". AASB 127 is applied retrospectively, with certain exceptions relating to the significant changes made in this revision.	30 June 2010	As the transitional provision of AASB 127 provide that the changes to the recognition and measurement criteria within AASB 127 resulting from this revision do not apply retrospectively to business combinations effected prior to the amendments being adopted, this standard is not expected to have any impact on the entity's financial report.	1 July 2009
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Various	AASB 2007-3 consequentially amends a number of standards arising from the issue of AASB 8. These amendments result from the changing the name of the segment reporting standard to AASB 8.	31 December 2009	AASB 2007-3 is a disclosure standard and therefore has no impact on the entity's reported position or performance.	1 July 2009
AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Various	The revision of AASB 123 necessitates consequential amendments to a number of existing Standards. The amendments principally remove references to expensing borrowing costs on qualifying assets, as AASB 123 was revised to require such borrowing costs to be capitalised.	31 December 2009	As the entity does not have borrowings associated with qualifying assets, these amendments are not expected to have any impact on the entity's financial report.	1 July 2009

Notes to the Financial Statements

NOTE 36: CHANGE IN ACCOUNTING POLICY (CONT'D)

New Standard	Superseeded Standard	Explanation of amendments not yet effective	Effective date (reporting periods ending on or after)	Impact of New Standard	Expected date of adoption
AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101	Various	AASB 2007-8 consequentially amends a number of AASB's as a result of the reissue of AASB 101. Some of the changes include changing the terms: • 'general purpose financial report' to 'general purpose financial statements' • 'financial report' to 'financial statements' in application paragraphs, where relevant, of Australian Accounting Standards (including Interpretations) to better align with IFRS terminology.	31 December 2009	As the changes do not affect recognition or measurement criteria, the changes are not expected to have any impact on the entity's reported financial position and performance.	1 July 2009
AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101	Various	AASB 2007-10 makes a number of consequential amendments to a number of accounting standards arising from the revision of AASB 101 in September 2007. The changes are largely to terminology for example changing the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements', where relevant, in Australian Accounting Standards (including Interpretations) to better align with IFRS terminology.	31 December 2009	As the changes do not affect recognition or measurement criteria, the changes are not expected to have any impact on the entity's reported financial position and performance.	1 July 2009
AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations [AASB 2]	AASB 2 Share-based Payments (June 2007)	AASB 2008-1 was issued after the AASB made changes to AASB 2 Share Based Payments including: • Clarifying that vesting conditions are service conditions and performance conditions only, and that other features of a share-based payment are not vesting conditions. • Cancellations, whether by the entity or by other parties, should be accounted for consistently.	31 December 2009	Unless the entity enters into share-based payment transactions in future reporting periods, these amendments are not expected to have any impact on the entity's financial report.	1 July 2009
AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107]	Various	AASB 2008-3 was issued after the AASB revised AASB 3 and AASB 127, as consequential amendments were necessary to other Australian Accounting Standards.	30 June 2010	See above for AASB 3 and AASB 127 information.	1 July 2009

Notes to the Financial Statements

NOTE 36: CHANGE IN ACCOUNTING POLICY (CONT'D)

New Standard	Superseeded Standard	Explanation of amendments not yet effective	Effective date (reporting periods ending on or after)	Impact of New Standard	Expected date of adoption
AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038].	Various	AASB 2008-5 makes a number of minor, but necessary amendments to different Standards arising from the annual improvements project. The amendments largely clarify accounting treatments where previous practice had varied, with some new or amended requirements introduced. The changes addressed include accounting for advertising and promotional expenditure, investment property under construction and the reclassification to inventories of property, plant and equipment previously held for rental when the assets cease to be rented and are held for sale.	31 December 2009	The changes are not expected to have any material impact on the entity's reported financial position and performance.	1 July 2009
AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]	Various	AASB 2008-6 makes further amendments arising from the annual improvements project. These amendments are made to AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary, and the requirements for all assets and liabilities of such subsidiaries to be classified as held for sale. Disclosure requirements are also clarified.	31 December 2009	As the entity does not have current plans to sell any subsidiaries, these amendments are not expected to have any impact on the entity's financial report.	1 July 2009
AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136]	Various	AASB 2008-7 makes changes to a number of accounting standards, for the purpose of reducing the burden on parent entities when complying with AASB 127 and measuring the cost of a subsidiary at acquisition in their separate financial statements in certain circumstances. The amendments are to apply only on initial application of Australian Equivalents to International Financial Reporting Standards (AASBs).	31 December 2009	As this is not the first year of adoption of IFRSs, these amendments will not have any impact on the entity's financial report.	1 July 2009
AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Noncash Assets to Owners [AASB 5 & AASB 110]	Various	AASB 2008-13 makes amendments to AASB 5 and AASB 110 resulting from the issue of Interpretation 17. The amendments relate to the classification, presentation and measurement of non-current assets held for distribution to owners and the disclosure requirements for dividends that are declared after the reporting period but before the financial statements are authorised for issue.	30 June 2010	As the entity has not declared any non-cash dividends to owners during the year, this interpretation is not expected to have any impact on the entity's financial report.	1 July 2009
AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2, AASB 138 and AASB Interpretations 9 & 16]	N/A	Makes various amendments to a number of standards and interpretations in line with the IASB annual improvements project.	30 June 2010	The changes are not expected to have any material impact on the entity's reported financial position and performance.	1 July 2009
AASB 2009-05 Further amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 118, 136, 139]	N/A	Makes various amendments to a number of standards and interpretations in line with the IASB annual improvements project.	31 December 2010	The changes are not expected to have any material impact on the entity's reported financial position and performance.	1 July 2010

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes (and remuneration disclosures that are contained in pages 7 & 8 of the Remuneration Report in the Directors Report), set out on pages 12 to 76, are in accordance with the *Corporations Act 2001* and:

   (i) Comply with the Accounting Standards and the *Corporations Regulations 2001*; and

   (ii) Give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and the Consolidated Group

2. The Chief Executive Officer and Chief Finance Officer have each declared that:

   (i) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (iii) the financial statements and notes for the financial year give a true and fair view;

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director Ananda Rajah

Dated this 30th day of September 2009

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Independent Auditor's Report
To the Members of Atos Wellness Limited

Report on the Financial Report

We were engaged to audit the accompanying financial report of Atos Wellness Limited, (the company) which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. Because of the matters discussed in the Basis for Disclaimer of Auditor's Opinion paragraphs, we were not able to complete an audit in accordance with Auditing Standards.

Independence

In conducting our audit, we complied with applicable independence requirements of the Corporations Act 2001.

Basis for Disclaimer of Auditor's Opinion

A limitation of scope of our work exists for the reasons described below:

Letchworth House Pty Ltd

Letchworth House Pty Ltd is a 100% owned subsidiary at 30 June 2009 which has been placed into voluntary administration on 9 July 2009 as the parent company, Atos Wellness Limited determined it would cease financially supporting this entity. Consequently this company no longer operates as a going concern. The results of this entity have been consolidated into the consolidated entity's results for the year ended 30 June 2009 based on management accounts. We have been unable to obtain sufficient audit evidence or conduct additional audit procedures to determine the completeness of the loss of $527,445, the recoverability of the carrying value of assets and completeness of liabilities as at 30 June 2009. In addition, we have been unable to determine whether any contingent liabilities, commitments, warranties or guarantees exist to which Atos Wellness Limited may be liable.

Atos Wellness Vienna

Atos Wellness Pte Ltd, being a 100% owned subsidiary of Atos Wellness Limited, registered and commenced a 100% owned branch, Atos Wellness Vienna on 25 March 2008. In January 2009, Atos Wellness Vienna was converted to a private limited company called Atos Wellness GmbH. The directors are of the view the legal status of Atos Wellness GmbH has not been established and therefore the results of the company for the year ended 30 June 2009 have been excluded from the consolidated results of the consolidated entity. We have not been provided with sufficient and appropriate audit evidence to verify the position taken by the directors. At 30 June 2009, Atos Wellness Pte Ltd has a loan advance to Atos Wellness GmbH of $140,608. We have been unable to obtain sufficient audit evidence as to the recoverability of this amount. As this company is unaudited, we have been unable to determine whether any liabilities, commitments, warranties or guarantees exist with regard to the operations of this company to which Atos Wellness Limited may be liable.

Medec Hong Kong Limited, Medec Systems GmbH, Medec International Pty Ltd and Medec International Management Pty Ltd

At 31 December 2008, Atos Wellness Limited divested its entire shareholding in the above entities, with the exception of Medec International Pty Ltd of which it divested of 51% of it's shareholding. As part of the management buy out of these companies, Medec International Pty Ltd will become the holding company of Medec Systems GmbH and Medec Management International Pty Ltd. Note 5, Discontinued Operations contains details concerning the results of the entities, profit that results from the disposal of these entities and details concerning this restructure. Medec Hong Kong Limited, Medec Systems GmbH and Medec Management International Pty Ltd have not been subject to an audit for this reporting period and we have been unable to conduct alternative audit procedures to conclude on whether the results for the period or the profit that results on disposal of these entities are complete. In addition, in relation to the entities not subject to an audit, we have been unable to determine whether any contingent liabilities, commitments, warranties or guarantees exist within the entities to which Atos Wellness Limited may be liable.

Atos-Sol Joint Venture

At 30 June 2009, Atos Wellness Limited owned 50% of the Atos-Sol Joint Venture. This joint venture has been placed into voluntary administration on 31 August 2009. The consolidated entity's investment in this incorporated joint venture has been written off at 30 June 2009. This joint venture has not been audited for the year ended 30 June 2009 and therefore we have been unable to determine whether any actual or contingent liabilities, commitments, warranties or guarantees exist within the Atos-Sol Joint Venture to which Atos Wellness Limited may be liable.

Bionic Care GmbH

On 21 September 2008, the company entered into a share purchase agreement with a third party to acquire a 40% shareholding in Bionic Care GmbH. We have been unable to verify the company's shareholding in Bionic Care GmbH. Included within Note 10 'Deposits' balance of $1,036,431 is an amount of $214,425 due from Bionic Care GmbH. We have been unable to determine whether this balance represents an investment in or a deposit to Bionic Care GmbH. In addition, we have also been unable to obtain sufficient audit evidence to the recoverability of this amount.

Receivables from related parties within the consolidated entity and the company

As disclosed in Note 10 to the financial statements, the consolidated entity at 30 June 2009 has non current receivables due from related parties of $5,932,650 and within the company, of $3,731,113. Australian Accounting Standard AASB 139 *Financial Instruments: Recognition and Measurement* requires financial assets to be carried at no more than their fair value. We have been unable to obtain sufficient appropriate audit evidence to support the recoverability of these amounts due from related parties and accordingly, we have been unable to determine whether the recoverable amount of these balances is at least equal to their carrying values. In the event that the carrying values of these assets exceed their recoverable amount, it would be necessary for the carrying values of these amounts from related parties and wholly owned subsidiaries to be written down to their recoverable amount.

Related Party Disclosures

Note 32 to the financial statements include the director's assessment of related party disclosures. As a result of the matters raised in the above paragraphs we are unable to satisfy ourselves as to the completeness of the disclosures on related party transactions.

Disclaimer of Auditor's Opinion

In our opinion, because of the existence of the limitation on the scope of our work, as described in the preceding paragraphs, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to and do not express an opinion as to whether the financial report of Atos Wellness Limited is in accordance with the Corporations Act 2001, including:

i giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b compliance with International Financial Reporting Standards as disclosed in Note 1.

In addition to the matters set out above in the Disclaimer of Auditor's Opinion, attention is drawn to the following matters:

Significant uncertainty regarding continuation as a going concern

We draw attention to the matters described in Note 1(ii)(c) "Going Concern" in the financial report. As there is a working capital deficiency, the ability of the consolidated entity to continue as a going concern is dependent upon the continued support of its creditors, improvement in profitability of the Singaporean based subsidiaries, the consolidated entity's ability to raise further working capital and the undertaking of support of the consolidated entity's major shareholder. These matters indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company and the consolidated entity to continue as a going concern and whether they will realise their assets, extinguish their liabilities and meet their commitments in the normal course of business and at the amounts stated in the financial report.

Significant uncertainty regarding the carrying value of intangible asset

As referred to in Note 18 to the financial statements the consolidated entity has an intangible asset with carrying values of $1,476,693. The director's have prepared value in use calculations in assessing the recoverable amounts of these assets on the basis of key estimates and assumptions as outlined in Note 1(ii)(a). There is significant risk that the estimates and assumptions may be different to actual outcomes due to changes in economic or market conditions and / or due to events beyond the control of management and hence there is significant uncertainty regarding the carrying value of intangibles within the consolidated entity.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 8 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of Atos Wellness Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

Grant Thornton (WA) Partnership

GRANT THORNTON (WA) PARTNERSHIP
Chartered Accountants

M J Hillgrove
Partner

Perth, 30 September 2009

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Ltd in respect of listed public companies only.

1. **Shareholding**

a. **Distribution of Shareholders at 31 August 2009**

Category (size of holding)	Number Ordinary Shares
1 – 1,000	2,303
1,001 – 5,000	541,063
5,001 – 10,000	554,971
10,001 – 100,000	3,571,304
100,001 – and over	184,723,220
	189,392,861

b. The number of shareholdings held in less than marketable parcels is 275 of 2,258,305 shares.

c. **20 Largest Shareholders — Ordinary Shares**

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Retnam Siva Ananda R S	71,992,187	38.01%
2.	ANZ Nom Ltd	52,697,214	27.82%
3.	Ayadurai Pathma D/O S	24,414,063	12.89%
4.	Etron PL	9,192,449	4.85%
5.	Yan Chua Kim	5,000,000	2.64%
6.	Plattner Josef Anton	2,783,333	1.47%
7.	Seng Yong Nghee	2,066,667	1.09%
8.	Midterm Entps PL	1,313,611	0.69%
9.	AH Khee	1,250,000	0.66%
10.	WC Inv PL	1,182,501	0.62%
11.	Wakabayashi Fund LLC	1,150,000	0.61%
12.	Rajah Siva Ananda A/L Retnam A/C	1,146,851	0.61%
13.	Frank Cannavo Inv PL F Cannavo Inv A/C	1,000,000	0.53%
14.	G T Getley PL Super A/C	640,715	0.34%
15.	Werner Inge	550,000	0.29%
16.	A & A Cannavo Nom PL Anthony Meats S/F	500,000	0.26%
17.	Cannavo Frank	500,000	0.26%
18.	Heber R G	500,000	0.26%
19.	HSBC Custody Nom Aust	462,419	0.24%
20.	Tulsidas Pushpa	421,906	0.22%
		178,763,916	94.36%

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

d. The names of the substantial shareholders listed in the holding company's register as at 31 August 2009 are:

	Ordinary Shares	
Shareholder	**Number**	**Percentage**
Retnam Siva Ananda R S	71,992,187	38.01%
ANZ Nom Ltd	52,697,214	27.82%
Ayadurai Pathma D/O S	24,414,063	12.89%

e. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

2. The name of the company secretary is Ian Gregory
3. The address of the principal registered office in Australia is 22 Letchworth Centre Avenue, Salter Point, Western Australia. Telephone (08) 9258 9500.
4. Registers of securities are held at the following addresses

Western Australia Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited. Stock code ATW.

6. **Unquoted Securities**

Shares subject to Escrow Period

48,828,125 fully paid ordinary shares subject to escrow until 4 August 2011.

PRINCIPLES OF GOOD COPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

The directors are focused on fulfilling their responsibilities individually, and as a Board, are committed to protecting and enhancing shareholder value and adopting best practice governance policies and practices. That involves recognition of, and need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Best Practice Recommendations -2nd Edition" established by the ASX Corporate Governance Council.

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The Company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it. At he end of this statement a table is included detailing the recommendations with which the Company does not strictly comply.

The following section addresses the Company's practices in complying with the principles.

BOARD CHARTER

The business of the Company is managed under the direction of the Board of Directors. The Board is accountable to shareholders of the Company for the performance of the Company.

The Board has primary responsibility to shareholders for the sustainability and relevance of the Company by guiding and monitoring its business and affairs.

Each Director of the Company will act in good faith in the best interests of the Company and collectively oversee and appraise the strategies, major policies, processes and performance of the company using care and diligence to ensure that the Company's long term sustainability is assured.

Directors will not misuse their position on the Board to advance personal interests nor to represent particular constituencies. Directors will not use information available to them as Board members to advance personal interests or agendas.

Directors are required to inform the board of any conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors must absent themselves from discussion or decisions on those matters.

The Company's Constitution and Australian corporation laws specify the minimum and maximum number of directors of the Company.

The Directors must elect one of their number as Chairman.

Principle 1 – Lay solid foundations for management and oversight

Role and Responsibilities of the Board

The board is the governing body of the company. The board and the company act within a statutory framework – principally the Corporations Act and also the constitution of the company. Subject to this statutory framework, the board has the authority and the responsibility to perform the functions, determine the policies and control the affairs of the Atos Wellness Limited group.

The board must ensure that Atos Wellness Limited acts in accordance with prudent commercial principles, and satisfies shareholders – consistent with maximizing the company's long term value.

The primary responsibilities of the Board include:

- Overseeing the Company, including its control and accounting systems;
- Providing input to the direction, strategies and financial objectives of the company and ensuring appropriate resources are available.
- Approving and monitoring the implementation of those policies and strategies and achievement of those financial objectives
- Ensuring the preparation of accurate financial reports and statements and approving and monitoring such financial and other reporting.
- Review and adoption of budgets for the financial performance of the Company and monitoring the results on a

regular basis to assess performance including approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- Appointing and removing the Chief Executive Officer and monitor performance of the Chief Executive Officer and ratifying the appointment and the removal of senior executives and ensuring appropriate resources are available to senior executives.
- Establish proper succession plans for management of the company
- Ensuring that the Company has implemented adequate systems of risk management and internal control, codes of conduct and legal compliance together with appropriate monitoring of compliance activities.

Role and Responsibilities of Senior Executives

The Company has established the functions reserved to senior executives. Those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance are considered to be senior executives. The functions delegated to senior executives are:

- Managing and administering the day-to-day operations of the Company
- Making recommendation to the Board on corporate strategy, risk management, internal control codes of conduct and legal compliance.
- Supervising other staff and represent them to the Board
- Exercising such specific and express powers as are delegated to them by the Board from time to time.

Evaluation of the performance of Senior Executives.

The Board monitors the performance of senior executive on an on-going basis and conducts an evaluation of the performance of senior executives as and when the Board considers appropriate. A formal evaluation of the performance of senior executives was not carried out in the financial year ended 30 June 2009.

Availability to public

The maters reserved for the Board, the matters delegated to senior executives is included in the Company's annual report which is announced to the ASX and is also available from the Company's website..

Principle 2 – Structure the board to add value

Composition of the Board

The Director's Report in the annual report contains details of the directors' skill, experience and education. The Board seeks to establish a Board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence. To maintain this, the Company's policy is that executive directors should serve at least 3 years and at the completion of the initial 3 years, the position of the director is reviewed.

The Board comprises one executive director and two non-executive directors. Details of the directors are set out in the Directors' Report.

The recommendations of best practice are that a majority of the directors and in particular the chairperson should be independent. An independent director is one who:

- is not a substantial shareholder of thee Company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the Company;
- has not within the last 3 years been employed in an executive capacity by the Company or another Group member or been a director after ceasing to hold such employment;
- *has not within the last 3 years been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with such a service provider;*
- is not a material supplier or customer of the Company or another Group member, or an officer of, or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or any other Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

Of the three (3) Board members, two (2) namely Mr. Jitto Arulampalam and Mr. Frank Cannavo met these criteria.

The other director Mr. Ananda Rajah is a substantial shareholder and the chief operating officer of the Company.

The roles of Chairman and Chief Executive Officer are exercised by different individuals, providing for clear division of responsibility at the head of the company. Their roles and responsibilities, and the division of responsibilities between them, are clearly understood and there is regular communication between them.

The performance of the Board, its committee (if any) and the individual directors is assessed on an on-going basis by the Chairman of the Board. The performance of the Chairman of the Board is assessed on an on-going basis by the Board as a whole. A formal evaluation of the performance of the Board, or of individual directors, was not carried out in the financial year ended 30 June 2009.

Nomination of Other Board Members

Membership of the Board of directors is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's businesses and its objectives. The Board does not believe that at this point in the Company's development it is necessary to appoint additional directors and consequently, the Board has not established a nomination committee.

Independent Advice

Each of the directors is entitled to seek independent advice at the Company's expense to assist them to carry out their responsibilities. However, prior approval of the Chairman is required which approval is not unreasonably withheld.

Availability to public

The Board's policy for nomination and appointment of directors is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

Principle 3 – Promote ethical and responsible decision making

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Company's affairs which comprise inter alia

- Practices necessary to maintain confidence in the Company's integrity
- Practices necessary to take into account their legal obligations and the expectations of their stakeholders;
- Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The terms of the code of conduct are:

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The Company does not contact with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Each director and senior executive is required to advise the Chairman of the Baard of any reports of unethical practices by any director, executive or employee to the Company. The Chairman of the Board will investigate the matter and report back to the Board as a whole.

Directors are required to make disclosure of any trading is securities of the Company and directors and employees are prohibited from short term or "active" trading in the Company's securities and are prohibited from dealing in the Company's securities whilst in possession of price sensitive information until it has been released to the market. That is information which a reasonable person would expect to have a material affect on the price or value of the Company's shares. It is recommended that an officer discuss the proposal to acquire or sell shares with the directors or the Company Secretary prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The undertaking of any trading in the Company's shares or options must be notified to the ASX.

Availability to public

The code of conduct and the policy for trading in the securities of the Company is included in the Company's annual report which is announced in the ASX and is also available from the Company's website.

Principle 4 – Safeguard integrity in financial reporting

No audit committee has been established. The executive director and Chief Executive Officer plays an active role in monitoring the daily affairs of the Company. Meetings are held throughout the year between the Directors and Chief Financial Officer on audit committee matters and with the Company's external auditors to discuss ongoing activities and to discuss any proposed changes prior to their implementation and to seek advice in relation thereto. As a result of the scale of operations it has not been considered necessary to form sub-committees.

Each Board member has access to the external auditor and the auditor has access to each Board member.

In the event of the resignation of external auditors, the Board will appoint a new external auditor which is subsequently ratified by shareholders in General Meeting. In all other cases an external auditor is nominated by a shareholder of the Company and is appointed by shareholders in General Meeting. An external auditor can be removed by shareholders in General Meeting. The Board does not have a policy for the rotation of external audit engagement partners.

Availability to public

The above policies and procedures are included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

Principle 5 – Make timely and balanced disclosure

The company has in place a continuous disclosure policy which aims to ensure timely compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 (Cth) and ASX Listing Rules and ensure officers and employees of the Company understand these obligations.

All directors, executives and staff are required to abide by all legal requirements, the Listing Rules of the Australian Stock Exchange and the highest standards of ethical conduct. This includes compliance with the continuous disclosure requirement of the listing rules.

The Company Secretary is the person responsible fro overseeing and co-coordinating disclosure of information to ASX s well as communicating with the ASX.

Availability to public

The above policy and procedures are included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

Principle 6 – Respect the rights of shareholders

The company has a positive communication policy to promote effective communication with shareholders and actively promote shareholder involvement in the company's Annual General Meeting.

The Board seeks to inform shareholders of all major developments affecting the Company by:

- preparing half yearly and yearly financial reports and announcing these reports to the ASX;
- preparing quarterly cash flow reports and reports as to activities and announcing these repots to the ASX;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- maintaining the Company's website and hosting all of the above on the Company's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the notice of meeting and proxy form, and

- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The Board seeks to notify all shareholders so they can be fully informed annually for the voting on the appointment of directors and so as to enable them to have discussion at the Annual General meeting with the directors and/or auditor of the Company who is invited to the Annual General Meeting. The Annual General Meeting is held each year at a convenient time and place.

Availability to public

The above policy is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

Principle 7 – Recognise and manage risk

The Board is conscious of the need to continually maintain system of risk management and controls to manage all of the assets and affairs of the Company. The Company has established a policy for the oversight of material business risks and the management of material business risks. Risk management is a process of continuous improvement that is integrated into existing practices or business processes. The terms of these risk management policies are:

- Liaise with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole.
- Define the basic parameters within which risks must be managed and set the scope for the rest of the risk management process.
- Identify the risks to be managed.
- Identify and evaluate existing controls. Determine consequences and likelihood and hence the level of risk. The analysis would consider the range of potential consequences and how these occur.
- Compare estimated levels of risk against pre-established criteria and consider the balance between potential benefits and adverse outcomes. This enables decisions to be made about the extent and nature of treatments required and about priorities.
- Develop and implement specific cost-effective strategies and action plans for increasing potential benefits and reducing potential costs. Allocate responsibilities to those best placed to address the risk and agree on target date of action.
- The Chairman and Chief Executive Officer are responsible for the implementation and maintenance of sound risk management. In carrying out this responsibility, senior managers review the adequacy of internal controls to ensure that they are operating effectively and are appropriate for achieving corporate goals and objectives.
- The Board is responsible for oversight and for providing corporate assurance or the adequacy of risk management procedures.
- Managers at all levels are to create an environment where managing risk forms the basis of all activities.

The risk management includes asset risk, operational risk, personnel health and safety risk, currency fluctuation risk, amongst others. The Company identifies and manages those risks on a case by case and overall corporate basis.

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and has require management to report to it on whether those risks are management of its material business risks.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration under section 295A of the Corporation Act is founded on an appropriate system of risk management and internal control suitable for a small company, which is operating effectively in all material respects in relation to financial reporting risks.

Availability to public

The above policy is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

Principle 8 – Remunerate Fairly and Responsibly

There is no formal remuneration committee. The functions that would have been carried out by a remuneration committee are performed as follows:

- The remuneration of executive directors and senior executives is determined by the Board as a whole.
- A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. The Board as a whole determines the remuneration of each non-executive. In determining the allocation of remuneration to each non-executive director, the Board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.
- When the Board as a whole considers the remuneration of a particular director, that director will take no part in the decision making process or discussions.
- Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a director of the Company. One third of the directors retires annually in accordance with the Constitution and is red to seek re-election by shareholders.

There are no schemes for retirement benefits other than superannuation fro non-executive directors. There is no policy on prohibiting transactions in associated products which limit the economic risk to directors and executives of participating in unvested entitlements under equity based remuneration scheme. The Company does not currently have an unvested equity based remuneration scheme.

Availability to public

The above policy is included in the Company's annual report which is announced to the ASX and is also available from the Company's website.

TABLE OF DEPARTURES AND EXPLANATIONS (FROM THE RECOMMENDATIONS OF THE ASX CORPORATE GOVERNANCE COUNCIL

"Recommendation" Ref ("Principle No" Ref followed by Recommendation Ref)	Departure	Explanation
2.4	A separate Nomination Committee has not been formed	The Board comprises three members each of who have valuable contributions to make in fulfilling the role of a nomination committee member. A director will excuse himself where there is a personal interest or conflict
4.1, 4.2 and 4.3	No formal audit committee has been established or formal charter drawn	Given the size and nature of the Company, its business interests and the ongoing level of involvement of all directors it is not considered necessary that a formal audit committee be established or a charter be drawn.
8.1	No formal remuneration committee has been established	Given the size and nature of the Company, its business interests and the ongoing level of involvement of all directors it is not considered necessary to establish a remuneration committee