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ATOS WELLNESS

Atos Wellness Limited

ABN 85 100 531 191

and

Controlled Entities

HALF-YEAR REPORT

For the period ended

31 December 2009

harmony from within
ATOS WELLNESS

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CORPORATE DIRECTORY

This report covers the consolidated entity comprising Atos Wellness Pte Ltd and controlled entities.

The presentation currency is Australian dollars.

DIRECTORS

Jitto Arulampalam Chairman

Ananda Rajah (resigned 27 November 2009)

Frank Cannavo

Johnson Teh

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.au

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

BDO Audit (WA) Pty Ltd

38 Station Street Subiaco WA 6008

BANKERS

Westpac Banking Corporation
109 St Georges Terrace
Perth WA

SOLICITORS

Prosperity Legal
Suite 2/72 Gheringhap Street
Geelong VIC 3220

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DIRECTORS' REPORT

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2009.

Directors

The names of directors who held office during or since the end of the half-year:

Jitto Arulampalam	Executive chairman
Ananda Rajah	Executive director (Resigned 27 November 2009)
Frank Cannavo	Non-executive director
Johnson Teh	Non-executive director (Appointed 21 October 2009)

Review of Operations

Growth of revenue

Revenue has decreased by 4.73% to $13,429,170 for the half-year ended 31 December 2009 from $14,095,860 for the period corresponding in the previous year.

This was due partly to a change in top management at a subsidiary Body Contours Pte Ltd where the CEO resigned. The anticipated opening of the Sands Integrated Resort in September 2009 did not occur which had a negative impact on tourist arrival expectations.

Profitability in the 1st half of 2010 Financial Year

Group profit for the current period is $522,338 compared with a profit in the prior year of $1,043,982. The profit $1,043,982 in the previous half year was due mainly to a profit of $1,373,302 from the divestment of a subsidiary.

Comment on operations

As mentioned earlier the departure of certain key management in a subsidiary has a temporary negative impact on business, these vacancies have now been filled by equally competent managers.

New ideas and innovations have been implemented and together with the long awaited opening of the two integrated resorts with a combined rooms inventory of over 2,000 rooms will augur well for the company's business.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2009.

DIRECTORS' REPORT

This report is signed in accordance with a resolution of the Board of Directors.

Director ....

Jitto Arulampalam

Dated this 3rd day of May 2010

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BDO

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

3rd May 2010

Atos Wellness Ltd
No. 1 Tannery Road
#09-01/03 One Tannery
Singapore 347719

Dear Sirs

DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF ATOS WELLNESS LTD

As lead auditor of Atos Wellness Ltd for the half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Atos Wellness Ltd and the entities it controlled during the period.

C Burton

Chris Burton
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of separate entities which are all members of BDO (Australia) Limited ACN 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Limited are members of BDO International Limited, a UK company limited by guarantee, and form a part of the international BDO network of independent member firms. Liability limited by scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

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CONSOLIDATED INCOME STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated Group	
		31.12.2009	31.12.2008
		$	$
Revenue		13,429,170	14,095,860
Changes in inventories of finished goods and work in progress		(253,888)	1,229,791
Raw materials and consumables used		(1,424,703)	(3,288,803)
Employee benefits expense		(5,798,509)	(7,084,536)
Depreciation and amortisation expense		(613,827)	(850,212)
Finance costs		(31,608)	(89,376)
Rent and occupancy costs		(2,283,979)	(2,220,303)
Selling & marketing costs		(1,116,244)	(956,266)
Bad debts		-	(2,057)
Loss on sale of fixed assets		(95,543)	-
Research costs		(40,000)	-
Other expenses		(1,028,469)	(1,314,197)
Profit/(Loss) before income tax		742,400	(480,099)
Income tax expense		(168,859)	(150,071)
Profit/(Loss) from continuing operations		573,541	(630,170)
Profit from discontinued operations		-	1,373,302
Profit for the period		573,541	743,132
(Profit)/Loss attributable to non-controlling interest		(51,203)	300,850
Profit attributable to members of the parent entity		522,338	1,043,982
Overall Operations			
Basic earnings per share (cents per share)		0.28	0.56
Diluted earnings per share (cents per share)		0.28	0.56
Continuing Operations			
Basic earnings per share (cents per share)		0.28	(0.18)
Diluted earnings per share (cents per share)		0.28	(0.18)
Discontinued Operations			
Basic earnings per share (cents per share)		-	0.74
Diluted earnings per share (cents per share)		-	0.74

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Note	Consolidated Group	
		31.12.2009	31.12.2008
		$	$
Profit for the period		573,541	743,132
Other comprehensive income			
Movement from translation of foreign controlled entities		(109,226)	936,160
Other comprehensive income for the period, net of tax		(109,226)	936,160
Total comprehensive income for the period		464,315	1,679,292
Total comprehensive income attributable to:			
Members of the parent entity		439,476	1,731,760
Non-controlling interest		24,839	(52,468)
		464,315	1,679,292

The accompanying notes form part of these financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

	Note	Consolidated Group 31.12.2009 $	Consolidated Group 30.06.2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,814,609	2,722,798
Trade and other receivables		2,144,507	2,399,993
Inventories		2,059,874	1,954,975
Current tax assets		43,758	-
Other current assets		95,671	188,043
TOTAL CURRENT ASSETS		6,158,419	7,265,809
NON-CURRENT ASSETS			
Trade and other receivables		5,965,827	5,932,650
Property, plant and equipment		981,992	1,398,388
Intangible assets		1,476,693	1,476,693
TOTAL NON-CURRENT ASSSETS		8,424,512	8,807,731
TOTAL ASSETS		14,582,931	16,073,540
CURRENT LIABILITIES			
Trade and other payables	5	6,970,677	7,609,788
Short-term financial liabilities		340,849	1,100,088
Current tax liabilities		914,362	896,037
TOTAL CURRENT LIABILITIES		8,225,888	9,605,913
NON-CURRENT LIABILITIES			
Trade and other payables		2,342,458	2,775,273
Long-term financial liabilities		254,250	425,497
Deferred tax liabilities		67,923	63,760
TOTAL NON-CURRENT LIABILITIES		2,664,631	3,264,530
TOTAL LIABILITIES		10,890,519	12,870,443
NET ASSETS		3,692,412	3,203,097
EQUITY			
Issued capital		5,198,814	5,173,814
Reserves		340,404	423,266
Accumulated losses		(2,825,843)	(3,348,181)
Parent entity interest		2,713,375	2,248,899
Non-controlling interest		979,037	954,198
TOTAL EQUITY		3,692,412	3,203,097

The accompanying notes form part of these financial statements

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ATOS WELLNESS

Interim Financial Report

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Share Capital Ordinary $	Accumulated Losses $	Foreign Currency Translation Reserve $	Non-controlling Interests $	Total $
Balance at 1.7.2008	4,776,814	(2,498,369)	211,875	869,128	3,359,448
Profit attributable to members of parent entity	-	1,043,981	-	-	1,043,981
Loss attributable to non-controlling shareholders	-	-	-	(300,850)	(300,850)
Movement for translation of foreign controlled entities	-	-	687,778	248,382	936,160
Total comprehensive income for the period	-	1,043,981	687,778	(52,468)	1,679,291
Transactions with owners in their capacity as owners					
Shares issued during the year	397,000	-	-	-	397,000
Dividends paid or provided for	-	-	-	-	-
Balance at 31.12.2008	5,173,814	(1,454,388)	899,653	816,660	5,435,739
Balance at 1.7.2009	5,173,814	(3,348,181)	423,266	954,198	3,203,097
Profit attributable to members of parent entity	-	522,338	-	-	522,338
Profit attributable to non-controlling shareholders	-	-	-	51,203	51,203
Movement for translation of foreign controlled entities	-	-	(82,862)	(26,364)	(109,226)
Total comprehensive income for the period	-	522,338	(82,862)	24,839	464,315
Transactions with owners in their capacity as owners					
Shares issued during the year	25,000	-	-	-	25,000
Dividends paid or provided for	-	-	-	-	-
Balance at 31.12.2009	5,198,814	(2,825,843)	340,404	979,037	3,692,412

The accompanying notes form part of these financial statements

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CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Consolidated Group	
	31.12.2009	31.12.2008
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	13,547,226	13,030,053
Payments to suppliers and employees	(12,141,233)	(13,547,022)
Interest received	20,265	5,189
Finance costs	(31,608)	(90,998)
Income tax (payments)/ refunds	(141,397)	18,085
Net cash provided by/(used in) operating activities	1,253,253	(584,693)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of non-current assets held for sale	38,303	2,377,894
Purchase of non-current assets	(330,929)	(951,452)
Adjustment on disposal of subsidiaries	-	(30,000)
Net overdrafts disposed on sale of subsidiaries	-	53,438
Loans (to)/from other related parties	(760,684)	260,877
Investments in associated companies	-	(133,735)
Net cash (used in)/provided by investing activities	(1,053,310)	1,577,022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	322,000
Proceeds from borrowings	-	72,458
Repayment of borrowings	(921,536)	(2,018,673)
Net cash used in financing activities	(921,536)	(1,624,215)
Net increase/(decrease) in cash held	(721,593)	(631,886)
Cash at beginning of period	2,701,036	1,668,575
Effect of foreign exchange rates	(177,647)	453,680
Cash at end of period	1,801,796	1,490,369

The accompanying notes form part of these financial statements

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NOTE 1: BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2009 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

These interim financial statements are intended to provide users with an update on the latest annual financial statements of Atos Wellness Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in these half-year financial statements as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current half-year period. Disclosures required by these Standards that are deemed material have been included in the financial statements on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the addition of a statement of comprehensive income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the statement of changes in equity; and
- other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 July 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using different measures to those used in preparing the statement of comprehensive income and statement of financial position. Reconciliations of such management information to the statutory information contained in the half-year financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash-generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets. The cash generating units are the same as the operating segments as disclosed in Note 3.

Business Combinations and Consolidation Procedures

Revised AASB 3 is applicable prospectively from 1 July 2009. Changes introduced by this Standard, or as a consequence of amendments to other Standards relating to business combinations which are expected to affect the Group, include the following:

- All business combinations, including those involving entities under common control, are accounted for by applying the acquisition method which prohibits the recognition of contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability. Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation. Changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments and are recognised through profit or loss unless the change relates to circumstances which existed at acquisition date.
- Unrecognised deferred tax assets of the acquiree may be subsequently realised within 12 months of

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NOTE 1: BASIS OF PREPARATION

acquisition date on the basis of facts and circumstances existing at acquisition date with a consequential reduction in goodwill. All other deferred tax assets subsequently recognised are accounted for through profit or loss.

- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity.

Intangible Assets – Goodwill $1,476,693 (30 June 2009: $1,476,693)

Goodwill is allocated to the Company's cash generating units ("CGUs"). The company tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. Due to the current economic environment, the Company determined that a triggering event had occurred and performed a goodwill impairment test during the period.

In accordance with AASB 136, "Impairment of Assets", the Company performed its goodwill impairment test by comparing the recoverable amount of each CGU with its carrying amount, including goodwill. The recoverable amount of a CGU was determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period including a terminal value. Management prepared the value-in-use calculations with reference to historical results and forecasts for each CGU.

The discount rate for each CGU was estimated based on the Company's weighted average cost of capital adopted for the regions and currencies in which the CGUs operate. The discount rates ranged between 9% and 10% (June 2009: 9% and 10%). The revenue growth rate for all CGU's is estimated at between 10% and 12% and cost of sales is estimated at between 20% and 25%.

As a result of the impairment review, the Company has not recognised a non-cash impairment charge as the recoverable amount of each CGU are at least equal to its carrying amount. Due to the current economic conditions in the markets in which the Company operates, the Company will continue to monitor its goodwill, indefinite-lived intangible assets and long-lived assets for possible future impairment.

NOTE 2: PROFIT FOR THE PERIOD

	Consolidated Group	
	31.12.2009	**31.12.2008**
	$	**$**
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Net gain on the disposal of investment in controlled entity	-	1,609,039

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NOTE 3: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer (the chief operating decision maker) in assessing performance and determining the allocation of resources.

These reports, which are reviewed by the CEO on at least a monthly basis, consider the business from both a geographical and product perspective.

The reportable segments are based on operating segments determined by the similarity of the nature of products, the type of customers and the methods used to dispense the various products and services.

Types of products and services by segment

The Company has identified the following reportable segments:

(i) *Spa and Beauty Aesthetics – Body Contours Group (incorporating TAC)*

This segment is responsible for the sale, marketing and supply of spa products, spa treatments including beauty and aesthetic treatments of facials, massages and slimming treatments.

(ii) *Holistic Wellness Spa – Atos Singapore Group*

This segment is responsible for the sale, marketing and supply of spa products, spa treatments including beauty using state of the art beauty equipment.

(iii) *Therapeutic Spa – Inner Harmony (formerly Inahamani)*

This segment is responsible for the sale, marketing and supply of spa products, spa treatments tailored to address individual needs using a holistic approach to ease physical concerns.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation for the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct

NOTE 3: OPERATING SEGMENTS

borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- impairment of assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities;
- intangible assets; and
- discontinuing operations.

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

(i) Segment performance

	Atos Singapore	Body Contours	Inner Harmony	Medec Systems	Consolidated Group	Discontinuing Operations
	$	$	$	$	$	$
Six months ended 31.12.2009						
Revenue						
External sales	4,102,078	6,287,732	2,161,913	-	12,551,723	-
Inter-segment sales	535,323	-	-	-	535,323	-
Other revenue	635,877	138,928	82,377	-	857,182	-
Interest revenue	3,185	17,075	-	-	20,260	-
Total segment revenue	5,276,463	6,443,735	2,244,290	-	13,964,488	-
Reconciliation of segment revenue to group revenue						
Inter-segment elimination	(535,323)	-	-	-	(535,323)	-
Total group revenue	4,741,140	6,443,735	2,244,290	-	13,429,165	-
Segment net profit before tax	250,213	392,780	206,371	-	849,364	-

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NOTE 3: OPERATING SEGMENTS

	Atos Singapore	**Body Contours**	**Inner Harmony**	**Medec Systems**	**Consolidated Group**	**Discontinuing Operations**
	$	**$**	**$**	**$**	**$**	**$**
Reconciliation of segment result to group net profit/(loss) before tax						
Unallocated items:						
• Other Income					513,679	-
• Interest Income					5	-
• Selling & Marketing					(20,000)	-
• Employee Benefits					(36,722)	-
• Other					(563,926)	-
Net profit before tax					742,400	-
Six months ended 31.12.2008	**$**	**$**	**$**	**$**	**$**	**$**
Revenue						
External sales	5,151,617	6,264,751	2,134,988	551,299	14,102,655	551,299
Inter-segment sales	354,105	-	-	-	354,105	-
Other revenue	25,208	101,997	227,342	539	355,086	539
Interest revenue	-	-	-	4,308	-	4,308
Total segment revenue	5,505,722	6,264,751	2,134,988	555,607	14,456,760	555,607
Reconciliation of segment revenue to group revenue						
Inter-segment elimination	(354,105)	-	-	-	(354,105)	-
Total group revenue	5,151,617	6,264,751	2,138,988	555,607	14,102,655	555,607
Segment net profit before tax	246,445	(83,252)	185,062	(235,737)	348,255	(235,737)
Unallocated items:						
• Revenue					-	189,076
• Profit on sale of discontinued operations					-	1,609,039
• Interest Income					881	-
• Cost of Sales					-	(71,002)
• Depreciation and amortisation					-	(10,228)
• Employee Benefits					(90,584)	(207,526)
• Other					(537,263)	(101,708)
Net profit before tax					(278,711)	1,171,914

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

(ii) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	For the six months ended 31.12.2009	For the six months ended 31.12.2008
	$	$
Australia	-	240,633
Asia	13,429,170	13,381,570
Europe	-	1,029,803
Total revenue	13,429,170	14,652,006

NOTE 4: CONTINGENT LIABILITIES

There are no contingent liabilities at 31 December 2009.

NOTE 5: TRADE AND OTHER PAYABLES

The total amount of $6,970,677 (2008: $10,558,577) includes deferred income of $1,718,447 (2008: $2,624,444) and deferred settlement of $1,240,250 (2008: $2,534,179), being the deferred consideration for the acquisition of Body Contours Pte Ltd in Singapore.

NOTE 6: RELATED PARTY TRANSACTIONS

During the half-year, the consolidated group purchased inventories from related companies associated with Mr Ananda Rajah during the period of $NIL (2008: $15,072).

During the half-year, the consolidated group sold inventories to related companies associated with Mr Ananda Rajah of $NIL (2008: $26,014).

During the half-year, the consolidated group received $3,002,223 (2008: $1,153,800) from related companies associated with Mr Ananda Rajah to assist with the group's working capital requirements and to partially repay previous loans to those related companies.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

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	Consolidated Group	
	31.12.2009 $	30.06.2009 $
NOTE 6: RELATED PARTY TRANSACTIONS (CONT'D)		
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:		
— Loans to/(from) associated companies		
- Medec International Pty Ltd	3,540,873	3,540,873
- Medec International Pty Ltd	(467,159)	(467,159)
- Medec International Management Pty Ltd	477,604	477,604
- Medec Systems GmbH	976,767	976,767
- Medec Systems GmbH	(11,194)	(12,081)
— Loans to/(from) other related companies		
- Atos Group Pte Ltd	(720,907)	(819,097)
- Atos Group Pte Ltd	174,589	188,421
- Absolute Care Sanctuary Pte Ltd	294,908	318,014
- A Quest Pte Ltd	162,276	175,132
- A Quest Pte Ltd	(63,962)	(23,349)
- Atoz Performance Pte Ltd	1,294	1,397
- Beverly Hill Pte Ltd	4,861	5,246
- Chantique Lifestyle Pte Ltd	7,163	7,730
- I Spa Pte Ltd	71,475	31,226
- Matahari Spa Pte Ltd	318,537	343,772
- Oora Pte Ltd	432,697	446,964
- Oora Sdn Bhd	3,070	3,314
- Oora International Holdings Pte Ltd	934	-
- Slimrite Pte Ltd	39,256	41,114
- The Ultimate Pte Ltd	-	53,366
- Unique Slim Care Studio Pte Ltd	327,110	309,906
- Unisense Sdn Bhd	8,134	8,779
- 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	86,271
- Medec Technologies Pte Ltd	123,431	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 6: RELATED PARTY TRANSACTIONS (CONT'D)

	Consolidated Group	
	31.12.2009	30.06.2009
	$	$
(iii) Key Management Personnel		
Loan to (from) directors of Atos Wellness Pte Ltd		
- Chua Soo Lim	(27,125)	(102,861)
- Pathma Ayadurai	(545,512)	(588,730)
- Ananda Rajah	(151,814)	(355,387)
Loan (from) director of Body Contours Pte Ltd		
- Ananda Rajah	(69,994)	(75,540)
Loan (from) director of Body Contours Wellness Spa Sdn Bhd		
- Jane Kang Yein Mei	(277,857)	(330,830)

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

On 8 February 2010, the company was placed in trading halt pending on the restructure of the business.

On 11 February 2010, the company entered voluntary suspension and the securities of the company were suspended from official quotation. An announcement will be made when the negotiations for the planned restructure of the business have been finalised.

On 15 April 2010 the directors of Atos Wellness Ltd (ATW) entered into a Shares Sale Agreement with Mr. Ananda Rajah, a major shareholder, whereby Mr. Ananda Rajah will purchase from ATW all the shares in the wholly-owned subsidiaries of Atos Wellness Pte Ltd (AWPL) and all the shares in Inner Harmony Pte Ltd(IH)

The completion date is 31 May 2010. The Share Sale Agreement is subject to the approval of the shareholders of ATW, the Australian Securities & Investments Commission and the Australian Securities Exchange.

There are no other matters or circumstances that have arisen since the end of the half-year which significantly or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the consolidated group in future financial years.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

NOTE 8: GOING CONCERN

At 31 December 2009, the Group had a net current asset deficiency of $2,067,469 (30 June 2009: $2,340,104).

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:

- The Group recorded a net profit after tax for the six months ended 31 December 2009;
- Group profit forecasts for the financial year ended 30 June 2010 and later years indicate profitability from operating divisions;
- The company has undertaken various cost cutting initiatives, restructuring of its group operations and it continues to rationalise its unprofitable activities.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 2 to 19 are in accordance with the *Corporations Act 2001*, including:
   a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and
   b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
2. 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 ______________________
Jitto Arulampalam

Dated this 3rd day of May 2010

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Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF ATOS WELLNESS LIMITED

Matters Relating to the Electronic Presentation of the Half-Year Financial Report

This auditor's report relates to the half-year financial report of Atos Wellness Limited for the period ended 31 December 2009 included on Atos Wellness Limited's web site. The disclosing entity's directors are responsible for the integrity of Atos Wellness Limited's web site. We have not been engaged to report on the integrity of Atos Wellness Limited's web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this half-year report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Atos Wellness Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. Because of the matters discussed in the 'Basis for Disclaimer of Auditor's Conclusion' paragraph, we were not able to complete our review in accordance with ASRE 2410 Review of an Interim and Other Financial Reports performed by the Independent Auditor of the Entity.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

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Basis for disclaimer of Auditor's Conclusion

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

Comparatives

The financial report of Atos Wellness Limited as at 30 June 2009 was audited by another auditor Grant Thornton (WA) partnership, whose report dated 30 September 2009 expressed a disclaimer of opinion arising from a limitation of scope on those statements. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding the comparatives.

Letchworth House Pty Ltd

Letchworth House Pty Ltd is a 100% investment at 31 December 2009 which was placed into voluntary administration on 9 July 2009 because 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 group's results for the period ended 31 December 2009 based on management accounts. We have been unable to obtain sufficient review evidence or conduct additional review procedures to determine the completeness of the loss, the recoverability of the carrying value of the assets and completeness of the liabilities for the period ended 31 December 2009. In addition, we have not been able to determine whether any contingent liabilities, commitments, warranties or guarantees exist to which Atos Wellness Limited may be liable.

Atos Wellness Vienna

Atos Wellness Pty Ltd, being 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 period ended 31 December 2009 have been excluded from the consolidated results of the consolidated entity. We have not been provided with sufficient and appropriate review evidence to verify the position taken by the directors. At 31 December 2009, Atos Wellness Pte Ltd has a loan advance to Atos Wellness GmbH of $130,553. We have been unable to obtain sufficient review evidence as 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 for 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 part of its shareholding in the above entities, with the exception of Medec International Pty Ltd of which it divested 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 Hong Kong Limited, Medec Systems GmbH and Medec Management International Pty Ltd. Medec Hong Kong Limited, Medec Systems GmbH, Medec International Pty Ltd and Medec Management International Pty Ltd have not been subject to a review for this reporting period and we have been unable to conduct alternative review procedures to conclude on whether the results for this period or the profit that results on disposal of these entities are complete. In addition, in relation to the entities not subject to a review, we have been unable to determine whether any contingent liabilities, commitments, warranties or guarantees exist within the entities for which Atos Wellness Limited may be liable.

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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 are unable to carry out the review procedures we consider necessary to verify the company's shareholding in Bionic Care GmbH for the period ended 31 December 2009.

The company's investment in Bionic Care GmbH amounted to $200,272 as at 31 December 2009 and is treated as loan advances under other receivables. We have been unable to determine whether this balance represents an investment or a receivable.

We are also unable to obtain sufficient appropriate review evidence as to the recoverability of these loan advances of $200,272 as at the balance date.

Oora International Holdings Pte Ltd

The company has a 20% shareholding in Oora International Holdings Pte Ltd. We are unable to carry out the review procedures we consider necessary to verify the company's shareholding in Oora International Holdings Pte Ltd for the period ended 31 December 2009 and we can not satisfy ourselves as to the completeness or existence of that shareholding. The financial information of Oora International Holdings Pte Ltd has been excluded from the group's results as the information was unavailable.

Atos Sol Joint Venture

At 31 December 2009, Atos Wellness Limited owned 50% of the Atos-Sol Joint Venture. This joint venture has been placed into voluntary administration in August 2009. The consolidated entity's investment in this corporate joint venture has been written off at 31 December 2009. This joint venture has not been reviewed for the period ended 31 December 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 for which Atos Wellness Limited may be liable.

Receivables from parties related to the group

The consolidated entity at 31 December 2009 has non current receivables due from related parties of $5,965,827. We have been unable to obtain sufficient appropriate review evidence to support the recoverability of these amounts due from related parties and accordingly, we have been unable to form an opinion on the recoverability of these balances.

Non-related parties loan and consultancy fees paid

The group has loans from various non-related parties amounting to $1,333,227 as at 31 December 2009. We are informed that these loans are non-interest bearing. For the six months to 31 December 2009 the company also paid these parties a total of $200,746 for consultancy fees and these were charged to marketing expenses.

We are unable to satisfy ourselves as to the nature of these marketing expenses and whether these marketing expenses should properly be classified as interest expenses.

Related party disclosures

Note 6 to the financial report includes 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 disclosure on related party transactions.

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Disclaimer of Auditor's Conclusion

Because of the existence of the limitations 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 limitations not existed, we are unable based on our review, which is not an audit, to conclude whether or not we have become aware of any matter that makes us believe that the half-year financial report of Atos Wellness Limited is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

Material Uncertainty Regarding Continuation as a Going Concern

Without expressing a conclusion, we draw attention to Note 8 in the financial report which indicates that the disclosing entity has a net current asset deficiency of $2,067,469 as at 31 December 2009 (30 June 2009 $2,340,104). This condition, along with other matters as set forth in Note 8, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability 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 to the carrying value of intangibles

Without expressing a conclusion we draw attention to Note 1 of the consolidated financial statements where the intangible assets have a carrying value of $1,476,693. The recoverability of this amount is dependent on the successful utilization of these assets and future actuality of the assumptions for their use as set out in Note 1. Should the group be unable to successfully employ these assets as planned the intangibles may be realized at a value other than that recorded in the 31 December 2009 financial statements.

BDO Audit (WA) Pty Ltd

BDO Audit

C Burton

Chris Burton
Director

Signed in Perth, Western Australia
Dated this 3rd day of May 2010