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9 March 2011

The Directors
Atos Wellness Limited
22 Letchworth Centre Avenue
SALTER POINT WA 6152

Dear Sirs

RE: ATOS WELLNESS LIMITED ("ATOS" OR "COMPANY") (ABN 85 100 531 191) MEETING OF SHAREHOLDERS PURSUANT TO SECTION 257 D(1) OF THE CORPORATIONS ACT ("TCA") AND LISTING RULE 10.10 OF THE AUSTRALIAN SECURITIES EXCHANGE LIMITED ("ASX") ON THE PROPOSAL TO SELL CERTAIN SUBSIDARIES OF ATOS AND UNDERTAKE A SELECTIVE REDUCTION IN CAPITAL.

1. Introduction

1.1 We have been requested by the Directors of Atos to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to various proposals pursuant to resolutions 5 and 6 as detailed in the Notice of Meeting to Atos shareholders (the "Notice") and the Explanatory Statement to Shareholders ("ESS") attached to the Notice planned to be mailed to shareholders in March or April 2011.

1.2 In January 2008, Atos acquired 100% of the fully paid issued capital of the Singaporean company, Atos Wellness Pte Ltd ("Atos Singapore") for the purchase price of 97,656,250 fully paid ordinary shares in Atos with a deemed fair value of $3,627,664. At the same time it acquired 100% of the shares in Atos Consumer Products Pte Ltd ("ACP"), Atos Academy Pte Ltd (formerly known as SlimLine Studio Pte Ltd) ("SlimLine"), Atos Research Centre Pte Ltd (formerly known as SlimCare Studio Pte Ltd) ("SlimCare") and Inner Harmony Pte Ltd (formally called Inahamani Pte Ltd) ("Inner Harmony") for a total of $1 each. ACP, SlimLine and SlimCare are now subsidiaries of Atos Singapore. It is now proposed ("the Proposals") that, via a Shares Sale Agreement ("SSA") dated 15 April 2010 (and subsequent Deed of Amendment of February 2011), all of the above companies that are currently subsidiaries of Atos, along with Swandale Holdings Pty Ltd,, Learange Holdings Pty Ltd, Bodycure International Pte Ltd and Eaglemaster Ltd (also all current subsidiaries of Atos) be sold. The companies to be sold are described in this report as the Sale Companies. The purchasers are to be Siva Ananda Rajah S/O Retnam ("Ananda") and Pathma D/O Sivaguru Ayadurai ("Pathma") (collectively known as the Purchasers for the purposes of this report).

The Purchasers were the original vendors when Atos acquired Atos Singapore. The consideration for the sale of all of the shares in the Sale Companies was stated as follows:

- The release and discharge by Ananda of the debt due to Ananda and known as the BC Consideration of $1,240,250 (balance of the consideration payable by Atos to Ananda pursuant to the terms of a Share Sale and Purchase Agreement dated 31 July 2006 which relates to Atos's acquisition of 51% of the issued capital of Body Contours Pte Ltd ("Body Contours");
- Ananda will secure on Completion (originally noted as 31 May 2010 or such other date as agreed between Atos and the Purchasers- this has now been extended to 31 March 2011 or some other date as agreed to between the parties)

    a. the transfer of the approximately 12% of the shares ("Pushpa BC Shares") that Pushpa Tulsidas ("Pushpa") has in Body Contours to Ananda;
    b. Pushpa's release and discharge of Atos from all rights actions and claims of whatever nature which Pushpa has, or may have against Atos in relation to a Put Option Agreement and Call Option Agreement both dated 31 July 2006 between Pushpa and Atos relating to the Pushpa BC Shares; and
    c. Pushpa's release and discharge of Atos and Ananda respectively from all rights, actions and claims of whatever nature which Pushpa has, or may have against Atos and Ananda or both in relation to the BC Shareholders' Agreement and Pushpa's confirmation that Pushpa is no longer a party to the BC Shareholders' Agreement;
- The Purchaser will cancel the 48,828,125 Escrow Shares held in Atos by Ananda at an agreed value of $200,000 (approximately 0.4096 cents per Escrow Share);
- The Purchaser will secure Atos Singapore's release and discharge of Atos from payment of the Vendors Debt to Atos Singapore. The Vendors Debt to Atos Singapore as at 31 December 2010 is the amount of S$1,153,676 (approximately $900,000 using the 4 March 2011 exchange rate of approximately A$1 = S$1.2814) owed by Atos to Atos Singapore;
- The Purchaser will secure Inner Harmony's release and discharge of Atos from payment of the Vendors Debt to Inner Harmony as at 31 December 2010. The Vendors Debt to Inner Harmony is the amount of S$335,802 (approximately $262,000) owed by Atos to Inner Harmony;
- The Purchaser will pay Atos $500,000 payable as follows;
    a. $50,000 within 3 days of signing the SSA as a deposit
    b. $100,000 within 3 days of receipt by the Purchaser of Atos's Solicitors Certificate as a further deposit; and
    c. $350,000 payable in seven (7) equal monthly instalments commencing on the Completion Date as defined in the SAA (31 May 2010 or such other date as agreed between Atos and the Purchasers - this has been extended to 31 March 2011);

To date, Atos has received $100,000 and another $100,000 was satisfied by payments made on behalf of Atos by Ananda. The remaining $300,000 will be paid at the rate of $50,000 per month over a six month period following shareholder approval.

1.3 The effects of the Proposals under resolutions 5 and 6 are that:

(a) Atos will retain ownership of all other subsidiaries (other than the Sale Companies);
(b) The Sale Companies, (including equipment, stock and employee contracts), shall be acquired by the Purchasers;
(c) As part consideration for the transaction, Atos shall cancel 48,828,125 Atos Escrow Shares owned by the Purchasers at a deemed value of $200,000; and
(d) The release of debts payable by the Atos Group of approximately S$6,715,000 (approximately $5,240,000) (based on 31 December 2010 unaudited consolidated balance sheet of the Atos Singapore Group).

Atos acquired Atos Singapore and its subsidiaries in late January 2008. This acquisition has not delivered the full financial rewards expected and Atos has serious financial difficulties partly due to the global financial crisis of 2008 and early 2009 and as a result the Board of Atos has elected to divest the Sale Companies to relieve debt and concentrate on the other existing businesses of the Atos Group (subject to our comments elsewhere in this report).

1.4 Resolution 6 refers to the above Proposal, seeking shareholders approval to cancel the 48,828,125 Escrow Shares held by the Purchasers (held by Ananda only) and resolution 5 refers to the proposal to sell the Sale Companies to the Purchasers. Both resolutions are interdependent on each other and in effect cannot be looked on in isolation.

1.5 Under Section 257A of the TCA, a company may reduce its share capital if the reduction is:

(a) fair and reasonable to the Company's shareholders as a whole; and
(b) does not materially prejudice the Company's ability to pay its creditors; and
(c) is approved by shareholders under Section 247D(1).

Under the TCA, the proposal to cancel 48,828,125 Escrow Shares is deemed a selective capital reduction and the shareholders approval is required pursuant to section 257D(1)

1.6 In determining the fairness and reasonableness of the Proposals under resolutions 5 and 6, we have had regard for the definitions set out by the Australian Securities and Investments Commission (“ASIC”) in its Regulatory Guide 111, “Content of Expert Reports”. Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of “fairness” is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. An offer is “reasonable” if it is fair. An offer may also be reasonable, if despite not being ”fair”, there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer.

1.7 The shareholders involved in the selective capital reduction are as follows:

	No. of Shares in Atos
Ananda	48,828,125
Pathma	-
Total number of Escrow Shares	48,828,125
Deemed consideration as per the SAA	$200,000

Both Ananda and Pathma were the vendors of Atos Singapore in January 2008. When Atos Singapore was acquired, the deemed value of the 97,656,250 Atos Shares issued as consideration was at approximately 3.71 cents per share for a total deemed value using reverse acquisition accounting principles of $3,627,664. Ananda received 73,242,187 ordinary Atos Shares (48,828,125 escrowed until 4 August 2011 and is the subject of the cancellation under resolution 6 and known as the Escrow Shares) and Pathma received 24,414,063 ordinary Atos Shares.

1.8 The Proposals under resolutions 5 and 6 relates to transactions with a director of Atos (Ananda) and substantial shareholders of Atos (the Purchasers being Ananda and Pathma). ASX Listing Rule 10.1 requires a company to obtain shareholders approval for the disposal of a substantial asset from or to a related party. Listing Rule 10.10.2 requires a report from an independent expert to report as to whether the transactions are fair and reasonable to holders of the entities ordinary securities whose votes are not to be disregarded. The sale of the Sale Companies (in particular Atos Singapore) is deemed to be the sale of a substantial asset.

1.9 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or
(b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company approved by Resolution passed at a general meeting at which no votes were cast in favour of the Resolution by the acquirer or the disposer or their respective associates. An independent expert is required to report on the fairness and reasonableness of the transaction pursuant to a Section 611 (Item 7) meeting.

1.10 The Company has requested Stantons International Pty Ltd (trading as Stantons International Securities) to prepare an Independent Expert’s Report to determine whether the Proposals outlined in resolutions 5 and 6 and are fair and reasonable to the shareholders of Atos (non-associated shareholders and the shareholders participating in the selective capital reduction) and the Proposals under resolution 6 do not materially prejudice the Company in its ability to pay its creditors.

1.11 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the Proposals
- Corporate history and nature of business of the Atos Group
- Future direction of Atos
- Basis of valuation of Atos Shares
- Consideration as to fairness and reasonableness (incorporating values attributable to the Sale Companies) of the cancellation of the Escrow Shares
- Conclusion as to fairness and reasonableness on the cancellation of the Escrow Shares
- Sources of information
- Appendix A and Financial Services Guide

1.12 **In our opinion, the Proposals as outlined in resolutions 5 and 6 are, in the absence of a more superior proposal, on balance, fair and reasonable to the shareholders of Atos not associated with the Purchasers who are also participating in the selective capital reduction and that the selective capital reduction is fair and reasonable to Atos.** Furthermore, the Proposals do not materially prejudice the Company's ability to pay its creditors, although it is noticed that the Company is in financial difficulties and has some issues surrounding the ability to meet its debts as and when they fall due.

The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

1.13 There are four other resolutions being put to the shareholders of Atos. We are not reporting on the merits or otherwise of the other resolutions (resolutions 1 to 4) included in the Notice.

2. Implications of the Proposals

2.1 As at 8 March 2011, the number of ordinary shares on issue in Atos totals 190,642,861 of which 141,814,736 shares are listed on ASX and 48,828,125 Escrow Shares (the subject of the proposed cancellation under resolution 6) are escrowed (not available to be traded) until 4 August 2011 and as at 31 December 2010 the top 6 shareholders are disclosed as follows:

	Existing Significant Shareholders	Significant Shareholders (after consummation of resolutions 5 and 6) (Atos Singapore Sale)
Ananda	71,992,187	23,164,062
J P Morgan Nominees Australia Ltd	52,368,214	52,368,214
Pathma	24,414,063	24,414,063
Etron Pty Ltd	9,192,449	9,192,449
HSBC Custody Nominees	5,457,419	5,457,419

Anton Joseph Plattner	2,783,333	2,783,333
	166,207,665	117,379,540

Ananda's shareholding interest will reduce from approximately 37.76% to approximately 16.33% following the completion of the Proposals under resolutions 5 and 6. Pathma's shareholding interest will increase from approximately 12.81% to approximately 17.22% following the completion of the Proposals. Currently the combined shareholdings' of the Purchasers is approximately 50.57% and this will reduce to approximately 33.55% post the completion of the Proposals. The top 20 shareholders as at 31 December 2010 hold approximately 96.85% of the issued capital of Atos. This will reduce to approximately 95.76% after the cancellation of the 48,828,125 Escrow Shares currently held by Ananda.

2.2 The Sale Companies are to be sold by Atos to the Purchasers for the Considerations noted in paragraph 1.2 above.

2.3 Atos shall retain ownership of all other subsidiaries, including an indirect interest in Medec Systems GMBH (other than the Sale Companies as Body Contours was sold in 2010) on Completion of the Atos Singapore sale and concentrate on the other existing businesses of the Atos Group, including its bioresonance systems. Under a share sale and purchase agreement between Atos and Chua Shu Yu ("Chua"), Chua acquired the 51% shareholding interest Atos held in Body Contours for the consideration of:

- S$900,000 in cash ($714,000); and
- Assignment of the BC Debt (an amount of S$2,445,000 owed by Atos to Body Contours) from Atos to Chua.

2.4 As part consideration for the Proposals, Atos shall cancel 48,828,125 Escrow Shares currently held by the Purchasers (Ananda only) at a deemed value of $200,000 and the number of shares on issue post completion of the Proposals will reduce to 141,814,736 (and all will continue to be listed and freely tradable on ASX).

2.5 The current Board of Directors of Atos is comprised of Josef Plattner, Lloyd Halvorson and Mark Leong. Jitto Arulampalam, Frank Cannavo and Johnson resigned from the Board in January 2011. If resolutions 5 and 6 are passed and consummated, it is not contemplated to change the Board in the immediate future but may change in the event that new businesses are acquired. It is noted that Messrs Ananda and Pathma are the directors of Atos Singapore and its subsidiaries and Inner Harmony.

2.6 The pro-forma consolidated statement of financial position (Pro-forma A) post the consummation of the sale of the Sale Companies will be as noted in paragraph 5.4.1 below. Intercompany debts of S$1,153,676 (approximately $900,000) and S$335,802 (approximately $262,000) will not be payable by Atos to Atos Singapore and Inner Harmony respectively. Currently such debts eliminate on consolidation. The Company over a seven month period was to receive $500,000 as noted in paragraph 1.2 above and to date $200,000 has been received under the agreement. The balance of $300,000 will be paid at the rate of $50,000 per month (that is over a six month period).

3. Corporate History and Nature of Business

Atos Group

3.1 The Company has been in the businesses of the manufacture of healthcare products, distribution and marketing of healthcare products, operation of franchise distribution systems and healthcare and wellness centres. In January 2008 it expanded significantly the operations of healthcare and wellness centres via the acquisition of Atos Singapore, ACP, SlimLine, SlimCare and Inner Harmony as note in paragraph 1.2. Shareholders approved the acquisition of Atos Singapore in January 2008 following the release of a notice of meeting accompanied by an independent expert's report that concluded that the acquisition was considered fair and reasonable. This conclusion was based primarily on past profits that were earned by Atos Singapore in the years ended 30 June 2005 to 30 June 2007. Unfortunately, partly due to the global financial crisis of 2008 and early 2009, forecasted revenues and profits did not occur and this has put a strain on the Atos Group's finances (although the Atos Singapore Group discloses an unaudited profit for the six months to 31 December 2009 of S$313,480 (6 months ended 31 December 2008 S$304,624) and Inner Harmony discloses an unaudited profit for the six months to 31 December 2009 of S$247,458 (6 months ended 31 December 2008 S$170,022)). For the year ended 30 June 2010, the Atos Singapore Group disclosed an unaudited profit of S$576,415 and for the six months ended 31 December 2010 the Atos Singapore Group disclosed an unaudited loss of S$221,307 (A$174,919 loss).

3.2 Atos is listed on the ASX. For the years ended 30 June 2008, 2009 and 2010, the Company has recorded consolidated operating losses of approximately $2,783,000, $850,000 and $261,000 respectively on total turnover of approximately $17,112,000, $27,420,000 and $23,706,000 respectively. Turnover and operating losses were affected by the acquisition of Atos Singapore from January 2008 and the sale and purchase of various other companies and businesses in 2008 and 2009.

4. Future Directions of Atos

4.1 We have been advised by the directors and management of Atos that post approval of the sale of the Sale Companies and selective capital reduction as envisaged in resolutions 5 and 6 that:

- there are no proposals currently contemplated either whereby Atos will acquire other property or assets from the Purchasers or where Atos would transfer any of its other property or assets to the Purchasers;
- the composition of the Board is not expected to change in the immediate future but well may further change if any new additional significant acquisition is undertaken;
- the Company proposes to complete the Proposals as noted under resolutions 5 and 6 and section 1.2 of this report;
- no dividend policy has been set and it is not proposed to be set until such time as the Company is profitable and has a positive cash flow; and
- the Company will, after the sale of the Sale Companies seek further new business opportunities. Discussions are being held with various parties.

5. Basis of Valuation of Atos Shares

5.1 Shares

5.1.1 In considering the proposals outlined in resolutions 5 and 6, we have sought to determine if the consideration payable by the Purchasers that includes the cancellation of 48,828,125 Atos Escrow Shares is fair and reasonable to the existing non-associated shareholders of Atos and Atos in general.

5.1.2 The proposal pursuant to resolutions 5 and 6 would be fair to the existing non-associated shareholders if the value of the assets being sold (the shares in the Sale Companies) by Atos is greater than the implicit value of the Consideration to be received that includes the 48,828,125 Escrow Shares being cancelled as part consideration. Accordingly, we have sought to determine a value that could reasonably be placed on Atos shares for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining a theoretical value of an Atos share are:

- Capitalise maintainable earnings/discounted cash flow;
- Takeover bid - the price at which an alternative acquirer might be willing to offer;
- Adjusted net backing and windup value; and
- The average market price of Atos shares.

5.2 Capitalise maintainable earnings and discounted cash flows.

5.2.1 To 30 June 2010, Atos has not been profitable and in the year ended 30 June 2010 had an overall negative cash flow of approximately $1.659 million. Accumulated losses (unaudited) as at 30 June 2010 total approximately $21.963 million for Atos and for the Atos Group the accumulated losses total approximately $3.608 million (less due to the accounting of the acquisition of Atos Singapore in January 2008 using reverse acquisition accounting principles). We do not believe it relevant or suitable for the purposes of this report to attempt to assess a "technical" value of an Atos share based on discounting future cash flows for the reasons outlined above.

5.3 Takeover Bid

5.3.1 It is possible that a potential bidder for Atos could purchase all or part of the existing shares, however no certainty can be attached to this occurrence.

5.3.2 To our knowledge, there are no current bids in the market place and the directors of Atos have formed the view that there is unlikely to be any takeover bids made for Atos in the immediate future. It is noted that the Purchasers combined shareholding in Atos approximates 50.57% but this will reduce to approximately 33.55% on completion of the Proposals as outlined above.

5.4 Net Asset Backing

5.4.1 We set out below an unaudited consolidated Statement of Financial Position of the Atos Group (including the Sale Companies) as at 31 December 2010. We also disclose the unaudited pro-forma consolidated Statement of Financial Position A of the Atos Group immediately following the sale of the Sale Companies using the unaudited 31 December 2010 Atos Group figures and ignoring any losses or profits post 31 December 2010 but assuming a receivable of $300,000 payable at $50,000 per month.

	Atos Consolidated 31 December 2010 (un-audited) $'000's	**Pro-Forma A Atos Consolidated 31 December 2010 (un-audited) $'000's**
Current Assets		
Cash and cash equivalents	1,042	686
Trade and other receivables	1,230	50
Inventories	1,368	-
Other current assets	-	-
	3,640	736
Non Current Assets		
Trade and other receivables	5,498	3,534
Plant or equipment	414	-
Intangible - Technology	978	-
Deferred taxation	2	-
	6,892	3,534
Total Assets	10,532	4,270
Current Liabilities		
Trade and other payables	3,469	172
Related parties	1,128	-
Deferred income	565	-
Financial liabilities	66	-
Other loans	1,240	-
Current tax liabilities	598	-
	7,066	172
Non Current Liabilities		
Financial liabilities	47	-
Trade payables	-	28
Deferred tax liabilities	13	9
	60	37
Total Liabilities	7,126	209
Net Assets	3,406	4,061
Equity		
Issued capital	5,199	20,639
Reserves	197	339
Accumulated losses	(1,990)	(16,917)
Net Equity	3,406	4,061

5.4.2 Based on the 31 December 2010 book values, this equates to a value per fully paid ordinary share (190,642,861 shares currently on issue) of approximately 1.78 cents (ignoring the value, if any, of non-booked tax benefits). The directors of Atos in finalising the 30 June 2009 financial statements considered the past operating results, the current financial position of the Company and other issues and considered that the intangibles had a reduced value. The intangibles relating to goodwill on consolidation are disclosed at approximately $1.476 million as a result of impairing goodwill on consolidation by $1.484 million (in 2008 approximately $0.871 million was impaired) and adjusting goodwill based on an adjustment to deferred settlements of approximately $0.978 million. Once the Escrow Shares are cancelled and the deconsolidation of the Sale Companies occur, the carrying value of the intangibles will be disclosed in Atos's consolidated books at approximately $nil. On a post de-consolidation basis, the net assets using the unaudited 31 December 2010 figures would approximate $4,061,000 and the value per share (141,814,736 shares would then be on issue) would approximate 2.86 cents. The working capital using 31 December 2010 unaudited figures would alter from a deficiency in working capital of approximately $3,426,000 to a positive working capital of approximately $564,000.

5.4.3 No detailed review was made by us on the assets and liabilities disclosed in the consolidated statement of financial position as at 31 December 2010. We have been assured by the management of Atos that they believe the carrying value of all current assets, fixed assets, intangibles, investments and liabilities at 31 December 2010 are fair and not materially misstated.

5.4.4 No independent valuations have been prepared on the intangibles and other assets of Atos and its subsidiaries, as we do not consider it necessary to obtain an independent valuation of such assets for the purposes of this report. We note that the market has been informed of all of the current projects and joint ventures entered into between Atos and other parties by releasing various statements and notices to the ASX. We also note it is not the present intention of the directors of Atos to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. However, it is noted that from a parent and group point of view, as at 31 December 2010 current liabilities exceed current assets (Group approximately $3,426,000) and thus it is assumed that the Atos Group (and parent company, Atos) is in serious financial difficulty. A major capital raising would prove very difficult in the current market and circumstances of Atos and in the absence of a capital raising or a restructure of the Atos Group as envisaged under the Proposals, it well may be required to call in Administrators if losses continued. The shareholders, existing and future, must acquire shares in Atos based on the market perceptions of what the market considers an Atos share to be worth. We also note that up to the date of suspension in trading of the Company's shares on ASX on 11 February 2010 (released from suspension on 12 August 2010 but suspended again on 1 October 2010) there was an orderly market for Atos shares (albeit on reasonably low turnover) and the market has been kept fully informed of the activities of the Company. For accounting purposes, the consideration for the cancellation of Atos Escrow Shares will either be booked at market value or the perceived technical value (approximately 1.46 cents) or deemed value of 2 cents (as the trades in Atos shares prior to suspension were very low). However there have been no trades in Atos shares since 14 January 2010 (last sale at 1.8 cents) to 12 August 2010 and the shares in Atos on lifting of the suspension may trade significantly below the last sale price of 1.8 cents. There has been only 1 trade of 100,000 shares on 13 August 2010 at 2 cents, 3 trades of 387,500 shares at 1.3 cents in September 2010 and the last trade before re-suspension on 1 October 2010 was 24,000 shares at 1.2 cents on 28 September 2010. The shares in the period from April 2009 to 14 January 2010 traded on low volumes at between 1.2 cents and 2.0 cents. Accordingly, for the reasons outlined above, we believe that for the purpose of this report, it may be appropriate to use the technical asset backing or deemed value of an Atos ordinary share in assessing whether the Proposals pursuant to resolutions 5 and 6 are fair and reasonable.

5.5 Market Price of Atos fully paid shares

5.5.1 Refer to our comments in paragraph 5.4.4 above relating to share trades in Atos prior to suspension in trades on 11 February 2010 and trading 13 August 2010 to 28 September 2010. It should be noted that all shares were tradeable (prior to the voluntarily suspension) except for the 48,828,125 Escrow Shares that are escrowed and held by the purchasers.

5.5.2 The future value of an Atos share will depend upon, inter alia:

- The future profitability, if any, of the Atos Group
- New ventures entered into by Atos post the implementation of the Proposals outlined in section 1.2;
- The state of Australian and overseas stock markets;
- Membership and quality of the Board and its management;
- General economic and environmental conditions; and
- Liquidity of shares in Atos.

5.5.3 In the event that the Company could not continue its business activities, the fair value of an Atos share may be lower than the market value of the Company's shares traded on ASX prior to suspension. As discussed, in the absence of the Proposals, a significant capital raising, (that is difficult in the current circumstances), or some other commercial restructure, there is the possibility that Atos could go into voluntary Administration. It is clear that this is not the intention of the current Board of Atos and as noted in this report and in the Explanatory Statement, the Company is planning to divest itself of the Sale Companies and concentrate on acquiring new business opportunities.

6. Considerations as to Fairness and Reasonableness

Proposals re Sale Companies and cancellation of Escrow Shares

6.1 Atos Singapore was acquired in January 2008 at the booked cost of $3,627,664. At 30 June 2008, the investment was written down by the directors of Atos to approximately $608,000. Notwithstanding upside potential, the forecasted revenues of the Atos Singapore Group for 2008 and 2009 did not eventuate although moderate profits have been made.

6.2 Outlined below are the Atos Singapore consolidated results for the years ended 30 June 2008, 2009 and 2010 and the 6 months ended 31 December 2010 (unaudited).

	Year ended 30 June 2008 S$000's	Year ended 30 June 2009 S$000's	Year ended 30 June 2010 S$000’s	6 months ended 31 December 2010 S$000’s
Revenue	5,802	9,756	9,788	2,084
Cost of sales and operative expenses	(5,680)	(10,294)	(9,321)	(2,399)
Profit for period before tax	122	(538)	467	(315)
Income tax	(172)	(50)	(93)	44
Profit after tax	50	(588)	374	(270)

The unaudited results of Atos Singapore for the year ended 30 June 2010 is after charging S$1,210,000 management fees to Inner Harmony (year ended 30 June 2009 S$750,000).

The unaudited statement of financial position of the Atos Singapore Group as at 31 December 2010 discloses current assets of S$7,393,354 and current liabilities of S$7,635,061 for a deficiency in working capital of S$241,707 (approximately $185,000). Non current assets total S$332,499 and non current liabilities total S$nil. The 31 December 2010 net assets are disclosed at S$90,472 (approximately $70,000). After allowing for goodwill on consolidation (A$233,463) the net assets are disclosed at A$303,073). The current assets mainly comprise of inventories of S$1,528,072, receivables of S$1,390,793 and cash of S$640,781. Receivables include trade receivables S$128,791, other receivables S$982,687, deposits S$235,176, and prepayments of S$44,139. The audit review report relating to the accounts to 31 December 2009 discloses that S$164,511 relates to an amount owing by Atos Wellness Vienna branch that has not been consolidated and S$257,363 relating to a proposed 40% investment in Bionic Care GmbH. There may be doubt on recoverability of such receivables/investments and also doubt on recoverability of inter-company and related party receivables and this matter was referred to in the audit review report dated 20 April 2010. Non current receivables include an amount owing from Atos and amounts owing from other related parties in all totalling S$4,474,489. Current liabilities include S$3,627,792 for accounts payable and accruals, S$ 807,762 owing to directors, S$474,674 for deferred income, S$847,728 for bank liabilities, S$57,985 for hire purchase liabilities, S$1,819,120 owing to related parties and S$847,728 for tax liabilities. It can be seen that the current liquidity position is very poor and the ability to continue to trade is dependent on the support of other Atos Group companies, the support of directors (Ananda and Pathma) and creditors in general.

6.3 Outlined below are the Inner Harmony results for the years ended 30 June 2008, 2009 and 2010 and the 6 months ended 31 December 2010 (unaudited).

	Year ended 30 June 2008 S$000's	Year ended 30 June 2009 S$000's	Year ended 30 June 2010 S$000's	6 months ended 31 December 2010 S$000's
Revenue	5,415	4,734	4,966	983
Cost of sales and operative expenses	(5,209)	(4,582)	(4,607)	(882)
Profit for period before tax	206	152	359	101
Income tax/benefit	(27)	(1)	(49)	17
Profit after tax	179	151	310	118

The unaudited results of Inner Harmony for the year ended 30 June 2010 is after being charged S$1,210,000 management fees by the Atos Singapore Group.

The unaudited statement of financial position of Inner Harmony as at 31 December 2010 discloses current assets of S$1,877,445 and current liabilities of S$661,866 for a surplus working capital of S$1,215,579 (approximately $930,000). Non current assets total S$201,487 that includes plant at S$112,594. The 31 December 2010 net assets are disclosed at S$1,406,257 (approximately $1,076,000). The current assets mainly comprise of inventories of S$237,697, receivables of S$240,700 and cash of S$191,117. Receivables include trade receivables S$19,605, other receivables S$99,040, deposits S$119,372, and prepayments of S$2,683. Other current receivables include S$335,802 owing from Atos and S$872,129 owing from other related companies. There may be doubt on recoverability of inter-company and related party receivables and this matter was referred to in the audit review report on the half year accounts to 31 December 2009, dated 20 April 2010. Current liabilities include S$336,630 for accounts payable, accruals and owing to directors, S$263,821 for deferred income and S$61,415 for hire purchase liabilities. It can be seen that the current liquidity position is poor, although better than Atos Singapore and the ability to continue to trade is dependent on the support of other Atos Group companies and creditors in general.

6.4 The Atos Group is forecasting net loss after tax for the Atos Singapore Group and Inner Harmony of around S$353,000 (approximately $290,000) (Atos Singapore, a loss of approximately S$398,000) and Inner Harmony a profit of approximately S$45,000) for the year ended 30 June 2011. Using the last three profits/losses before tax (to 30 June 2010) and the forecasted loss before tax to 30 June 2011 the average profit after tax would approximate S$103,750 ($81,000). Using a 3 to 5 times profit multiple (that takes into account risk), the perceived value of the Atos Singapore/Inner Harmony Group could lie in the range of $243,000 to $405,000. This compares with the combined net assets of the Atos Singapore Group and Inner Harmony (the Sale Companies) as at 31 December 2010 total S$1,497,000 (approximately $1,145,000). If we excluded the pre-tax loss forecast for the year ended 30 June 2011, the average profit after tax would be $220,000 and the values may fall in the range of $660,000 to $1,100,000. It is uncertain as to whether pre tax loss forecasts will be met and over the past few years the forecasts have not been achieved and from time to time Atos Singapore loses money (as is forecasted for 2010/11). Thus we conclude that based on past and forecasted profits before tax, the current estimated fair value of the Sale Companies may lie in the range of $243,000 to $405,000. However, as stated the Sale Companies are forecasted to lose money in 2010/201 and this has a detrimental affect on the finances of the Atos Group. Furthermore based on information provided to us there is some doubt as to the collectability of some receivables due to the Sale Companies and on a liquidation basis, it would be expected that the realisable value of the Sale Companies assets would realise less than book values.

6.5 Since acquiring Atos Singapore in January 2008, due to continuing losses of Atos as a parent entity and other subsidiaries that do not form part of the Sale Companies, the cash position has deteriorated to a low level. Atos directors did manage to raise minor funds in 2009 however they have now informed us that they can no longer raise significant cash funds by way of share issues on reasonable terms (a price that would not lead to a significant issue of new shares) to continue to commercialise the businesses of the Atos Group. Thus, the Atos directors agreed to divest the Atos Singapore Group and the other Sale Companies as envisaged in section 1.2 of this report.

Unless there was a dramatic turnaround in the Atos Group business (to profitability), the Atos Group could be forced into some form of Administration without the Proposals being consummated as outlined in resolutions 5 and 6. As noted above, Atos directors cannot raise further outside equity on terms that are commercially reasonable to the Company. However, the Purchasers consider that there is still some upside potential to Atos Singapore and Inner Harmony and are willing to fund such companies and the other Sale Companies post the completion of the Proposals. The other Sale Companies are minor in nature and have no significant value. Most have ceased effective operations and former operations are mainly conducted via Atos Singapore or Inner Harmony.

6.6 The unaudited pro-forma consolidated Statement of Financial Position of the Atos Group immediately following the sale of the Sale Companies using the unaudited 31 December 2010 Atos Group figures and ignoring any losses or profits post 31 December 2010 is disclosed in the Statement of Financial Position A in paragraph 5.4.1 of this report. The number of shares on issue post the completion of the Proposals would be reduced by 48,828,125 (the Escrow Shares, the subject of resolution 6) to 141,814,736. The net asset backing per share post Completion of the Proposals would equate to 2.86 cents compared to approximately 1.78 cents pre de-consolidation.

6.7 The Purchasers consider that they can turn around the Sale Companies (concentrating on Atos Singapore, Inner Harmony, ACP, SlimLine and SlimCare) and that they will be profitable in the future and if this eventuates, Atos will not benefit from the profitability.

6.8 If the Proposals proceed, Atos and the remaining subsidiaries will be in a far better position to be able to meet their debts as and when they fall due (as at 31 December 2010, the current liabilities of the Atos Group exceed current assets by approximately $3,426,000). However, the Company may need to consider acquiring further businesses in order to obtain an improved share price and financially survive. There will be a working capital surplus of around $564,000 taking into account the $300,000 due to be paid to Atos as part of the sale of the Sale Companies and the Proposals generally. This is insufficient and a new capital raising will need to occur in 2011.

6.9 The deemed consideration of the 48,828,125 Escrow Shares to be cancelled as part of the Consideration noted in paragraph 1.2 is $200,000 (cancellation at an agreed value of approximately 0.41 cents each). However, the possible fair value of an Atos share to be cancelled approximates 1.78 cents (being the net book asset backing per share as noted above) and the pre 11 February 2010 suspension market value (based on ASX prices) approximates 1.2 cents to 1.8 cents. Thus, the possible fair consideration for the cancellation of the 48,828,125 Escrow Shares is in the possible range of approximately $586,000 to $879,000. There has been one sale of Atos shares on 13 August 2010 after the lifting of the suspension in trading on 12 August 2010 at 2 cents each and several trades at 1.3 cents and a last sale before re-suspension of 1.2 cents. All ranges of consideration, including the $300,000 cash to be paid compare favourably with any perceived value of assets given up (shares in the Sale Companies) to the Purchasers.

6.10 The deconsolidation of the Sale Companies has the effect of elimination of debt payable by the Atos Group post the completion and consummation of the Proposals of approximately $2,140,250. This is made up of:

- $1,240,250 of the BC Consideration payable to Ananda as noted in paragraph 1.2 above;

- S$1,153,176 (approximately $900,000) owing to Atos Singapore and S$335,802 (approximately $262,000) owing to Inner Harmony as at 31 December 2010. These debts are not external debts normally on consolidation as they are eliminated on consolidation as Atos Singapore and Inner Harmony would disclose the same amounts as receivables from Atos. However, on sale of the shares in Atos Singapore and Inner Harmony, such debts will not be payable. By cancelling such debts, the perceived value of Atos Singapore and Inner Harmony arguably reduce as the receivables would no longer be receivable and this would affect their cash flows.

The net assets of the Atos Group that as at 31 December 2010 approximated $3,406,000 would increase to approximately $4,061,000 on completion of the de-consolidation of Atos Singapore and Inner Harmony and the cancellation of the Cancellation Shares. This assumes that all of the $300,000 would be received as part of the consideration payable by the Purchasers as noted in paragraph 1.2 above. The above compares with our current assessed value of the Atos Singapore Group (including Inner Harmony) of between $243,000 and $405,000 and arguably falling in value as time goes by.

6.11 The cancellation of the 48,828,125 Escrow Shares does not affect the financial viability of the Atos Group (other than incurring cash costs estimated at up to $50,000 in relation to the consummation of the Proposals).

6.12 The Company was to receive a total of $500,000 payable over a period of 7 months as noted in paragraph 1.2 above. To date $100,000 has been received in cash, $100,000 has been paid by Ananda to meet costs of Atos and $300,000 will be paid in $50,000 instalments over a six month term. The receipt of this remaining cash will assist in alleviating the poor cash position of the Atos Group. There is some risk however that the Purchasers will default on payment of some of the monies payable to Atos.

6.13 Pushpa's releases and discharges Atos from all rights actions and claims of whatever nature which Pushpa has, or may have against Atos in relation to a Put Option Agreement and Call Option Agreement both dated 31 July 2006 between Pushpa and Atos relating to the Pushpa BC Shares and Pushpa releases and discharges Atos and Ananda respectively from all rights, actions and claims of whatever nature which Pushpa has, or may have against Atos and Ananda or both in relation to the BC Shareholders' Agreement and Pushpa's confirmation that Pushpa is no longer a party to the BC Shareholders' Agreement.

6.14 The Company will post divestiture of the Sale Companies and cancellation of the Escrow Shares will be able to seek new business opportunities that may provide better opportunities to earn profits and provide an improved cash flow.

Other Factors and Information

6.15 There will be a significant non-associated shareholding in Atos after the passing of resolutions the subject of the Notice.

7. Conclusion as to Fairness and Reasonableness

7.1 Taking into account all factors noted above, it is our opinion that the Proposals under resolutions 5 and 6 are, in the absence of more superior offers or Atos raising further cash by way of share issues to alleviate debt concerns, on balance, **fair and reasonable to the shareholders of Atos not associated with the Purchasers** who are also participating in the selective capital reduction, are fair and reasonable to the Company as a whole and the Proposals do not materially prejudice the Company's ability to pay its creditors.

8. Sources of Information

8.1 In making our assessment as to whether the proposals under resolutions 5 and 6 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company (including the Sale Companies) that is relevant to the current circumstances. In addition, we have held discussions with the management of Atos about the present and future operations of Atos. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Atos.

8.2 Information we have received includes, but is not limited to:

- Drafts of Notice of General Meeting of Shareholders of Atos and draft Explanatory Memorandum To Shareholders prepared to 8 March 2011;
- Discussions with management and directors of Atos and the Australian solicitors for Atos;
- Details of historical market trading of Atos ordinary fully paid shares recorded by ASX to 11 February 2010 (last sale was on 18 January 2010) and from 13 August 2010 to 30 September 2010 (last sale on 28 September 2010);
- Shareholding details of Atos as supplied by the company’s share registry as at 31 December 2010;
- Un-audited management accounts of Atos and the Sale Companies and the Atos Group for the six months ended 31 December 2009, the year ended 30 June 2010 and the six months ended 31 December 2010;
- Un-audited management accounts of the Sale Companies for the years ended 30 June 2008, 30 June 2009 and 30 June 2010;
- Audited accounts of the Atos Group for the years ended 30 June 2008, 30 June 2009 and 30 June 2010;
- Announcements made by Atos to the ASX from 1 January 2007 to 8 March 2011;
- Website of Atos and information from such site;
- SAA between Atos and the Purchasers dated 15 April 2010;
- Budgeted cash flows and forecasted financials for Atos from 1 July 2010 to 30 June 2011 prepared by Atos management;
- Put Option Agreement and Call Option Agreement both dated 31 July 2006;
- The BC Shareholders’ Agreement dated 31 July 2006;
- A share sale and purchase agreement between Atos and Chua on the sale of the investment in Body Contours; and

- Correspondence between Atos's solicitors (on behalf of Atos) and ASX on the proposed share buyback and cancellation, the sale of the Sale Companies and the sale of the investment in Body Contours.

8.3 Our report includes Appendix A attached to this report.

Yours faithfully
STANTONS INTERNATIONAL SECURITIES

J P Van Dieren
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 9 March 2011, relating to the sale of the Sale Companies and selective reduction in capital as outlined in paragraphs 1.2 and 1.0 of the report and resolutions 5 and 6 in the Notice of Meeting to Shareholders proposed to be distributed to Atos shareholders in March 2011 or April 2011.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the Proposals. There are no relationships with Atos or the Purchasers other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transactions detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at $25,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Atos. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the directors of Stantons International Pty Ltd are the directors of Stantons International Securities and Stantons International Securities has an affiliation with Stantons International Audit and Consulting Pty Ltd, a company that provided audit and management services. Stantons International Securities has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered. The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Atos in order to assist the shareholders of Atos to assess the merits or otherwise of the Proposals to sell the shares in the Sale Companies for the Consideration outlined in paragraph 1.2 of the report including the cancellation of 48,828,125 Escrow Shares as outlined in resolutions 5 and 6 and the Explanatory Statement to which this report relates. This report has been prepared for the benefit of Atos's shareholders and does not provide a general expression of Stantons International Securities opinion as to the longer term value of Atos its assets, its subsidiaries and their businesses. Stantons International Securities does not imply, and it should not be construed, that is has carried out any form of audit on the accounting or other records of Atos, its subsidiaries that include the Sale Companies. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities and Stantons International Pty Ltd, their directors, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Atos and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Atos has agreed:

(a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd) to recover any loss or damage which Atos may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Atos; and

(b) To indemnify Stantons International Securities (and Stantons International Pty Ltd) against any claim arising (wholly or in part) from Atos or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Atos or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Atos directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

Stantons International Pty Ltd trading as
Stantons International Securities
ABN 41 103 088 697
AFS Licence No. 319600

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FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL PTY LTD
(Trading as Stantons International Securities)
Dated 9 March 2011

1. Stantons International Securities ACN 103 O88 697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is a division of Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Pty Ltd and/or Stantons International Audit and Consulting Pty Ltd (that provides audit, corporate and management advisory services).

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints Resolution

- Internal complaints Resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

- Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.