ANNUAL REPORT

ATOS 2010

Atos Wellness Limited

ABN 85 100 531 191

and

Controlled Entities

2010

ANNUAL FINANCIAL REPORT

INDEX

CORPORATE INFORMATION

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

The presentation currency is Australian dollars.

DIRECTORS

Josef A Plattner Chairman

Lloyd A Halvorson

Mark Leong

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 6005

BANKERS

Westpac Banking Corporation
109 St Georges Terrace
Perth WA

National Australia Bank Ltd
West Perth WA

SOLICITORS

Prosperity Legal
Suite 2/72 Gheringhap Street,
Geelong VIC 3220

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2010.

Directors

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

Jitto Arulampalam – Executive Chairman (Resigned 14.1.20111)

Ananda Rajah – Executive Director and CEO (Resigned 27 November 2009 as director)

Frank Cannavo – Non-Executive Director (Resigned 14.1.2011)

Johnson Chong Sian Teh (Appointed on 20 October 2009, Resigned 14.1.2011)

Josef A Plattner – Chairman (Appointed 14.1.2011)

Lloyd A Halvorson – Non-Executive Director (Appointed 14.1.2011)

Mark Leong – Non-Executive Director (Appointed 14.1.2011)

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

Company Secretary

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

Ian Gregory — Bachelor of Business, FCIS, F FIN, MAICD. Ian was appointed as Company Secretary of Atos Wellness Ltd on 12 December 2007. He has over 28 years experience in the provision of company secretarial and business administration services in a variety of industries, including exploration, mining, mineral processing, oil and gas, banking, insurance and aquaculture. Ian is a consulting Company Secretary and provides services to a number of listed and private companies.

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

Ian is a Past Chairman of the Western Australian Branch Council of the Institute of Chartered Secretaries and Administrators.

Principal Activities

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

- distribution and marketing of health care products;
- operation of franchise distribution system
- operation of total health care & wellness centres

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

- During the last financial year, Medec Australia Pty Ltd was disposed, following a management buy-out.

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

Operating Results

The consolidated loss of the consolidated group after providing for income tax and eliminating non-controlling equity interests amounted to a loss of $260,155 (2009: loss of $849,812).

Dividends Paid or Recommended

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

Review of Operations

The results for the year ended 30 June 2010 include the operations from:

- Atos Wellness Limited was the legal parent entity for the full financial year. Due to the reverse acquisition in the previous year, the company was accounted for as a subsidiary of Atos Wellness Pte Ltd from 1 January 2008. Accordingly, the results of Atos Wellness Limited and its legal subsidiaries prior to 1 January 2008 are not reflected in the previous year's consolidated results.
- Atos Wellness Pte Ltd.
- Body Contours Pte Ltd.
- Atos Consumer Products Pte Ltd, Atos Research Centre Pte Ltd (formerly known as Slimcare Studio Pte Ltd), Atos Academy Pte Ltd (formerly known as Slimline Studio Pte Ltd) and Inner Harmony Pte Ltd (formerly known as Inahamani Pte Ltd).

The beginning of the financial year was challenging due to the departure of certain top management staff and the delayed opening of the much anticipated Sands Casino Integrated Resort. The Singapore economy however, grew steadily and peaked during the third quarter of the financial year. This has a positive impact on our Singapore based spa business where revenue grew in the range of 10% ~ 15% on quarter. However, the closure of a number of other spa businesses towards the end of the third quarter dampened the customers' sentiments and had a negative impact on our business.

Preemptive steps were taken in the form of setting up a Spa Alliance where participating members of the Spa Industry came together to offer rescue plans to stranded customers by offering their services to these customers without payment during off peak hours. Members of the Spa Alliance were also in constant dialogue with Consumer Association of Singapore and resulted in the emergence of Spa Accreditation program to rate the services and the creditability of the companies operating in the Spa Industry in addition to setting the basic standards to be maintained. Such measures were warmly welcome by the general Spa going customers and our Group achieved a marginal growth in our revenue between 2~5% for Atos Group and 10~13% for BC Group. However, due to the strengthening of the Australian dollar against Singapore dollar of 13% over 2009, the turnover as reported this year turned out to be lower than reported last year.

With the completion of the divestment of the loss making subsidiaries in Germany, the Group managed to incur a lower loss of $260,155 compared to last financial year of $849,812. The improved bottomline was brought about partly through the government subsidy on Job Credit Scheme implemented to boost the economy as well as continuous implementation of cost reduction measures to bring the Group results back to black.

The long term outlook in Singapore remains good as the economy is projected to grow by as much as 15 per cent as forecasted by the Ministry of Trade and Industry, much higher than its earlier estimates released in early 2010 of 7~ 9%. With the economy on the road of recovery from the previous year downturn, customers will have money to spend which will see our Group achieving further growth in revenue and net profit for next financial year.

Significant Changes in State of Affairs

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

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

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

iii. The Financing Facility Agreement with Mr. Lim Teow Beng, a Singaporean Financier, for the provision of an advance of $300,000 the loan was fully repaid during the financial year.

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

v. On 8 February 2010, the company obtained a trading halt pending the finalization of negotiations for a planned restricting of the business, subject to the approval of Company's shareholders in general meeting. On 11 February 2010, the Company placed its shares in voluntary suspension as negotiations for the planned restructuring of the business were still in progress. The voluntary suspension was lifted and reinstatement to official quotation on ASX was on 12 August 2010.

vi. On 10 May 2010, the Company announced that an agreement to sell several of its operating subsidiaries comprising Atos Wellness Pte Ltd and its Controlled Entities, Inner Harmony Pte Ltd, Swandale and several dormant companies to the Company's major shareholders, Mr. Ananda Rajah and Ms Pathma Ayadurai. The sale was estimated at AUD4.17 million and is subject to regulatory and Company's shareholders' approval at the General Meeting.

vii. The Company was also in discussion with Calzada Ltd (ASX: CZD) on a possible agreement under which Calzada will vend its wholly-owned subsidiary, Metabolic Pharmaceuticals Pty Ltd together with all intellectual property associated with Metabolic's drug development assets into the Company. This discussion has been terminated as announced by the Company on 21 September 2010 due to results arising from the due diligence.

viii The Board will act diligently and cut the cost to the bare minimum during this interim period and continues its divestment of Atos Singapore Group. The Board is currently in confidential negotiation with several parties in health related business and will give an update when the discussion moves into the advanced stage.

After Balance Date Events

On 30 July 2010, the Company announced the signing of an agreement with Calzada Ltd (ASX: CZD) under which Calzada will invest AUD$500,000 and vend its wholly-owned subsidiary Metabolic Pharmaceuticals Pty Ltd together with certain intellectual property assets by the issue of shares and options in which Calzada will emerge with a shareholding of 50% in the Company upon the completion of the transaction. On 21 September 2010, the company announced that the termination of Metabolic Transaction.

On 12 August 2010, the Company entered into an agreement with a private Singapore investor on the sale of its 51% interest in Body Contours Pte Ltd. This transaction was completed on 17 September 2010 for a value approximating AUD2.66 million of which AUD714,000 were received in cash and the balance of the consideration were settled by way of release and discharge of various debts owing by the Company to Body Contours Pte Ltd amounting to an estimate of AUD2.45 million.

Future Developments, Prospects and Business Strategies

As mentioned in sections under "Significant Changes in State of Affairs" and "After Balance Date Events" above, the Company has embarked on a significant restructuring of its business.

This can be summarised as follows:

1. The sale of Atos Wellness Pte Ltd and its Controlled Entities, Inner Harmony Pte Ltd, Swandale Holdings Pty Ltd, Learange Holdings Pty Ltd, Bodycure International Ltd and Eaglemaster Ltd . (hereinafter referred to Atos Singapore Transaction);
2. The sale of the Company's 51% interest in Body Contours Pte Ltd (hereinafter referred to as BC Transaction); and
3. The proposed acquisition of an Australian based entity which is involved in a related and viable business.

Environmental Issues

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

Information on Directors

Jitto Arulampalam	—	**Non-Executive Chairman (Resigned 14 January 2011)**
Qualifications	—	Bachelor of Business in Accounting, member of AICD
Experience	—	Jitto Arulampalam has held senior management positions with Westpac Banking Corporation where he assisted several companies as a change agent to turn around performance to profitability. In 2006, he was appointed as the CEO of Newsnet to assist in its successful restructuring, resulting in a lucrative trade sale. He established Grindlays Capital in early 2008 as a boutique corporate advisory firm to provide growth solutions for small to medium size companies. He has a Bachelor of Business in Accounting and is a member of the Australian Institute of Company Directors. Jitto is company secretary for ASX listed company Medic Vision Ltd.
Interest in Shares and Options	—	None
Directorships held in other listed entities	—	Motopia Ltd (formerly Medic Vision Ltd), Fortis Mining Ltd.

Ananda Rajah	—	**Director and Chief Executive Officer** (Resigned as Director on 27 November 2009)
Qualifications	—	Bachelor of Medicinal Chemistry (hons) at Northwest London University
Experience	—	Mr Ananda Rajah studied Medicinal Chemistry at the University of Northwest London from 1979 – 1983 and graduated with an honours degree. In 1984 he started Atos which grew over the last 25 years to become the Atos group including Body Contours which he founded in 1997, Atos Wellness Pte Ltd and Inahamani Pte Ltd with a combined staff of more than 350 employees.
Interest in Shares and Options	—	73,139,038 Ordinary Shares in Atos Wellness Limited
Directorships held in other listed entities	—	None

DIRECTORS' REPORT

Frank Cannavo	—	**Non-Executive Director** (Resigned 14 January 2011)
Qualifications	—	AICD
Experience	—	Frank Cannavo is a businessman with interests in the medical services, investment and mining industries. He currently serves as chairman and non-executive director of ASX listed company Medic Vision Ltd, which specialises in the deployment of medical and surgical skills training utilising advanced simulation technology.
Interest in Shares and Options	—	1,363,060 Ordinary Shares in Atos Wellness Limited
Directorships held in other listed entities	—	Motopia Ltd (formerly Medic Vision Ltd)
Johnson Chong Sian Teh	—	**Non-Executive Director** (Appointed 20 October 2009 Resigned 14 January 2011)
Qualifications	—	Bachelor of Commerce from University of New South Wales and is an associate member with Institute of Certified Fraud Examiners, USA
Experience	—	Johnson Teh has extensive business and investment experience in a wide range of commercial, oil & gas and real estate activities as well as experience in private equity, investment banking and corporate advisory. He has participated in initial public offerings, corporate restructuring, mergers and acquisitions, equity fund raising, equity-linked financing in Greater China and Asia. He also has experience in forensic accounting advisory work in Asia Pacific where he specialised in fraud investigations and money launderings.
Interest in Shares and Options	—	3,300,000 Ordinary Shares in Atos Wellness Ltd.
Directorships held in other listed entities	—	None
Josef A Plattner	—	**Executive Chairman** (Appointed 14 January 2011)
Qualifications	—	Degree in Engineering (Honours) Ministry of Education, Austria, Studied In Paracelsus Institute of Germany and a graduate of RMIT Certificate in Wellness.
Experience	—	Josef A Plattner is the founder and a director of MEDEC which provides Products and services for the wellness industry in Australia, Europe and Asia. He was the former chairman and CEO of Medec Ltd before the name was changed to Atos Wellness Ltd through a reverse take-over. He is also a developer, promoter and lecturer for Energy Medicine and has written several books and publication about Energy Medicine.
Interest in Shares and Options	—	9,192,449 shares in Atos Wellness Ltd.
Directorships held in other listed entities	—	None
Lloyd A Halvorson	—	**Non-Executive Director** (Appointed 14 January 2011)
Qualifications	—	Fellow of CPA Australia and Fellow of Chartered Secretaries Australia
Experience	—	Lloyd Halvorson has extensive experience in public listed companies in industry mining, and petroleum resource sectors in Australia, Canada, USA, Kazakhstan and Hong Kong. Mr. Halvorson was company secretary of Atos Wellness Ltd (formerly Medec Ltd) from 2003 to 2007 and has held positions of director, vice President, company secretary,,chief financial officer and financial controller. His Experience includes corporate secretarial, corporate takeovers and restructures, Capital raisings, project feasibility studies, treasury and regulatory compliance.
Interest in Shares and Options	—	151,000 shares in Atos Wellness Ltd
Directorships held in other listed entities	—	None

Mark Leong	**----**	**Non-Executive Director** (Appointed 14 January 2011)
Qualifications	----	Fellow of Association of Chartered Certified Accountants and CPA (Singapore)
Experience	**----**	Mark Leong is an experienced professional with management roles in various Industries including manufacturing, corporate finance advisory, funds raising and offshore oil & gas support services. He has held senior roles in several public listed companies adn was formerly an auditor with an international firm of auditors in Singapore. He is currently the deputy CEO of a Singapore spa and wellness group Body Contours Pte Ltd.
Interest in Shares and Options	----	540,000 shares in Atos Wellness Ltd
Directorship in other listed entities	----	None

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each key management person of Atos Wellness Limited, and for the executives receiving the highest remuneration. This report has been audited in accordance with S308(c) of the Corporation Act.

Remuneration policy

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

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

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

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

The employment contract of the current CEO, Mr Ananda Rajah, includes provision for the issue of options subject to meeting minimum performance criteria and shareholder approval. The performance clause provides for the issue of 3 million options at various prices subject to achieving a profit target of $2 million EBITDA for the year ended 30 June 2010. No options have been issued pursuant to this clause as the performance target was not achieved for the year ended 30 June 2010 for the reasons outlined in the review of operations.

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

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

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

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

Service contracts

The Group has entered into service contracts with each key management persons, excluding the chief executive officer and company secretary that are capable of termination on 1 month's notice. The Group retains the right to terminate the contract immediately by making payment equal to one month's pay in lieu of notice. The key management personnel are also entitled to receive on termination of employment their entitlements of accrued annual and long service leave, together with any equivalent of superannuation benefits.

The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year.

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

Key Management Persons	Position
Jitto Arulampalam	Chairman (appointed 16 January 2009)
Ananda Rajah	Chief Executive Officer / Executive Director (resigned 27 November 2009)
Johnson Chong Sian Teh	Non-executive Director (appointed 20 October 2009)
Frank Cannavo	Non-executive Director (appointed 16 January 2009)
Pushpa Tulsidas	Managing Director – Body Contours Pte Ltd (resigned 31 July 2009)
Pathma Ayadurai	Director – Atos Wellness Pte Ltd
Pauline Wee Tyng Lin	General Manager – Body Contours Pte Ltd
Richard Chow	Financial Controller of Body Contours Pte Ltd

Key Management Personnel Remuneration

2010

Key Management Person	Short-term Benefits			Post-employment Benefits	Share-based Payment		Total	Performance Related
	Directors Fees	Salary and commission	Non-cash benefits	Super-annuation	Equity	Options	Total	
	$	$	$	$	$	$	$	%
J Arulampalam	39,996	-	-	3,600	-	-	43,596	-
F Cannavo	30,000	-	-	2,700	-	-	32,700	-
Johnson Chong Sian, Teh	20,196						20,196	-
A.Rajah,	241,935	-		-	-	-	241,935	-
P Tulsidas#	-	28,082	100,029	527	-	-	128,638	-
P Ayadurai	-	72,580	-	2,288	-	-	74,868	-
P Wee	-	136,006	-	6,740	-	-	142,746	-
Richard Chow	-	47,581	-	1,295	-	-	48,876	-
	332,127	284,249	100,029	17,150	-	-	733,555	-

\# Resigned on 31 July 2010

DIRECTORS' REPORT

Key Management Personnel Remuneration
2009

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

This is the end of the audited remuneration report.

Meetings of Directors

During the financial year, 5 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Jitto Arulampalam	5	5
Frank Cannavo	5	5
Ananda Rajah	3	3
Johnson Chong Sian Teh	2	2

Indemnifying Officers or Auditor

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

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

Options

At the date of this report, there were nil unissued shares under options (2009: Nil).

DIRECTORS' REPORT

Proceedings on Behalf of Company

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

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

Non-audit Services

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

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

There were no fees for non-audit services paid / payable to the external auditor during the year ended 30 June 2010

Auditor's Independence Declaration

The lead auditor's independence declaration as required under section 307C of the Corporation Act 2001 for the year ended 30 June 2010 has been received and can be found on page 11.

Auditor

BDO Audit (WA) Pty continues in office in accordance with Section 327 of the Corporation Act 2001.

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

Josef A Plattner, Chairman

Dated this 10TH day of February 2011

BDO

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

10th February 2011

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

Dear Sirs,

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

As lead auditor of Atos Wellness Limited for the year ended 30 June 2010, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

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

C Burton

Chris Burton
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

STATEMENTS OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $ Restated*	Parent Entity 2010 $	Parent Entity 2009 $
Revenue	2	12,582,467	13,029,096	448	2,891
Other income	2	422,731	165,191	221,294	881,432
Changes in inventories of finished goods and work in progress		180,118	31,990	-	-
Raw materials and consumables used		(1,129,370)	(1,337,341)	-	-
Employee benefits expense		(6,550,985)	(6,689,099)	(202,166)	(217,201)
Depreciation and amortisation expense		(625,508)	(844,030)	-	-
Finance costs		(45,853)	(1,694)	(117,009)	-
Credit card merchant fees		(424,246)	(411,924)	-	-
Consultancy fees		(188,147)	(45,817)	(35,676)	-
Communication expenses		(67,779)	(66,493)	(8,284)	(9,292)
Insurance		(44,072)	(60,308)	(24,578)	(26,128)
Utilities		(260,378)	(200,450)	-	-
Bad debts written off	3#	(50,399)	-	-	-
Impairment of goodwill		-	(17,001)	-	-
Impairment of receivables	3#	(11,282)	(183)	-	(3,215,112)
Rent and occupancy costs		(2,288,566)	(2,689,114)	(10,800)	(21,900)
Royalties		2,863	-	2,863	(65,000)
Selling & marketing		(527,421)	(1,250,711)	(20,000)	(107,000)
Foreign currency translation loss		-	(326,389)	-	(324,929)
Loss on disposal of investments in controlled entities		-	-	(1,664)	(308,628)
Share of net loss of joint venture entities	13	-	(90,108)	-	(90,108)
Administrative expenses		(425,249)	(88,776)	(357,395)	(27,057)
Other expenses		(1,155,085)	(339,060)	(324,229)	(161,093)
Loss before income tax	3	(606,161)	(1,232,221)	(877,196)	(3,689,125)
Income tax (expense) / benefit	4	(15,249)	(149,594)	-	-
Loss from continuing operations		(621,410)	(1,381,815)	(877,196)	(3,689,125)
Profit from discontinued operations	5	238,510	501,791	-	-
Loss for the year		(382,900)	(880,024)	(877,196)	(3,689,125)
Loss is attributable to:					
Owners of Atos Wellness Limited		(260,155)	(849,812)	(877,196)	(3,689,125)
Non-controlling interests		(122,745)	(30,212)	-	-
		(382,900)	(880,024)	(877,196)	(3,689,125)

* See discontinued operation – Note 5

\# Disclosed in Note 3 as Bad and doubtful debt – continued operations as an aggregate amount of $61,681 for year ended 30 June 2010

STATEMENTS OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $ Restated	Parent Entity 2010 $	Parent Entity 2009 $
Loss for the year		**(382,900)**	**(880,024)**	**(877,196)**	**(3,689,125)**
Other comprehensive income					
Exchange differences on translation of foreign operations		(48,271)	326,673	-	-
Total other comprehensive income		(48,271)	326,673	-	-
Total comprehensive income		**(431,171)**	**(553,351)**	**(877,196)**	**(3,689,125)**
Total comprehensive income for the year is attributable to:					
Owners of Atos Wellness Limited		(281,183)	(638,421)	(877,196)	(3,689,125)
Non-controlling interests		(149,988)	85,070	-	-
		(431,171)	(553,351)	(877,196)	(3,689,125)
Comprehensive income for the year					
Basic and diluted loss per share (cents per share)	8	(0.13)	(0.45)		
Loss from continuing operations					
Basic and diluted loss per share (cents per share)	8	(0.26)	(0.72)		
Profit from Discontinued Operations					
Basic and diluted earnings per share (cents per share)	8	0.13	0.27		

* See discontinued operation – Note 5

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	9	530,242	2,722,798	37,057	90,024
Trade and other receivables	10	1,150,495	2,399,993	10,158	31,285
Inventories	11	407,747	1,954,975	-	-
Other current assets	18	122,866	188,043	52,234	20,000
Assets classified as held for sale	12	6,879,055	-	-	-
TOTAL CURRENT ASSETS		9,090,405	7,265,809	99,449	141,309
Trade and other receivables	10	3,538,738	5,932,650	3,534,873	3,731,113
Investments accounted for using the equity method	13	-	-	-	-
Financial assets	15	-	-	608,261	608,261
Property, plant and equipment	16	781,445	1,398,388	-	-
Goodwill	17	381,851	1,476,693	-	-
TOTAL NON-CURRENT ASSETS		4,702,034	8,807,731	4,143,134	4,339,374
TOTAL ASSETS		13,792,439	16,073,540	4,242,583	4,480,683
LIABILITIES					
Trade and other payables	19	3,104,232	7,609,788	1,405,621	1,742,220
Financial liabilities	20	256,511	1,100,088	-	622,174
Current tax liabilities	21	24,549	896,037	-	-
Liabilities classified as held for sale	12	6,546,308	-	-	-
TOTAL CURRENT LIABILITIES		9,931,600	9,605,913	1,405,621	2,364,394
Trade and other payables	19	811,418	2,775,273	3,612,278	2,039,409
Financial liabilities	20	205,457	425,497	-	-
Deferred tax liabilities	21	47,038	63,760	9,557	9,557
TOTAL NON-CURRENT LIABILITIES		1,063,913	3,264,530	3,621,835	2,048,966
TOTAL LIABILITIES		10,995,513	12,870,443	5,027,456	4,413,360
NET ASSETS / (LIABILITIES)		2,796,926	3,203,097	(784,873)	67,323
EQUITY					
Contributed equity	22	5,198,814	5,173,814	20,839,490	20,814,490
Reserves		402,237	423,266	339,005	339,005
Accumulated losses		(3,608,335)	(3,348,181)	(21,963,368)	(21,086,172)
Total equity attributable to equity holders of the Company		1,992,716	2,248,899	(784,873)	67,323
Non – controlling interest	24	804,210	954,198	-	-
TOTAL EQUITY / (DEFICIT)		2,796,926	3,203,097	(784,873)	67,323

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2010

	Contributed equity $	Accumulated Losses $	Foreign Currency Translation $	Non-controlling Interest $	Total $
Consolidated Group					
Balance at 1 July 2008	4,776,814	(2,498,369)	211,875	869,128	3,359,448
Total comprehensive income for the year	-	(849,812)	211,391	85,070	(553,351)
Shares issued during the year	397,000	-	-	-	397,000
Sub-total	5,173,814	(3,348,181)	423,266	954,198	3,203,097
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2009	5,173,814	(3,348,181)	423,266	954,198	3,203,097
Total comprehensive income for the year	-	(260,155)	(21,028)	(149,988)	(431,171)
Shares issued during the year	25,000	-	-	-	25,000
Sub-total	5,198,814	(3,608,336)	402,238	804,210	2,796,926
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2010	5,198,814	(3,608,336)	402,238	804,210	2,796,926

The above statements of changes in equity should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2010

	Share Capital Ordinary $	Accumulated Losses $	Option Reserve[+] $	Total $
Parent Entity				
Balance at 1 July 2008	20,417,490	(17,397,047)	339,005	3,359,448
Total comprehensive income for the year	-	(3,689,125)	-	(3,689,125)
Shares issued during the year	397,000	-	-	397,000
Balance at 30 June 2009	20,814,490	(21,086,172)	339,005	67,323
Total comprehensive income for the year	-	(877,196)	-	(877,196)
Shares issued during the year	25,000	-	-	25,000
Balance at 30 June 2010	20,839,490	(21,963,368)	339,005	(784,873)

\+ On 31 January 2008, the parent entity acquired 100% of the legal subsidiary Atos Wellness Pte Ltd but this acquisition has been accounted for as a reverse acquisition. This has resulted in the statement of changes in equity under consolidated group reflecting the equity of Atos Wellness Pte Ltd.

The above statements of changes in equity should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
Cash Flows From Operating Activities					
Receipts from customers		23,606,986	26,572,408	-	-
Payments to suppliers and employees		(23,278,487)	(27,642,846)	(464,170)	(778,910)
Interest received		1,121	43,332	7	1,126
Interest paid		(100,641)	(66,455)	(23,327)	-
Income tax paid		(265,124)	(410,891)	-	-
Net cash from (used in) operating activities	28a	(36,145)	(1,504,452)	(487,490)	(777,784)
Cash flows from Investing Activities					
Proceeds from sale of plant and equipment		58,809	2,396,322	-	-
Purchase of property, plant and equipment		(1,048,525)	(717,605)	-	-
Adjustment on disposal of subsidiaries	28b	-	(30,000)	-	(30,000)
Loans (to)/from controlled entities		-	-	1,056,697	(93,118)
Loans (to)/from other related parties		330,696	2,179,559	-	-
Disposal of subsidiaries		-	2	-	-
Net overdrafts disposed on sale of subsidiaries		-	51,756	-	-
Net cash flows (used in) / provided by investing activities		(659,020)	3,880,034	1,056,697	(123,118)
Cash flows from Financing Activities					
Repayment of borrowings		(1,100,217)	(2,661,124)	(622,174)	-
Proceeds from borrowings		182,240	1,266,250	-	622,174
Proceeds from share issues		-	322,000	-	322,000
Net cash flows (used in) / from financing activities		(917,977)	(1,072,874)	(622,174)	944,174
Net increase/(decrease) in cash held		(1,613,142)	1,302,708	(52,967)	43,272
Effect of foreign exchange rates		(121,164)	(270,247)	-	(9,326)
Cash at beginning of financial period		2,701,036	1,668,575	90,024	56,078
Cash at end of financial period	9	966,730	2,701,036	37,057	90,024

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report was authorised for issue on 14 January 2011.

Basis of Preparation

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*.

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

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

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

a. **Principles of Consolidation**

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

A list of controlled entities is contained in Note 15 to the financial statements.

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

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

Non-controlling interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the consolidated Statement of Financial Position and in the consolidated Statement of Comprehensive income.

Investments in subsidiaries are carried at cost less impairment losses.

(i) *Business Combinations*

Change in accounting policy

The Group has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

(i) *Business Combinations (cont'd)*

Change in accounting policy (cont'd)

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes in to considerations potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interest issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-exisiting relationships between the Group and the acquire, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Share-based payment awards

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

(ii) *Subsidiaries*

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

In the Company's financial statements, investments in subsidiaries are carried at costs.

(iii) *Investments in associates and jointly controlled entities (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

(iii) *Investments in associates and jointly controlled entities (equity accounted investees) (cont'd)*

Investment in associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that the significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent the Group has an obligation or has made payments on behalf of the investee.

In the Company's financial statements, investments in associates are classified as available-for-sale financial assets.

In the Company's financial statements, investments in jointly controlled entities are carried at cost.

b. **Income Tax**

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

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

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

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

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

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

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

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

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

Tax Consolidation

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

c. **Inventories**

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

d. **Property, Plant and Equipment**

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

Plant and equipment

Plant and equipment are measured on the cost basis.

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

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

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

Depreciation

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

e. **Leases**

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

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

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

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

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

f. **Financial Instruments**

Recognition and Initial Measurement

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

Financial instruments are initially measured at fair value plus transactions costs.

Classification and Subsequent Measurement

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

Amortised cost is calculated as:

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

b. less principal repayments;

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

d. less any reduction for impairment.

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

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

i. *Financial liabilities*

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

ii. *Loans and receivables*

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

Fair Value

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

Impairment

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. Assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating unit). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Derecognition

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

g. **Impairment of Assets**

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

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

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

h. **Investments in Associates**

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

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i. **Interests in Joint Ventures**

The consolidated group's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. The parent entity's interests in joint venture entities are brought to account using the cost method. Details of the consolidated group's interests are shown at Note 13.

j **Goodwill**

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

k. **Foreign Currency Transactions and Balances**

Functional and presentation currency

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

Transaction and balances

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

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

Group companies

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

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

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the Statement of Financial Position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

Employee Benefits

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

Equity-settled compensation

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

l. Provisions

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

m. Cash and Cash Equivalents

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

n. Revenue and Other Income

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

Sale of goods and services

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

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

Interest

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

Dividends

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

Rental income

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

Government Grants

Job Credit Scheme

Cash grants received from the Singapore government in relation to the Jobs Credit Scheme are recognised as income upon receipt.

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

o. **Borrowing Costs**

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

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

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

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

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

r. **Comparative Figures**

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

Significant Accounting Judgements, Estimates and Assumptions

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Significant Accounting Judgements, Estimates and Assumptions (cont'd)

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

(i) *Significant Accounting Judgements*

Impairment of Non-Financial Assets other than Goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. There were no impairment during the financial year ended 30 June 2010 (2009: $177,175).

Classification of Assets and Liabilities as Held for Sale

The Group classifies assets and liabilities as held for sale when its carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities. The assets and liabilities classified held for sale as at 30 June 2010 is $6,879,055 and $6,546,308 as disclosed in Note 12.

Taxation

The group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide operations for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which ultimate tax determination is uncertain. The group estimates its tax liabilities based on the group's understanding of the tax law. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(ii) *Significant Accounting Estimates and Assumptions*

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. The value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Should projected discounted net present cashflow be below the budgeted figures over the next 5 years of $20,387,209, an impairment loss would be recognised up to a maximum carrying value of goodwill amounting to $381,851 (2009: $3,708,375). The total impairment loss on goodwill was $110,184 (2009: $133,818) in respect of goodwill on consolidation for the acquisition of Atos Consumer Products Pte Ltd which has been classified as discontinued operations. An impairment of $Nil (2009: $Nil) has been recognised on the full carrying value in respect of goodwill on consolidation for the acquisition of Atos Research Centre Pte Ltd and Atos Academy Pte Ltd. An impairment loss of $Nil (2008: $17,001) has been recognised on the carrying value in respect of goodwill on consolidation for the acquisition of subsidiaries of Body Contours Pte Ltd. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology. Other than disclosed herewith, there is no other impairment has been recognised in respect of goodwill for the year ended 30 June 2010 (2009: Nil).

Going Concern

The financial report has been prepared on a going concern basis. The directors continue to monitor the on-going funding requirements of the Company and will seek further equity funding where necessary. The company and its controlled entities losses aggregated to $3,608,335 (2009: $3,348,181), through 30 June 2010 and incurred a loss of $382,900 (2009: $880,024) and a negative cashflow from operating activities of $36,145 (2009: $1,504,452) for the year ended 30 June 2010. The Group has a net working capital deficit of $841,196 (2009: $2,340,104) as at 30 June 2010.

The directors nevertheless believe it is appropriate to prepare the financial statements on a going concern basis as the Group has completed its disposal of Body Contours Pte Ltd and its controlled entities and is in the process of completing the disposal of Atos Wellnes Pte Ltd and its controlled entities pending shareholders' approval.

The disposal of Body Contours has brought in fresh funding of AUD 714,000 and the balance of the consideration would be settled by way of release and discharge of various debts owing by the Company to Body Contours Pte Ltd amounting to an estimate of AUD 2.45 million. Upon the completion of the disposal Atos Singapore, the Company is expected to receive AUD 500,000 in cash the balance by way of release and discharge of debts owing to the purchaser of Atos Wellness Group of AUD1.35 million. In summary, the Company would receive fresh funding of AUD1.214 million.

On the completion of the sale of the main undertaking on Atos Singapore Transaction, the company will be actively evaluating opportunities for the company until it acquires new line of businesses. The cash flow forecast for the next 18 month remains positive and is prepared based on the following assumptions:

(a) the company in receipt of the cash from the Body Contours sale and cash receivable from the completion of the Atos Singapore Transaction; and

(b) minimal expenses incurred during these interim period. Expenses incurred are mainly administratively expenses such as directors fees, office rental, ASX listing fees, tax fees, audit fees, share registry expenses, legal fees, and expenses for AGM.

The Board is currently in negotiation with several parties in health related business and will give an update when the discussion moves into an advanced stage.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group 2010	Consolidated Group 2009 Restated	Parent Entity 2010	Parent Entity 2009
NOTE 2: REVENUE AND OTHER INCOME		$	$	$	$
Revenue – Continuing operations					
— sales		12,518,639	12,984,820	-	-
— interest received	2a	345	26,702	7	1,126
— other revenue		63,483	17,574	441	1,765
— rental revenue		-	-	-	-
Total Revenue		12,582,467	13,029,096	448	2,891
a. Interest revenue from:					
— other persons		-	26,702	-	1,126
— financial institution		345	-	7	-
		345	26,702	7	1,126
Other Income – Continuing operations					
— Gain on deferred consideration	19a	-	-	-	881,432+
— Profit on disposal of property, plant and equipment		17,393	-	-	-
— Foreign currency translation profit		223,284	-	221,294	-
— Government Grants – Job Creation Credit, maternity and paid child leave		182,054	165,191	-	-
		422,731	165,191	221,294	881,432

\+ Adjusted against goodwill upon consolidation due to reverse takeover of Atos Wellness Pte Ltd in 2008.

	Note	Consolidated Group 2010	Consolidated Group 2009 Restated	Parent Entity 2010	Parent Entity 2009
Revenue – Discontinuing operations					
— sales		11,187,451	14,369,165	-	-
— interest received	2b	776	16,630	-	-
— other revenue		49,731	13,260	-	-
— rental revenue		-	32,988	-	-
Total Revenue		11,237,958	14,432,043	-	-
b. Interest revenue from:					
— other persons		776	16,630	-	-
— financial institution		-	-	-	-
		776	16,630	-	-
Other Income – Discontinuing operations					
— Profit on disposal of property, plant and equipment		59	173,531	-	-
— Foreign currency translation profit		520	-	-	-
— Government Grants – Job Creation Credit, maternity and paid child leave		217,218	176,831	-	-
		217,797	350,362	-	-

NOTE 3: PROFIT / (LOSS) FOR THE YEAR

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

a. Expenses				
Cost of sales				
— Continued operations	949,252	1,305,351	-	-
— Discontinued operations	1,844,090	3,120,793	-	-
	2,793,342	4,426,144	-	-
Depreciation of non-current assets – Plant and equipment				
— Continued operations	625,508	844,030	-	-
— Discontinued operations	422,676	896,483	-	-
	1,048,184	1,740,513	-	-
Loss on disposal of wholly-owned entities	-	-	1,664	308,628
Impairment of goodwill in controlled entities				
— Continued operations	-	17,001	-	-
— Discontinued operations	110,184	1,467,067	-	-
	110,184	1,484,068	-	-
Bad and doubtful debts:				
— trade debtors – continued operation	61,681	183	-	-
— trade debtors – discontinued operations	42,786	42,619	-	-
— wholly-owned subsidiaries	-	-	196,240	2,128,893
— Associated companies – discontinued operations	-	1,220,355	-	1,086,219
— Joint venture entities – discontinued operations	-	93,076	-	-
	104,467	1,356,233	196,240	3,215,112
Rental and occupancy on operating leases:				
— Continued operations	2,288,566	2,689,114	10,800	21,900
— Discontinued operations	1,392,973	1,582,039	-	-
	3,681,539	4,271,153	10,800	21,900
Foreign currency translation (profit) / losses				
— Continued operations	(223,284)	-	(221,294)	324,929
— Discontinued operations	(520)	326,389	-	-
	(223,804)	326,389	(221,294)	324,929
(Profit) / Loss on disposal of property, plant & equipment				
— Continued operations	(17,393)	-	-	-
— Discontinued operations	(58)	-	-	-
	(17,451)	-	-	-
Defined retirement benefit contributions				
— Continued operations	441,646	484,772	-	-
— Discontinued operations	407,106	587,876	-	-
	848,752	1,072,648	-	-

NOTE 4: INCOME TAX

	Note	Consolidated Group 2010 $	Consolidated Group 2009 Restated $	Parent Entity 2010 $	Parent Entity 2009 $
Accounting profit/(loss) before tax from continuing operations		(606,161)	(1,232,221)	(877,196)	(3,689,125)
Accounting profit/(loss) before tax from discontinuing operations		353,206	558,672	-	-
Consolidated profit/(loss) loss before tax		(252,955)	(673,549)	(877,196)	(3,689,125)
Numerical reconciliation of income tax expense to prima facie tax payable					
Prima facie tax payable on profit before income tax at 30% (2009: 30%)		(75,887)	(202,065)	(263,159)	(1,106,738)
Sundry non-deductible (deductible) expenses for Australian tax consolidated group					
- non-deductible expenses		135,591	221,824	196,068	191,686
Sundry assessable (non-assessable) items for Australian tax consolidated group					
- assessable (non-assessable) items		-	(1,760,652)	-	(264,430)
Sundry non-deductible (deductible) expenses for International Operations					
- non-deductible expenses		140,116	180,431	-	-
Deferred tax asset relating to tax loss not brought to account		67,601	1,668,520	67,091	1,179,482
Difference in international tax rates and exchange rates		(222,115)	31,362	-	-
Under provision in respect of prior years		84,639	67,055	-	-
Income tax expense/(benefit)		129,945	206,475	-	-
Income tax attributable to discontinued operations		(114,696)	(56,881)	-	-
		15,249	149,594	-	-
Current tax:		63,481	160,635	-	-
Under/(over) provision in respect of prior years		84,639	67,055	-	-
Deferred income tax:					
Relating to origination and reversal on temporary differences		(18,175)	(21,215)	-	-
Current year tax losses not recognised in the current period		-	1,275,259	554,341	1,093,062
Temporary differences not recognised in the current period		-	(1,275,259)	(554,341)	(1,093,062)
Income tax expense		129,945	206,475	-	-
Income tax expense attributable to discontinued operations		(114,696)	(56,881)	-	-
Income tax expense reported in statement of comprehensive income		15,249	149,594	-	-

NOTE 5: DISCONTINUED OPERATIONS

On 16 December 2008, Atos Wellness Limited (Atos) signed an agreement for the management buy-out of 51% of Medec International Pty Ltd, 100% of Medec Hong Kong Limited, Medec Systems GmbH and Medec International Management Pty Ltd and the remaining 60% interest in Bodycure International Ltd, thereby discontinuing its operations in these businesses. Under the management buy-out agreement, Medec Hong Kong became the holding company of Medec International Pty Ltd, Medec International Pty Ltd will be the holding company of Medec Systems GmbH and Medec International Management Pty Ltd. Atos will continue to hold a 49% indirect interest in these operations. As part of the sale, outstanding consultancy fees and other amounts owing to the purchasers totalling $362,710 were forgiven and constitute consideration for the disposal of these entities.

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

The divisions were sold on 31 December 2008.

On 6 July 2009, the company announced that it has withdrawn financial support from its wholly-owned subsidiary, Letchworth House Pty Ltd, which operated 'Inspired Life' centre in Bentley, WA. On 9 July, the Company announced the appointment of a voluntary administrator of Letchworth House Pty Ltd as part of the Group's strategy to preserve and strengthen its cash position. As the sale has not been completed as at 30 June 2010, Letchworth House Pty Ltd are classified as discontinued operations and accordingly, the assets and liabilities as held for sale are disclosed in Note 12 Assets and Liabilities held for sale.

On 15 April 2010, the Company executed an agreement on the sale of several of its operating subsidiaries, subject to regulatory and the Company's shareholders' approval at the general meeting, to the Company's major shareholders, Mr. Ananda Rajah and Ms Pathma Ayadurai (collectively known as "Purchasers"). The operating subsidiaries for the proposed transaction are Atos Wellness Pte Ltd, Inner Harmony Pte Ltd, Atos Academy Pte Ltd, Atos Research Centre Pte Ltd, Atos Consumer Products Pte Ltd, Swandale Holding Pty Ltd, Learange Holdings Pty Ltd, Bodycure International Ltd and Eaglemaster Ltd (collectively known as "Atos Singapore") are valued at an estimate of AUD4.17 million. The purchasers will settle the proposed transaction with AUD500,000 in cash, release and discharge of various debts owed by the Company to the Purchasers, the sale companies and other third parties at an estimate of AUD3.47 million and selective buyback and cancellation of 48,828,125 shares in the Company held by Mr. Ananda for an agreed value of AUD200,000. As at 30 June 2010, the proposed transaction has not been completed and is subject to the approval of the shareholders' at General Meeting. As the final date has not been determined, it is impracticable to compute the gain or loss on this transaction. This transaction has been classified as discontinued transactions and accordingly, the assets and liabilities have been classified as held for sale and disclosed in Note 12 Assets and Liabilities classified as held for sale.

NOTE 5: DISCONTINUED OPERATIONS (CONT'D)

Financial information relating to the discontinued operation is set out below. The gain on disposal of the discontinued Medec operations of $4,237,144 was included in the profit from discontinued operations in the statement of comprehensive income for the financial year ended 30 June 2009. The comparative figures have been restated to include to the discontinued operations of Atos Singapore and Inspired Life.

	Consolidated Group	
	2010	2009 Restated
	$	$
Revenue	11,237,958	14,432,043
Other income	217,797	350,362
Changes in inventories of finished goods and work in progress	(273,911)	(499,862)
Raw materials and consumables used	(1,570,179)	(2,620,931)
Employee benefits expense	(5,262,300)	(6,989,282)
Depreciation and amortisation expense	(422,676)	(896,483)
Finance costs	(54,788)	(64,761)
Impairment of goodwill	(110,184)	(1,467,067)
Impairment of receivables	-	(1,313,431)
Impairment of other assets	-	(177,175)
Bad debts written off	(42,786)	(42,619)
Rent and occupancy costs	(1,392,973)	(1,582,039)
Royalties	-	(65,000)
Selling and marketing	(451,110)	(533,528)
Other expenses	(1,521,642)	(2,208,699)
Loss before income tax	353,206	(3,678,472)
Income tax expense	(114,696)	(56,881)
Loss attributable to members of the parent entity	238,510	(3,735,353)
Profit/(loss) on sale before income tax	-	4,237,144
Income tax expense	-	-
Profit/(loss) on sale after income tax	-	4,237,144
Total profit after tax attributable to the discontinued operation	238,510	501,791

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

Net cash inflow / (outflow) from operating activities	917,468	190,021
Net cash flow from / (used in) investing activities	(1,189,728)	2,664,040
Net cash flow from / (used in) financing activities	(292,137)	(2,068,450)
Net cash increase / decrease in cash generated by discontinuing operations	(564,397)	785,611

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

a. **Remuneration**

	2010 $	2009 $
Short-term	716,405	858,598
Post-employment	17,150	36,468
Long-term benefits	-	-
Share-based payments	-	-
	733,555	895,066

b. **Key Management Personnel Compensation**

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

There were no options on issue during the year ended 30 June 2010

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

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

	Balance 1.7.2009	Granted as Compensation	Options Exercised	Net Change* Other	Balance 30.6.2010
Jitto Arulampalam	-	-	-	-	-
Ananda Rajah	73,139,038	-	-	-	73,139,038
Frank Cannavo	1,863,060	-	-	491,000	2,354,060
Johnson Chong Sian Teh ~	-	-	-	-	-
Pathma Ayadurai	24,414,063	-	-	-	24,414,063
Pushpa Tulsidas	421,906	-	-	-	421,906
Richard Chow	-	-	-	-	-
Total	99,838,067	-	-	491,000	100,329,067

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

~ Appointed during the year.

Resigned 16 January 2009

@ Resigned 31 December 2008

% Resigned on 31 July 2009

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
NOTE 7: AUDITORS' REMUNERATION				
Remuneration of the auditor of the parent entity:				
— BDO Audit (WA) Pty Ltd for auditing or reviewing the financial report	63,436	-	63,436	-
— Grant Thornton (WA) Partnership for auditing or reviewing the financial report	-	96,487	76,573	96,487
— Grant Thornton Limited for tax services	-	9,330	27,000	9,330
— Grant Thornton Limited for other services	-	3,000	-	3,000
Remuneration of other auditors of subsidiaries of discontinued operations for:				
— auditing or reviewing the financial report of subsidiaries	86,513	61,368	-	-

NOTE 8: EARNINGS PER SHARE

	Consolidated Group	
	2010	2009 Restated
	$	$
a. Reconciliation of loss to profit or loss		
Profit/(loss)	(382,900)	(880,024)
(Profit)/loss attributable to non-controlling equity interest	122,745	30,212
Earnings used to calculate basic EPS	(260,155)	(849,812)
b. Reconciliation of earnings to profit or loss from continuing operations		
Profit/(loss)	(621,410)	(1,381,815)
(Profit)/loss attributable to non-controlling equity interest in respect of continuing operations	122,745	30,212
Earnings used to calculate basic EPS from continuing operations	(498,665)	(1,351,603)
c. Reconciliation of earnings to profit or loss from discontinuing operations		
Profit from discontinuing operations	238,510	501,791
(Profit)/loss attributable to non-controlling equity interest in respect of discontinuing operations	-	-
Earnings used to calculate basic EPS from continuing operations	238,510	501,791
	No.	No.
d. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	190,413,694	187,835,509
Weighted average of options outstanding	-	-
Weighted average of number of ordinary shares outstanding during the year used in calculating dilutive EPS	190,413,694	187,835,509

Potential ordinary shares are not considered dilutive, therefore diluted earnings per share are the same as the basic earnings per share.

NOTE 9: CASH AND CASH EQUIVALENTS	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
Cash at bank and in hand		977,182	2,722,798	37,057	90,024
Short-term bank deposits		-	-	-	-
Bank overdrafts used for cash management purposes		(10,452)	-	-	-
		966,730	2,722,798	37,057	90,024
Reconciliation of Cash					
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:					
Cash at bank and in hand		530,242	2,722,798	37,057	90,024
Bank overdrafts used for cash management purposes		-	(21,762)	-	-
		530,242	2,701,036	37,057	90,024
Cash at bank and in hand attributable to discontinued operations	12	436,488	-	-	-
		966,730	2,701,036	37,057	90,024

NOTE 10: TRADE AND OTHER RECEIVABLES

	Note	Consolidated Group 2010	Consolidated Group 2009	Parent Entity 2010	Parent Entity 2009
CURRENT					
Trade receivables		498,491	452,277	-	1,942
Allowance for impairment of receivables	10a	-	-	-	-
		498,491	452,277	-	1,942
Deposits	10b	1,022,358	1,036,431	-	-
Other receivables		1,146,431	911,285	10,158	29,343
		2,667,280	2,399,993	10,158	31,285
Transfer to assets held for sale	12	(1,516,785)	-	-	-
		1,150,495	2,399,993	10,158	31,285
NON CURRENT					
Amounts receivable from:					
— Wholly-owned subsidiaries		-	-	2,117,252	2,117,252
— Allowance for impairment – wholly-owned subsidiaries	10a(ii)	-	-	(2,117,252)	(1,921,012)
— Associated companies		4,995,244	4,995,244	4,621,092	4,621,092
— Allowance for impairment – associated companies	10a(ii)	(1,086,219)	(1,086,219)	(1,086,219)	(1,086,219)
— Other related companies		1,723,618	2,023,625	-	-
		5,632,643	5,932,650	3,534,873	3,731,113
Transfer to assets held for sale	12	(2,093,905)	-	-	-
		3,538,738	5,932,650	3,534,873	3,731,113

The amounts receivable from controlled entities (refer note 15) and other related companies are carried at cost. The ultimate recoupment of these receivables is dependent on upon the generation of sufficient future cash flows from the sale of the products of the Consolidated Group and the respective related companies.

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

a. **Allowance for Impairment of Receivables**

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

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

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

		Opening Balance 1 July 2009	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2010
	Consolidated Group				
(i)	Current trade receivables	-	-	-	-
(ii)	Non-current associated companies	1,086,219	-	-	1,086,219
(iii)	Joint venture entities	-	-	-	-
		1,086,219	-	-	1,086,219

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

		Opening Balance 1 July 2009	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2010
	Parent Entity				
(i)	Non-current wholly-owned subsidiaries	1,921,012	196,240	-	2,117,252
(ii)	Non-current associated companies	1,086,219	-	-	1,086,219
		3,007,231	196,240	-	3,203,471

Impaired assets are provided for in full.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

Credit Risk — Trade and Other Receivables

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

On a geographical basis, the Group has significant credit risk exposures in Singapore (2009: Singapore) given the substantial operations in those regions. The Group's exposure to credit risk for receivables at reporting date in those regions is as follows:

	Consolidated Group		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Singapore	498,491	450,335	-	-
Germany	-	-	-	-
	498,491	450,335	-	-

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

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality as these are credit card collections on behalf of the company by reputable financial institution with at least A ratings.

	Consolidated Group		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
iii. **Ageing analysis of trade receivables**				
0 – 30 days past due	248,532	274,736	-	-
31 – 60 days past due	18,614	21,521	-	-
61 – 90 days past due not impaired	55,467	4,840	-	-
91 + days past due not impaired	175,878	151,180	-	1,942
	498,491	452,277	-	1,942

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

b. Other debtors include a deposit for the acquisition of 40% of issued capital of Bionic Care GmbH of $211,359 (2009: $214,425).

NOTE 11: INVENTORIES

	Consolidated Group		Parent Entity	
CURRENT				
Finished goods, at cost	1,814,289	1,954,975	-	-
Transfer to Assets held for sale	(1,406,542)	-	-	-
	407,747	1,954,975	-	-

(a) Inventory expense

Inventories recognised as expense during the year ended 30 June 2010 amounted to $2,793,342 (2009: $4,426,144). The expense has been included in 'changes in inventories of finished goods' and 'work in progress and raw materials and consumables used' in profit or loss. Please see note 3 for breakdown of continued and discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 12: ASSETS CLASSIFIED AS HELD FOR SALE

The major classes of assets and liabilities of Atos Singapore Group and Letchworth House Pty Ltd at 30 June 2010 are as follows:

	2010 $
Assets	
Plant and equipment	367,652
Goodwill	978,025
Deferred tax asset	7,834
Inventories	1,406,542
Trade and other receivables	3,610,690
Other current asset	71,824
Cash and cash equivalents	436,488
Assets classified as held for sale	6,879,055
Liabilities	
Trade and other payables	5,691,995
Obligations under hire purchase	123,878
Deferred taxation	4,456
Provision for taxation	725,979
Liabilities directly associated with assets classified as held for sale	6,546,308
Net assets attributable to discontinued operations	332,747

NOTE 13: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated Group		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
Interests in joint venture entities	-	90,108	-	90,108
Share of net loss	-	(90,108)	-	(90,108)
	-	-	-	-

Interests in Joint Venture Entities

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

The voting power held by Atos Wellness Ltd is 50%

	Consolidated Group 2010 $	Consolidated Group 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
The interest in joint venture entities is accounted for in the consolidated statements using the equity method of accounting	-	-	-	-
i. Share of joint venture entity's results and financial position:				
Current Assets	36,404	36,404	36,404	33,799
Non-current Assets	281,255	281,255	281,255	281,255
Total Assets	317,659	317,659	317,659	317,659
Current Liabilities	409,150	409,150	409,150	409,150
Non-current Liabilities	245,951	245,951	245,951	245,951
Total Liabilities	655,101	655,101	655,101	655,101

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 13: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONT'D)

	Consolidated Group		Parent Entity	
	2010 $	**2009 $**	**2010 $**	**2009 $**
Revenues	-	462,047	-	462,047
Expenses	-	(899,789)	-	(899,789)
Loss before income tax	-	(437,742)	-	(437,742)
Income tax expense	-	-	-	-
Loss after income tax	-	(437,742)	-	(437,742)

A voluntary administrator was appointed to the joint venture entity on 9 July 2009.

NOTE 14: ASSOCIATED COMPANIES

Interests are held in the following associated companies

Name	**Principal Activities**	**Country of Incorporation**	**Shares**	**Ownership Interest**		**Carry amount of investment**	
				2010 %	**2009 %**	**2010 $**	**2009 $**
Unlisted:							
Medec International Pty Ltd	Medical products manufacturing	Australia	Ord	49%	49%	-	-
						-	-

		Consolidated Group		Parent Entity	
		2010 $	**2009 $**	**2010 $**	**2009 $**
a.	**Movements During the Year in Equity Accounted Investment in Associated Companies**				
	Balance at beginning of the financial year	-	-	-	-
Add:	New investments during the year	-	-	-	-
	Share of associated company's profit /(loss) after income tax	-	199,170	-	199,170
Less:	Accumulated losses offset	-	(199,170)	-	(199,170)
	Balance at end of the financial year	-	-	-	-

NOTE 14: ASSOCIATED COMPANIES (CONT'D)

	Consolidated Group		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
b. **Equity accounted profits of associates are broken down as follows:**				
Share of associate's profit before income tax expense	-	199,170	-	199,170
Share of associate's income tax expense	-	-	-	-
Share of associate's profit after income tax	-	199,170	-	199,170
c. **Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates**				
Current assets	865,476	865,476	865,476	865,476
Non-current assets	1,878,702	1,878,702	1,878,702	1,878,702
Total assets	2,744,178	2,744,178	2,744,178	2,744,178
Current liabilities	310,077	310,077	310,077	310,077
Non-current liabilities	6,159,485	6,159,485	6,159,485	6,159,485
Total liabilities	6,469,562	6,469,562	6,469,562	6,469,562
Net liabilities	(3,725,384)	(3,725,384)	(3,725,384)	(3,725,384)
Revenues	-	1,129,265	-	1,129,265
Profit after income tax of associates	-	170,743	-	170,743

d. Ownership interest in Medec International Pty Ltd at that company's balance date was 49% (2009: 49%) of ordinary shares. The reporting date of Medec International Pty Ltd is 30 June. This reporting date coincides with the entity's holding company. There were no transaction during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 15: OTHER FINANCIAL ASSETS

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Unlisted shares held at recoverable amount	15a	-	-	608,261	608,261
		-	-	608,261	608,261

a. **Other Financial Assets Comprise**

	Consolidated Group 2010 $	Consolidated Group 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
Unlisted investments, at recoverable amount				
— Shares in controlled entities, at cost	-	-	8,770,760	11,196,487
Less: Impairment provision	-	-	(8,162,499)	(10,588,226)
Total other financial assets	-	-	608,261	608,261

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

b. **Controlled Entities**

	Country of Incorporation	Percentage Owned * 2010	Percentage Owned * 2009
Legal Parent Entity:			
Atos Wellness Limited	Australia		
Subsidiaries of Atos Wellness Limited			
Atos Wellness Pte Ltd	Singapore	100	100
Swandale Holdings Pty Ltd	Australia	100	100
Learange Holdings Pty Ltd	Australia	100	100
Body Contours Pte Ltd	Singapore	51	51
Eaglemaster Ltd	Hong Kong	60	60
Inner Harmony Pte Ltd (formerly known as Inahamani Pte Ltd)	Singapore	100	100
Letchworth House Pty Ltd	Australia	100	100
Bodycure International Ltd	Hong Kong	60	60
Subsidiaries of Atos Wellness Pte Ltd			
Atos Consumer Products Pte Ltd	Singapore	100	100
SlimLine Studio Pte Ltd	Singapore	100	100
SlimCare Studio Pte Ltd	Singapore	100	100
Subsidiaries of Body Contours Pte Ltd			
The Aesthetics Clinic (Body Contours) Pte Ltd	Singapore	100	100
Body Contours Wellness Spa Sdn. Bhd.	Malaysia	51	51
Kooj Pte Ltd	Singapore	80	80

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

This note represents the legal structure of investments in subsidiaries held by Atos Wellness Limited.

c. **Disposal of controlled entities**

On 31 December 2008, the parent entity sold 51% of the subsidiary Medec International Pty Ltd, 100% of Medec Systems GmbH, Medec Hong Kong Ltd and Medec International Management Pty Ltd as part of a management buy-out. See note 5 for more details.

On 31 December 2008, the parent entity sold 100% of the subsidiary Bodycure Deutschland GmbH. See note 5 for more details.

NOTE 16: PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
Plant and equipment					
At cost		6,813,638	7,251,998	-	-
Accumulated depreciation		(5,664,541)	(5,676,435)	-	-
Accumulated impairment loss		-	(177,175)		
		1,149,097	1,398,388	-	-
Transfer to assets held for sale	12	(367,652)	-	-	-
		781,445	1,398,388	-	-

Movements in Carrying Amounts

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

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
Balance at the beginning of year		1,398,388	2,758,939	-	-
Effects of movement in foreign exchange rates		(72,851)	372,442	-	-
Additions		1,048,525	558,792	-	-
Disposals		(176,781)	(374,097)	-	-
Depreciation expense		(1,048,184)	(1,740,513)	-	-
Impairment of assets		-	(177,175)	-	-
Carrying amount at the end of year		1,149,097	1,398,388	-	-
Transfer to assets held for sale	12	(367,652)	-	-	-
		781,445	1,398,388	-	-

NOTE 17: GOODWILL

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
Balance at the beginning of year		1,476,693	3,917,210	-	-
Effects of movement in foreign exchange rates		(6,633)	-	-	-
Disposal		-	(75,017)	-	-
Adjustment to deferred settlement		-	(881,432)	-	-
Impairment losses on continued operations		-	(17,001)	-	-
Impairment losses on discontinuing operations		(110,184)	(1,467,067)		
Net Carrying Value		1,359,876	1,476,693	-	-
Transfer to assets held for sale	12	(978,025)	-	-	-
Total		381,851	1,476,693	-	-

NOTE 17: GOODWILL (CONT'D)

Impairment Disclosures

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

	2010 $	2009 $
Asian segment – continuing operations	381,851	1,476,693
Asian segment – discontinuing operations	978,025	-
Total	1,359,876	1,476,693

The recoverable amount of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period. The cash flows are discounted using the weighted average cost of capital appropriate for the segments in which the Group operates.

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

	Growth Rate	Discount Rate
Asian segment	5%	5%
Australian segment	Nil%	Nil%

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

Holding all the assumptions constant, unless there is a drastic deterioration of market confidence on the benefits of this spa and wellness industry, whereby the forecasted positive net cash flows fell by more than 50%, there will not be any impairment on the goodwill.

	Note	Consolidated Group		Parent Entity	
		2010 $	2009 $	2010 $	2009 $
NOTE 18: OTHER ASSETS					
CURRENT					
Prepayments		194,690	188,043	52,234	20,000
Transfer to assets held for sale	12	(71,,824)	-	-	-
		122,866	188,043	52,234	20,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 19: TRADE AND OTHER PAYABLES

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
CURRENT					
Unsecured liabilities:					
Trade payables		526,003	603,396	-	73,772
Accrued expenses and sundry payables		3,536,755	3,616,453	95,371	15,701
Deferred income		1,754,758	1,737,192	-	-
Deferred settlements	19a	1,240,250	1,652,747	1,240,250	1,652,747
Initial deposit for disposal of subsidiaries	19b	70,000	-	70,000	-
		7,127,766	7,609,788	1,405,621	1,742,220
Transfer to liabilities held for sale	12	(4,023,354)	-	-	-
		3,104,232	7,609,788	1,405,621	1,742,220
NON-CURRENT					
Unsecured liabilities:					
Amounts payable to wholly-owned subsidiaries		-	-	1,378,935	1,382,102
Amounts payable to other controlled entities		-	-	2,052,740	504,411
Amounts payable to associated companies		311,971	479,240	-	-
Amount payable to directors		27,707	75,540	27,707	-
Amounts payable to directors of subsidiaries		1,429,561	1,377,808	-	-
Amounts payable to other related parties		710,640	842,685	152,896	152,896
		2,479,879	2,775,273	3,612,278	2,039,409
Transfer to liabilities held for sale	12	(1,668,461)	-	-	-
		811,418	2,775,273	3,612,278	2,039,409

a. Deferred settlements includes $1,240,250 (2009: $1,652,747) for the deferred consideration relating to the acquisition of Body Contours Pte Ltd in Singapore. At 30 June 2009, the amount payable was reduced by $881,432 as a result of a performance clause in the purchase agreement. Under the share and purchase agreement executed by the Board with Mr. Ananda Rajah and Ms Pathma Ayadurai dated 15 April 2010, the deferred settlement which is recorded in the books of the Company, will form part of the consideration upon completion of the transaction, subject to the approval of the shareholders at the General Meeting.

b. The initial deposit for disposal of subsidiaries is paid in accordance with the share and purchase agreement executed by the Board with Mr. Ananda Rajah and Ms Pathma Ayadurai dated 15 April 2010.

NOTE 20: FINANCIAL LIABILITIES

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
CURRENT					
Secured Liabilities					
Bank overdrafts		10,452	21,762	-	-
Hire purchase liabilities		205,303	287,112	-	-
Bank loans		139,986	169,040	-	-
Unsecured Liabilities					
Other loans	20d	-	622,174	-	622,174
		355,741	1,100,088	-	622,174
Transfer to liabilities held for sale	12	(99,230)	-	-	-
		256,511	1,100,088	-	622,174

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
NOTE 20: FINANCIAL LIABILITIES (CONT'D)					
NON CURRENT					
Secured Liabilities					
Hire purchase liabilities		93,407	131,373	-	-
Bank loans		147,150	294,124	-	-
		240,557	425,497	-	-
Transfer to liabilities held for sale	12	(35,100)	-	-	-
		205,457	425,497	-	-

		Consolidated Group 2010 $	Consolidated Group 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
a.	Total current and non-current secured liabilities:				
	Bank overdraft	10,452	21,762	-	-
	Hire purchase liabilities	298,710	418,485	-	-
	Bank loans	287,136	463,164	-	-
		596,298	903,411	-	-
b.	The carrying amounts of non-current assets pledged as security are:				
	First mortgage over freehold land and buildings	-	-	-	-
	Plant and equipment under hire purchase	264,296	237,723	-	-
		264,296	237,723	-	-

c. Collateral Provided

The bank overdrafts of the subsidiaries are secured by fresh charge on fixed deposit placed with the same financial institution in the name of one of the directors of the subsidiaries.

The bank loans are secured by assignment of receivables (non-notified) from one of the branches and by way of joint and several personal guarantees of the directors of Atos Wellness Pte Ltd and Body Contours Pte Ltd.

d. Other unsecured loans refers to a US$500,000 facility provided by British Virgin Islands based Bestempire Ltd. The loan term is 6 months with a further 6 month term with the consent of the financier. The financier has the right to convert the loan to ordinary shares should the loan not be repaid prior to the expiry of the finance term. The loan was fully repaid on 31 October 2009.

Financing facilities available

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

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Bank loans	837,521	463,164	-	-
Other loans	-	622,174	-	622,174
Hire purchase facilities	841,648	418,485	-	-
Bank overdraft facility	83,752	85,646	-	-
Credit cards	50,251	38,541	-	-
	1,813,172	1,628,010	-	622,174

	Note	Consolidated Group 2010 $	Consolidated Group 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
NOTE 21: TAX					
a. **Liabilities**					
CURRENT					
Income Tax		750,528	896,037	-	-
Transfer to Liabilities held for sale	12	(725,979)	-	-	-
		24,549	896,037	-	-

NON-CURRENT	Opening Balance $	Charged to Income $	Change in Tax rate $	Exchange Differences $	Transfer to Liabilities held for sale $	Closing Balance $
Consolidated Group						
Deferred Tax Liability						
Property Plant and Equipment						
— tax allowance	66,050	(21,215)	-	9,368	-	54,203
— other	9,557	-	-	-	-	9,557
Balance at 30 June 2009	75,607	(21,215)	-	9,368	-	63,760
Property Plant and Equipment						
— tax allowance	54,203	(10,677)	-	(1,589)	(4,456)	37,481
— other	9,557	-	-	-	-	9,557
Balance at 30 June 2010	63,760	(10,677)	-	(1,589)	(4,456)	47,038
Deferred Tax Asset						
Property Plant and Equipment						
— tax allowance	-	7,498	-	336	(7,834)	-
— other	-	-	-	-	-	-
Balance at 30 June 2010	-	7,498	-	336	(7,834)	-
Parent Entity						
Deferred Tax Liability						
— other	9,557	-	-	-	--	9,557
Balance at 30 June 2009	9,557					9,557
— other	9,557	-	-	-	-	9,557
Balance at 30 June 2010	9,557	-	-	-	-	9,557

NOTE 21: TAX (CONT'D)

	Consolidated Group 2010 $	Consolidated Group 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
b. Assets				
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:				
Australian Operations				
— temporary difference	92,587	1,546,847	39,433	1,093,652
— temporary difference in equity	-	36,448	-	36,448
— tax losses: operating losses	290,986	2,594,045	290,986	2,577,971
Unrecognised deferred tax liabilities	-	-	-	-
Total	383,573	4,177,340	330,419	3,708,071
Balance of franking account at year end adjusted for franking credit arising from payment of provision of income tax	164,634	164,634	164,634	164,634

NOTE 22: ISSUED CAPITAL

Ordinary shares				
Fully paid	5,173,814	4,776,814	20,814,490	20,417,490
Shares issued during the period:				
- 7 September 2009 issued @ $0.02	25,000	-	25,000	-
- 4 August 2008 issued @ $0.06	-	75,000	-	75,000
- 7 October 2008 issued @ $0.06	-	322,000	-	322,000
	5,198,814	5,173,814	20,839,490	20,814,490

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

a. **Ordinary shares**	**No. of shares**	**No. of shares**	**No. of shares**	**No. of shares**
At the beginning of the reporting year	189,392,861	182,776,194	189,392,861	182,776,194
Shares issued during the period:				
- 7 September 2009 issued @ $0.02	1,250,000	-	1,250,000	-
- 4 August 2008 issued @ $0.06	-	1,250,000	-	1,250,000
- 7 October 2008 issued @ $0.06	-	5,366,667	-	5,366,667
At reporting date	190,642,861	189,392,861	190,642,861	189,392,861

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

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

On 7 September 2009, 1,250,000 ordinary shares were issued at $0.02 per share as consideration for investor relations services.

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

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

NOTE 22: ISSUED CAPITAL (CONT'D)

b. **Capital Management**

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

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

There are no externally imposed capital requirements.

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

The gearing ratio's for the year ended 30 June 2010 and 30 June 2009 are as follows:

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
Total borrowings	19,20	10,923,926	11,910,646	5,017,899	4,403,803
Less cash and cash equivalents	9	(966,730)	(2,722,798)	(37,057)	(90,024)
Net Debt		9,957,196	9,187,848	4,980,842	4,313,779
Total equity		2,796,926	3,202,097	(784,873)	67,323
Total capital		12,754,122	12,389,945	4,195,969	4,381,102
Gearing Ratio		78.1%	74.2%	118.7%	98.5%

NOTE 23: RESERVES

Foreign Currency Translation Reserve

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

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options. At the date of this report, there were nil unissued shares under options (2009: Nil)

NOTE 24: NON-CONTROLLING INTEREST

Body Contours Pte Ltd	804,210	954,198	-	-
	804,210	954,198	-	-

NOTE 25: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Group		Parent Entity	
		2010	2009	2010	2009
		$	$	$	$
a. **Hire Purchase Commitments**					
Payable					
— not later than 1 year		220,132	309,232	-	-
— later than 1 year but not later than 5 years		113,141	146,285	-	-
— later than 5 years		-	8,252	-	-
Total hire purchase liability		333,273	463,769	-	-
Less future finance charges		(34,563)	(45,284)	-	-
		298,710	418,485	-	-
Less Transfer to Liabilities held for sale	12	(123,878)	-	-	-
		174,832	418,485	-	-
b. **Operating Lease Commitments**					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Payable					
— Not later than 1 year		2,495,573	2,813,287	-	-
— Later than 1 year but not later than 5 years		640,400	1,720,607	-	-
— Later than 5 years		-	-	-	-
		3,135,973	4,533,894	-	-
Less: Operating Lease Commitments attributable to discontinued operation		(1,456,265)	-	-	-
		1,679,708	-	-	-

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

NOTE 26: CONTINGENT LIABILITIES

One of the Company's subsidiaries, Body Contours Wellness Spa Sdn Bhd (BCW), had been served with a claim for $125,203 for early termination of a tenancy agreement.

The directors are of the view that it is possible but not probable that the claim will succeed and accordingly, no provisions has been made.

There are no other contingent liabilities as at 30 June 2010 (2009: $Nil).

NOTE 27: 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 the performance and determining the allocation of resources.

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

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

Types of products and services by segment

The Group has identified the following reportable segments:

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

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. The 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 with 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 borrowings.

Unallocated items

The following items of revenue, expenses, 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 expenses;
- deferred tax assets and liabilities;
- current tax liabilities;
- intangibles assets; and
- discontinuing operations

NOTE 27: OPERATING SEGMENTS (CONT'D)

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

2010	Atos Singapore $	Body Contours $	Inner Harmony $	Medec Systems $	Consolidated Group $	Discontinuing Operations $
Revenue						
External sales	7,188,012	12,518,639	3,999,439	-	23,706,090	11,187,451
Inter-segment sales	253,825	-	-	-	253,825	253,825
Other revenue	215,623	264,479	102,273	-	582,375	317,896
Interest revenue	776	94,796	-	-	95,572	776
Total Segment Revenue	7,658,236	12,877,914	4,101,712	-	24,637,862	11,759,948
Reconciliation of segment revenue to group revenue						
Inter-segment elimination	(304,969)	(93,682)	-	-	(398,651)	(304,193)
Total group revenue	7,353,267	12,784,232	4,101,712	-	24,239,211	11,455,755
Segment net profit / (loss) before tax	(1,342,034)	188,178	1,696,903	-	543,047	353,206
Reconciliation of segment result to group net profit / (loss) before tax						
Unallocated items:						
• Other income					221,735	-
• Interest income					7	-
• Selling and marketing					(20,000)	-
• Employee benefits					(202,166)	-
• Other					(795,578)	-
Net (loss) / profit before tax					(252,955)	353,206

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 27: OPERATING SEGMENTS(CONT'D)

2009	Atos Singapore $	Body Contours $	Inner Harmony $	Medec Systems $	Consolidated Group $	Discontinuing Operations $
Revenue						
External sales	8,939,938	12,984,820	4,338,572	551,299	26,814,629	13,829,809
Inter-segment sales	-	-	-	-	-	-
Other revenue	824,421	180,648	258,552	539	1,264,160	1,083,512
Interest revenue	12,322	25,796	-	4,308	42,426	16,630
Total Segment Revenue	9,776,681	13,191,264	4,597,124	556,146	28,121,215	14,929,951
Reconciliation of segment revenue to group revenue						
Inter-segment elimination	(687,254)	-	-	-	(687,254)	(687,254)
Total group revenue	9,089,427	13,191,264	4,597,124	556,146	27,433,961	14,242,697
Segment net profit / (loss) before tax	(1,489,128)	513,544	826,599	(235,737)	(384,722)	(898,266)
Reconciliation of segment result to group net profit / (loss) before tax						
Unallocated items:						
• Revenue					539,356	539,356
• Other income					2,469	352
• Interest income					906	-
• Profit on sale of discontinued operations					4,237,144	4,237,144
• Cost of sales					(219,601)	(219,601)
• Depreciation and amortization					(20,456)	(20,456)
• Employee benefits					(609,389)	(472,559)
• Other					(4,219,256)	(2,607,298)
Net profit / (loss) before tax					(673,549)	558,672

(ii) **Revenue by Geographical region**

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

	2010 $	2009 $
Australia	-	539,356
Asia	23,706,090	26,263,330
Europe	-	551,299
Total revenue	23,706,090	27,353,985

(iii) **Major customers**

No single customer represents 10% or more of the consolidated revenue. Consequently, management believes that the group sales are appropriately diversified.

NOTE 28: CASH FLOW INFORMATION

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

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Profit / (Loss) after income tax	(382,900)	(880,024)	(877,196)	(3,689,125)
Non-cash flows in profit				
Depreciation	1,048,184	1,740,513	-	-
(Gain)/loss on disposal of property, plant and equipment	82,578	(170,198)	-	-
(Gain)/loss on disposal of investments in controlled entities	1,664	(4,237,144)	-	308,628
Share of joint venture entity net loss after income tax		90,108	-	90,108
Impairment of goodwill	110,184	1,484,068	-	-
Impairment of receivables	11,282	1,313,431	196,240	3,215,112
Impairment of other assets	-	177,175	-	-
Bad debts written off	93,185	-	-	-
Interest expense	-	-	93,675	-
Gain on deferred consideration	-	-	-	(881,432)
Movement on foreign exchange reserve	(15,522)	762,303	-	-
Other	25,000	75,000	25,000	180,515
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries				
(Increase) / decrease in receivables	(526,636)	(192,043)	21,127	(1,942)
(Increase) / decrease in inventories	140,685	(413,650)	-	-
(Increase) / decrease in other assets	(6,647)	(168,043)	(32,234)	-
(Increase) / decrease in current tax assets	30,430	(31,229)	-	-
Increase / (decrease) in payables	(482,022)	(1,004,503)	85,898	352
Increase / (decrease) in current tax liabilities	(145,510)	(38,369)	-	-
Increase / (decrease) in deferred tax liabilities	(20,100)	(11,847)	-	-
Net cash provided by (used in) operating activities	(36,145)	(1,504,452)	(487,490)	(777,784)

(b) **Disposal of Entities**

On 21 December 2007, Medec Australia Pty Ltd was sold for $10. Medec Australia Pty Ltd was a subsidiary of Atos Wellness Limited. Aggregate details of this transaction are:

Disposal price	-	-	-	-
Cash consideration	-	(30,000)	-	(30,000)
Net (loss) / gain on disposal	-	(30,000)	-	(30,000)

NOTE 28: CASH FLOW INFORMATION (CONT'D)

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
On 16 December 2008, 51% of Medec International Pty Ltd, 100% of Medec Systems GmbH, Medec International Management Pty Ltd and Medec Hong Kong were sold as part of management buyout. Aggregate details of this transaction are:				
Disposal price	-	362,710	-	-
Cash consideration	-	-	-	-
Net (loss) / gain on disposal	-	3,855,036	-	-
On 28 December 2008, the Group's remaining interest 49% of Bodycure Deutschland GmbH were sold for €1. Aggregate details of this transaction are				
Disposal price	-	2	-	2
Cash consideration	-	2	-	2
Net (loss) / gain on disposal	-	412,108	-	(278,628)

(c) **Non-cash Financing and Investing Activities**

i. Share issues

On 7 September 2009, 1,250,000 shares were issued at $0.02 as consideration for investor relations services.

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

NOTE 29 : SHARE BASED PAYMENTS

There are no share-based payment arrangements existing at 30 June 2010:

Included under employee benefits expense in the income statement is $nil (2009: $nil)

No shares were issued during the year that were granted as compensation (2009: nil).

NOTE 30: EVENTS AFTER THE BALANCE DATE

On 30 July 2010, the Board of Directors of Atos Wellness Limited announced that the Company has entered into an agreement with Calzada Ltd (ASX: CZD) under which Calzada will invest $500,000 and vend into the Company its 100% owned subsidiary Metabolic Pharmaceuticals Pty Ltd, plus all intellectual property associated with Metabolic's drug development assets, primarily focused on AOD9604. Under the proposed transaction, Calzada will be issued with 160 million new shares of the Company valued at 1.85 cents per share and 30 million ATOS options with an exercise price of 2 cents, expiring 3 years from the transaction completion date. This discussion has been terminated following the announcement on 21 September 2010.

On 12 August 2010, the Board of Directors of Atos Wellness Limited announced that the Company has executed an agreement with a private Singapore investor on the sale of its 51% shareholdings in Body Contours Pte Ltd for an estimated AUD2.7 million (SGD 3.349 million). The proposed transaction will be settled partly with SGD900,000 in cash and the remaining consideration through release and discharge of various debts owing by the Company to Body Contours Pte Ltd for an estimated sum of SGD 2.45 million. The proposed transaction was completed without the shareholders' approval on 16 September 2010 as confirmed in the letter from ASX dated 8 September 2010. The Board of Directors has no intention to dispose of the 51% interest in Body Contours Pte Ltd prior to the financial year ended 30 June 2010. The decision came about during the advanced discussion with the Calzada Board at end of July 2010. As such, this transaction was not classified as discontinued operations as at 30 June 2010 as the Board of Directors were not committed to dispose of its investments in Body Contours Pte Ltd as at 30 June 2010. The management estimated the gain on disposal of the 51% interest in Body Contours to be $2,455,286 at Company level and $2,609,374 at Group level.

There were no other material events occurring after the reporting date.

The major classes of assets and liabilities of Body Contours Group as at 30 June 2010 are as follows:

	2010 **$**
Assets	
Plant and equipment	781,445
Goodwill	381,851
Inventories	407,747
Trade and other receivables	1,144,203
Other current asset	70,631
Cash and cash equivalents	474,341
Total Assets of Body Contours	3,260,218
Liabilities	
Trade and other payables	2,329,425
Obligations under hire purchase	174,832
Term loan	287,136
Deferred taxation	37,481
Provision for taxation	24,549
Total Liabilities of Body Contours	2,853,423
Net assets attributable to Body Contours	406,795

Please see Note 27 on operating segment as Body Contours is one of the reportable segments for information on the segment sales, other revenue and net profit before tax.

NOTE 31: RELATED PARTY TRANSACTIONS

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

(i) **Director related entities**

The following transactions are associated with Mr. Ananda Rajah

	Consolidated Group 2010 $	Consolidated Group 2009 $	Parent Entity 2010 $	Parent Entity 2009 $
— Inventories purchased from associated companies				
- Medec Systems GmbH	-	4,878	-	-
- Medec International Pty Ltd	-	13,548	-	-
— Inventories purchased from related companies				
- The Ultimate Pte Ltd	-	3,791	-	-
- The Aesthetic Clinic Pte Ltd	-	50,632	-	-
— Sales to related companies:				
- The Ultimate Pte Ltd	-	164,894	-	-
- Ryan's Pty Ltd	-	121	-	-
- A Quest Pte Ltd	-	10,448	-	-
- Absolute Care Pte Ltd	-	12,418	-	-
- I Spa Pte Ltd	163,751	21,123	-	-
- Oora Pte Ltd	-	6,161	-	-
- Oora Sdn Bhd	-	3,545	-	-
— Other income received from related companies				
- I Spa Pte Ltd	-	724	-	-
— Management fees paid to related companies:				
- The Aesthetics Clinic Pte Ltd	-	73,307	-	-
— Fixed assets purchased from related companies:				
- Ryan's Pte Ltd	-	92	-	-
— Fixed assets sold to related companies:				
- The Ultimate Pte Ltd	-	490	-	-
— Rental income from related companies				
- The Ultimate Pte Ltd	-	32,988	-	-
— Loans to / (from) associated companies				
- Medec International Pty Ltd	-	3,540,873	-	3,540,873
- Medec International Pty Ltd	-	(467,159)	-	-
- Medec International Management Pty Ltd	-	477,604		309,708
- Medec Systems GmbH	-	976,767	-	770,511
- Medec Systems GmbH	-	(12,081)	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 31: RELATED PARTY TRANSACTIONS (CONT'D)

	Consolidated Group		Parent Entity	
	2010 $	2009 $	2010 $	2009 $
— Loans to / (from) other related companies				
- Atos Group Pte Ltd	(537,317)	(819,097)	-	-
- Atos Group Pte Ltd	184,255	188,421	-	-
- Absolute Care Sanctuary Pte Ltd	-	318,014	-	-
- A Quest Pte Ltd	171,259	175,132	-	-
- A Quest Pte Ltd	-	(23,349)	-	-
- Atoz Performance Pte Ltd	1,366	1,397	-	-
- Beverly Hill Pte Ltd	5,130	5,246	-	-
- Chantique Lifestyle Pte Ltd	-	7,730	-	-
- I Spa Pte Ltd	-	31,226	-	-
- Matahari Spa Pte Ltd	336,171	343,772	-	-
- Oora Pte Ltd	439,900	446,964	-	-
- Oora Sdn Bhd	3,240	3,314	-	-
- Slimrite Pte Ltd	41,430	41,114	-	-
- The Ultimate Pte Ltd	48,718	53,366	-	-
- Unique Slim Care Studio Pte Ltd	345,219	309,906	-	-
- Unisense Sdn Bhd	8,585	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	-	-
(ii) Key Management Personnel				
Loan to (from) directors of Atos Wellness Pte Ltd				
- Chua Soo Lim	(156,405)	(102,861)	-	-
- Pathma Ayadurai	(575,623)	(588,730)	-	-
- Ananada Rajah	(75,332)	(355,387)	-	-
Loan from Director of Body Contours Pte Ltd				
- Ananada Rajah	(63,118)	(75,540)	-	-
Loan (from) director of Body Contours Wellness Spa Sdn Bhd				
- Jane Kang Yein Mei	(559,084)	(330,830)	-	-

NOTE 32: FINANCIAL RISK MANAGEMENT

a. **Financial Risk Management Policies**

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

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

i. Treasury Risk Management

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

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

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

ii. Financial Risk Exposures and Management

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

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2010 approximately 98% (2009: 98%) of group debt is fixed. For further details on interest rate risk refer to Note 32(b)(i) & (ii).

Foreign currency risk

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency. Refer to Note 32(b)(i) for further details.

Liquidity risk

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

Credit risk

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

Collateral has been given in the form of joint and several personal guarantees from Ananda Rajah and Pathma Ayadurai, directors of Atos Wellness Pte Ltd in respect of bank loans in the name of Atos Wellness Pte Ltd and its subsidiaries. Should Atos Wellness Pte Ltd be unable to pay the outstanding debt within the agreed terms, this amount will be settled by the guarantors. A loan facility in the name of Atos Wellness Pte Ltd is secured by property owned by Atos Group Pte Ltd, a related company in which Ananda Rajah and Pathma Ayadurai have an interest.

There are no other material amounts of collateral held as security at 30 June 2010 .

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

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

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

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

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

NOTE 32: FINANCIAL RISK MANAGEMENT (CONT'D)

The credit risk for counterparties included in trade and other receivables at 30 June 2010 is detailed below:

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Trade receivables				
Counterparties not rated	498,491	452,277	-	1,942
Total	498,491	452,277	-	1,942

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

Price risk

The group is not materially exposed to commodity price risk.

b. **Maturities of financial liabilities**

The tables analyse the group's and the parent entity's financial liabilities into relevant maturity groupings based on their contractual maturities of all non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
Group – at 30 June 2010	$	$	$	$	$	$	$
Trade and sundry payables	2,712,755	2,196,804	777,614	-	1,440,593	7,127,766	7,127,766
Lease liabilities	152,347	68,206	80,287	24,362	8,070	333,272	298,710
Bank loans and overdrafts	80,445	69,993	147,150	-	-	297,588	297,588
Others	42,728	42,729	12,000	36,000	617,070	750,527	750,527
	2,988,275	2,377,732	1,017,051	60,362	2,065,733	8,509,153	8,474,591

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
Group – at 30 June 2009	$	$	$	$	$	$	$
Trade and sundry payables	2,750,664	868,596	3,065,554	-	924,974	7,609,788	7,609,788
Lease liabilities	154,616	155,047	103,979	41,875	8,253	463,770	418,485
Bank loans and overdrafts	106,282	84,520	294,124	-	-	484,926	484,926
Others	703,883	81,069	12,000	36,000	685,259	1,518,211	1,518,211
	3,715,445	1,189,232	3,475,657	77,875	1,618,486	10,076,695	10,031,410

NOTE 32: FINANCIAL RISK MANAGEMENT (CONT'D)

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
Parent Entity – at 30 June 2010	$	$	$	$	$	$	$
Trade and sundry payables	95,371	1,310,250	-	-	-	1,405,621	1,405,621
Others financial liabilities	-	-	-	-	-	-	-
	95,371	1,310,250	-	-	-	1,405,621	1,405,621

Contractual maturities of financial liabilities	Less than 6 months	6 – 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
Parent Entity – at 30 June 2009	$	$	$	$	$	$	$
Trade and sundry payables	94,948	-	1,647,272	-	-	1,742,220	1,742,220
Others financial liabilities	622,174	-	-	-	-	622,174	622,174
	717,122	-	1,647,272	-	-	2,364,394	2,364,394

ii Fair Values

The fair values of:

— Term receivables and fixed interest securities are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.

— Unlisted investments, where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

— Loans and amounts due are determined by discounting he cash flows, at market interest rates of similar borrowings, to their present value.

— Other assets and other liabilities approximate their carrying value.

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

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

NOTE 32: FINANCIAL RISK MANAGEMENT (CONT'D)

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

Consolidated Group	2010 Carrying Amount $	2010 Fair Value $	2009 Carrying Amount $	2009 Fair Value $
Financial Assets				
Cash	977,182	977,182	2,722,798	2,722,798
Loans and receivables	8,299,923	8,299,923	8,332,643	8,332,643
Other financial assets	-	-	-	-
	9,277,105	9,277,105	11,055,441	11,055,441
Financial Liabilities				
Trade & sundry payables	9,607,645	9,607,645	10,385,061	10,385,061
Lease liabilities	298,710	298,710	418,485	418,485
Bank loans & overdrafts	297,588	297,588	484,926	484,926
Other liabilities	750,527	750,527	1,518,211	1,518,211
	10,954,470	10,954,470	12,806,683	12,806,683

Parent Entity	Carrying Amount $	Fair Value $	Carrying Amount $	Fair Value $
Financial Assets				
Cash	37,057	37,057	90,024	56,078
Loans and receivables	3,545,031	3,545,031	3,762,398	6,510,591
Other financial assets	608,261	608,261	608,261	698,369
	4,190,349	4,190,349	4,460,683	7,265,038
Financial Liabilities				
Trade & sundry payables	5,017,899	5,017,899	3,781,629	3,781,629
Other liabilities	-	-	622,174	622,174
	5,017,899	5,017,899	4,403,803	4,403,803

The carrying amounts of assets and liabilities on the Consolidated Group and Parent Entity statement of financial position approximate their fair values.

Fair value hierarchy

As of 1 July 2009, the Group has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identified assets or liabilities (level 1)
(ii) inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2) , and
(iii) inputs for the asset or liability that are not based on observable market value (unobservable inputs) (level 3).

At 30 June 2010, the Group do not have any financial instrument measured and recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 32: FINANCIAL RISK MANAGEMENT (CONT'D)

iii. *Sensitivity Analysis*

Interest Rate Risk, Foreign Currency Risk and Price Risk

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

Interest Rate Sensitivity Analysis

At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate is computed on the floating rate debt by its controlled entities in Singapore, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Change in profit				
— Increase in interest rate by 1%	(105)	(4,524)	-	-
— Decrease in interest rate by 1%	105	4,524	-	-
Change in equity				
— Increase in interest rate by 1%	(105)	(4,524)	-	-
— Decrease in interest rate by 1%	105	4,524	-	-

The Group's fixed rate borrowings are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7.

Foreign Currency Risk Sensitivity Analysis

At 30 June 2010, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the Singapore Dollar is minimal as the Group has its operations only in Singapore whose functional currency of its controlled entities is in Singapore dollars which has a natural cash flow hedge as all its revenue are in Singapore dollars. With all other variables remaining constant, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the Singapore Dollar on the cash and cash equivalent held by the parent entity is as follows:

	Consolidated Group		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Change in profit				
— Improvement in AUD to SGD by 5%	(55)	(869)	(55)	(55)
— Decline in AUD to SGD by 5%	55	869	55	55
Change in equity				
— Improvement in AUD to SGD by 5%	(55)	110,759	(55)	(55)
— Decline in AUD to SGD by 5%	55	(110,759)	55	55

At 30 June 2010, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the Euro on the cash and cash equivalent held by the parent entity is minimal, with all other variables remaining constant is as follows:

	Consolidated Group		Parent Entity	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Change in profit				
— Improvement in AUD to EUR by 5%	(52)	(8,422)	(52)	(72)
— Decline in AUD to EUR by 5%	52	8,422	52	72
Change in equity				
— Improvement in AUD to EUR by 5%	(52)	(8,422)	(52)	(72)
— Decline in AUD to EUR by 5%	52	8,422	52	72

NOTE 32: FINANCIAL RISK MANAGEMENT (CONT'D)

At 30 June 2010, the Group had the following exposure to Singapore $ foreign currency that is not designated in cash flow hedges:

	Consolidated Group		Parent Entity	
	2010	2009	2010	2009
	$	$	$	$
Financial Assets				
Cash	1,109	1,109	1,109	1,109
Trade and other receivables	-	-	-	-
Other financial assets	-	-	-	-
	1,109	1,109	1,109	1,109
Financial Liabilities				
Trade and sundry payables	-	-	-	-
Lease liabilities	-	-	-	-
Bank loans	-	-	-	-
Other	-	-	-	-
	-	-	-	-
Net exposure	1,109	1,109	1,109	1,109

At 30 June 2010, the Group had the following exposure to Euro € foreign currency that is not designated in cash flow hedges:

Financial Assets				
Cash and cash equivalents	1,032	1,439	1,032	1,439
Trade and other receivables	-	-	-	-
Inventories	-	-	-	-
	1,032	1,439	1,032	1,439
Financial Liabilities				
Trade and sundry payables	-	-	-	-
Interest bearing loans and borrowings	-	-	-	-
	-	-	-	-
Net exposure	1,032	1,439	1,032	1,439

Price Risk Sensitivity Analysis

As at 30 June 2010, the group is not exposed directly to fluctuations in commodity prices. Accordingly, there is no material quantifiable change in profit or equity as a result of fluctuations in commodity prices.

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

NOTE 33: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classifications and measurement of financial assets results from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurements*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier, The Group has not yet determined the potential effect of the Standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009 – 5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on t he financial statements.
- AASB 2009 – 8 *Amendments to Australian Accounting Standards – Group Cash – settled Share – based Payment Transactions* resolves diversity in practice regarding the attribution of cash – settled share – based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 – Group Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009 – 10 *Amendments to Australian Accounting Standards – Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009 – 14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement – AASB 14 make amendments to Interpretation 14 AASB 119 9 The Limit on a Defined Benefit Asset, Minimum Funding Requirements removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the Group's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IRFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

NOTE 34: COMPANY DETAILS

The registered office of the company is:

22 Letchworth Centre Avenue
SALTER POINT WA 6153

The principal places of business are:

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

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

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes (and remuneration disclosures that are contained in pages 8 & 9 of the Remuneration Report in the Directors Report), set out on pages 12 to 63, are in accordance with the Corporations Act 2001 and:

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

   (ii) Give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and the consolidated group.

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

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

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

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

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

4. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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

Director Josef A Pfaltner

Dated this 10TH day of February 2011

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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

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

Report on the Financial Report

We were engaged to audit the accompanying financial report of Atos Wellness Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

Independence

In conducting our audit, 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 report was made.

Basis for Disclaimer of Auditor's Opinion

A limitation of scope in our work existed 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 30 June 2010 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 Letchworth House Pty Ltd no longer operates as a going concern. The results of this entity have been consolidated into the group's results for the year ended 30 June 2010 based on management accounts. We have been unable to obtain sufficient audit evidence or to conduct additional audit procedures to determine the completeness of the loss, the recoverability of the carrying value of the assets and completeness of the liabilities for the year ended 30 June 2010. 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 that the legal status of Atos Wellness GmbH has not been established and therefore the results of the company for the year ended 30 June 2010 have been excluded from the consolidated results of the consolidated entity. We have not been provided with sufficient and appropriate audit evidence to verify the position taken by the directors. At 30 June 2010, Atos Wellness Pte Ltd has a loan advance to Atos Wellness GmbH of $137,301. We have been unable to obtain sufficient audit evidence as to the recoverability of this amount. As this company is unaudited, we have been unable to determine whether any liabilities, commitments, warranties or guarantees exist with regard to the operations of this company 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 became 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 an audit for this reporting period and we have been unable to conduct alternative audit procedures to conclude on whether the results for this period or the profit that results on disposal of these entities is complete. In addition, in relation to the entities not subject to an audit, we have been unable to determine whether any contingent liabilities, commitments, warranties or guarantees exist within the entities for which Atos Wellness Limited may be liable.

Bionic Care GmbH

On 21 September 2008, the company entered into a share purchase agreement with a third party to acquire a 40% shareholding in Bionic Care GmbH. We have been unable to carry out the audit procedures we consider necessary to verify the company's shareholding in Bionic Care GmbH for the year ended 30 June 2010.

The company's investment in Bionic Care GmbH amounted to $211,359 as at 30 June 2010 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 audit evidence as to the recoverability of these loan advances of $211,359 as at the balance date.

Oora International Holdings Pte Ltd

The company has a 20% shareholding in Oora International Holdings Pte Ltd. We have been unable to carry out the audit procedures we consider necessary to verify the company's shareholding in Oora International Holdings Pte Ltd for the year ended 30 June 2010 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 30 June 2010, 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 30 June 2010. This joint venture has not been audited for the year ended 30 June 2010 and we have therefore 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 30 June 2010 has non-current receivables due from related parties of $5,632,643. The parent entity at 30 June 2010 has non-current receivables due from related parties of $3,534,873. We have been unable to obtain sufficient appropriate audit evidence to support the recoverability of these amounts due from related parties and accordingly, we have been unable to form an opinion on the recoverability of these balances.

Non-related parties loan and consultancy fees paid

The consolidated entity has loans from various non-related parties amounting to $1,368,290 as at 30 June 2010. We are informed that these loans are non-interest bearing. During the financial year ending 30 June 2010 the company also paid these parties a total of $353,033 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 37 in the financial statements include related party disclosures. As a result of the matters raised in the above paragraphs we are unable to satisfy ourselves as to the completeness of the disclosures on related party transactions.

Parent entity balances and disclosures

In relation to the balances and disclosures of the parent entity and the inclusion of the parent entity within the consolidated balances and disclosures, we were unable to perform procedures over these as we could not gain access to the books and records of this entity. We are therefore unable to gain sufficient audit evidence over these balances and disclosures.

Disclaimer of Auditor's Opinion

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

(a) giving a true and fair view of the company and the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date;
(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and
(c) the financial report complying with *International Financial Reporting Standards* as disclosed in note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without expressing an opinion, we draw attention to the net current asset deficiency of $841,195 as at 30 June 2010. This condition, along with other matters as set forth in Note 1 (ii), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity'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, as well as on completion of the disposal transactions as set out in Note 1 (ii).

Significant uncertainty to the carrying value of intangibles

Without expressing an opinion we draw attention to Note 17 of the consolidated financial statements where the intangible assets have a carrying value of $381,851. The recoverability of this amount is dependent on the successful utilisation of these assets and future actuality of the assumptions made when considering their use as set out in Note 17. Should the consolidated entity be unable to successfully employ these assets as planned the intangibles may be realised at a value other than that recorded in the 30 June 2010 financial report.

Report on the Remuneration Report

The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. We have audited the Remuneration Report included on pages 8 to 10 of the Directors' Report for the year ended 30 June 2010. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Basis for Qualified Opinion

Because of our inability to obtain full access to information concerning all of the group entities as detailed above, our audit procedures over the Remuneration Report were limited to testing the remuneration disclosures made. As a result of this we were unable to perform adequate procedures concerning the completeness of disclosures within the Remuneration Report and our report is qualified in this respect.

Qualified Auditor's Opinion
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the Remuneration Report of Atos Wellness Limited for the year ended 30 June 2010 complies with section 300A of the Corporations Act 2001.

BDO Audit (WA) Pty Ltd

BDO Audit
C Burton

Chris Burton
Director

Perth, Western Australia
Dated this 10th day of February 2011

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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

1. Shareholdings

a. **Distribution of shareholders at 28 February 2011**

Category (size of holding)	**Number Shareholders**	**Number Ordinary Shares**
1 – 1,000	8	2,303
1,001 – 5,000	139	541,063
5,001 – 10,000	65	545,471
10,000 – 100,000	99	3,406,211
100,000 – and over	52	186,147,813
	363	190,642,861

b. The number of shareholdings held in less than a marketable parcel is 282 totalling 2,566,729 shares.

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

	Name	**Number of Ordinary Fully Paid Shares Held**	**% Held of Issued Ordinary Capital**
1.	Retnam Siva Ananda R S	71,992,187	37.76
2.	JP Morgan Nom Aust Ltd <Cash Income A/C>	52,368,214	27.47
3.	Ayadurai Pathma D/O S	24,414,063	12.81
4.	Etron P L <Plattner Super Fund A/C>	9,192,449	4.82
5.	HSBC Custody Nom Aust	5,457,419	2.86
6.	Plattner Josef Anton	2,783,333	1.46
7.	Seng Yong Nghee	2,066,667	1.08
8.	EMPL Andreas	1,250,000	0.66
9.	AH Khee	1,250,000	0.66
10.	Capita Entps P L <AD Super A/C>	1,232,501	0.65
11.	Rajah Siva Ananda <A/L Retnam A/C>	1,146,851	0.60
12.	Frank Cannavo Inv P L <F Cannavo Inv A/C>	1,000,000	0.52
13.	WC Inv P L	882,408	0.46
14.	Hanna Makram + Rita <Hanna & Co PL Super>	733,093	0.38
15.	G T Getley P L <Super A/C>	640,715	0.34
16.	Werner Inge	550,000	0.29
17.	DBS Vickers Sec Singapore <Client A/C>	540,000	0.28
18.	Cannavo Frank Francesco Cannavo	500,000	0.26
19.	A & A Cannavo Nom P L <Anthony Meats S/F>	500,000	0.26
20	Heber R G	500,000	0.26
		178,999,900	93.88

d. The names of the substantial shareholders listed in the holding company's share register as at 28 February 2011 are:

	Ordinary Shares	
	Number	**Percentage**
Retnam Siva Ananda R S	71,992,187	37.76
JP Morgan Nom Aust Ltd	52,368,214	27.47
Ayadurai Pathma D/O S	24,414,063	12.81

e. **Voting Rights**

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

Ordinary Shares

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

2. The name of the Company Secretary is Ian Gregory.
3. The address of the principal registered office in Australia is 22 Letchworth Centre Avenue, Salter Point, Western Australia 6152, Telephone: +61 8 9450 7411, Facsimile: +61 8 9450 7422.
4. Registers of securities are held at the following addresses:

Western Australia — Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
(T) +61 8 9315 2333 (F) +61 8 9315 2233

5. **Stock Exchange Listings**

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

6. **Unquoted Securities**

Shares subject to Escrow Period

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

PRINCIPLES OF GOOD COPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

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

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

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

The following section addresses the Company's practices in complying with the principles during the year under review.

BOARD CHARTER

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

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

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

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

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

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

The Directors must elect one of their number as Chairman.

Principle 1 – Lay solid foundations for management and oversight

Role and Responsibilities of the Board

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

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

The primary responsibilities of the Board includes:

- Overseeing the Company, including its control and accounting systems;
- Providing input to the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available;
- Approving and monitoring the implementation of policies and strategies and the achievement of those financial objectives;
- Ensuring the preparation of accurate financial reports and statements and approving and monitoring such financial and other reporting;
- Review and adoption of budgets for the financial performance of the Company and monitoring the results on a regular basis to assess performance including approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- Appointing and removing the Chief Executive Officer and monitoring performance of the Chief Executive Officer and ratifying the appointment and the removal of senior executives and ensuring appropriate resources are available to senior executives;
- Establish proper succession plans for management of the Company;
- Ensuring that the Company has implemented adequate systems of risk management and internal control, codes

of conduct and legal compliance together with appropriate monitoring of compliance activities.

Role and Responsibilities of Senior Executives

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

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

Evaluation of the performance of Senior Executives.

The Board monitors the performance of senior executives on an on-going basis and conducts an evaluation of the performance of senior executives as and when the Board considers appropriate. A formal evaluation of the performance of senior executives was not carried out in the financial year ended 30 June 2010.

Availability to public

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

Principle 2 – Structure the board to add value

Composition of the Board

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

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

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

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

The three (3) Board members, namely Mr. Jitto Arulampalam, Mr. Frank Cannavo and Mr. Johnson Teh met these criteria.

Mr. Ananda Rajah, who was a director for part of the year, is a substantial shareholder and the chief executive officer of the Company and did not meet these criteria.

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

The performance of the Board, its committees (if any) and the individual directors is assessed on an on-going basis by the Chairman of the Board. The performance of the Chairman of the Board is assessed on an on-going basis by the Board as a whole. A formal evaluation of the performance of the Board, or of individual directors, was not carried out in the financial year ended 30 June 2010.

Nomination of Other Board Members

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

Independent Advice

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

Availability to public

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

Principle 3 – Promote ethical and responsible decision making

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

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

The terms of the code of conduct are:

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

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

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

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

Availability to public

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

Principle 4 – Safeguard integrity in financial reporting

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

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

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

Availability to public

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

Principle 5 – Make timely and balanced disclosure

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

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

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

Availability to public

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

Principle 6 – Respect the rights of shareholders

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

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

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

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

Availability to public

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

Principle 7 – Recognise and manage risk

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

- Liaise with internal and external stakeholders as appropriate at each stage of the risk management process and concerning the process as a whole;
- Define the basic parameters within which risks must be managed and set the scope for the rest of the risk management process;
- Identify the risks to be managed;

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

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

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

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

Availability to public

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

Principle 8 – Remunerate fairly and responsibly

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

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

There are no schemes for retirement benefits other than superannuation for non-executive directors. The Company does not currently have an unvested equity based remuneration scheme.

Availability to public

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

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

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

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