Atos Wellness Limited

ABN 85 100 531 191

and

Controlled Entities

2011

ANNUAL REPORT

INDEX

CORPORATE INFORMATION

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

The presentation currency is Australian dollars.

DIRECTORS

Lloyd A Halvorson Executive Chairman

Mark Leong

Conrad Crisafulli

COMPANY SECRETARY

Ian E Gregory

REGISTERED OFFICE

C/- Cimetta & Assoc

10 Bowman Street
South Perth
Western Australia 6151

Tel: +61 (08) 9474 2047
Fax: +61 (08) 9474 4886

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

SOLICITORS

Cooper Legal
Level 15, 251 Adelaide Terrace,
Perth WA 6000

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2011.

Directors

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

Lloyd A Halvorson – Executive Director (appointed Non-Executive Director 14 January 2011, appointed Executive Director 21 April 2011, appointed Executive Chairman 27 September 2011)

Josef A Plattner – Non-Executive Chairman (appointed Non-Executive Director 14 April 2011, appointed Executive Chairman 19 January 2011, appointed Non-Executive Chairman 21 April 2011, resigned 27 September 2011)

Mark Leong – Non-Executive Director (appointed 14 January 2011)

Conrad Crisafulli – Non-Executive Director (appointed 27 September 2011)

Jitto Arulampalam – Executive Chairman (resigned 14 January 2011)

Frank Cannavo – Non-Executive Director (resigned 14 January 2011)

Johnson Chong Sian Teh (Appointed on 20 October 2009 (Resigned 14 January 2011)

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

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:

- Body Contours Pte Ltd and its controlled entities were disposed on 17 September 2010
- Atos Wellness Pte Ltd (Singapore) and its controlled entities and Inner Harmony Pte Ltd were disposed on 21 April 2011

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 group after providing for income tax and eliminating non-controlling equity interests amounted to $1,010,962 (2010: loss of $260,155).

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 2011 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 until 21 April 2011.
- Atos Wellness Pte Ltd and its controlled entities (Atos Consumer Products Pte Ltd, Atos Research Centre Pte Ltd and Atos Academy Pte Ltd), and Inner Harmony Pte Ltd (formerly known as Inahamani Pte Ltd) until divestment on 21 April 2011.
- Body Contours Pte Ltd and its controlled entities (The Aesthetics Clinic (Body Contours) Pte Ltd, Body Contours Wellness Spa Sdn Bhd and Kooj Pte Ltd) until divestment on 17 September 2010.

The financial year has been a challenging year with a change of directors and the divestment of its major operating subsidiaries.

The completion of these transactions is part of the Company's restructuring plan and is an important move toward returning value to shareholders.

The board is looking at new investment opportunities to add to the Company's business activities, generate profitability and positive cash flow and offer the shareholder a future in their investment.

To this end, over the past months, the directors have been involved in discussions with a number of interested parties regarding potential acquisitions of operating businesses that could be acquired.

The Company has entered into agreements as detailed below in the section "After Reporting Date Events".

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 17 September 2010, the Company completed the divestment of its 51% interest in Body Contours Pte Ltd.

ii. On 10 May 2010, the Company announced that an agreement to sell its interest in subsidiary Atos Wellness Pte Ltd and its Controlled Entities, Inner Harmony Pte Ltd, and several dormant companies to the Company's major shareholders, Mr. Ananda Rajah and Ms Pathma Ayadurai. The sale was approved by shareholders at the General Meeting on 21 April 2011 and completed on 13 June 2011.

iii. The Company cancelled 48,828,125 ordinary shares in a selective buy back pursuant to S 257D of the Corporations Act and approved by shareholders on 21 April 2011.

After Reporting Date Events

On 15 August 2011, the Board of Directors of Atos Wellness Limited announced that the Company had signed a Share Sale Agreement with Australian Healthcare Enterprises Pty Ltd ("AHE") to acquire 100% ownership and a Business Sale Agreement with Mega Health Pty Ltd to acquire the complete business assets of South Australian Health Distributors ("SAHD") as a going concern. The agreements provide for the Company to:

- Acquire 100% of the equity in AHE, the company which holds the intellectual property, concepts and preliminary agreements to establish a new national multi-purpose health care products trading entity by the expansion of an existing wholesale distribution, establishing new manufacturing and TGA licensed facilities and the acquisition of a well known wholesale and retail healthcare product operation. Consideration of $300,000 is payable by the issue of 15,000,000 fully paid ordinary shares in the Company.
- Acquire 100% of the operations of SAHD for consideration of $1,000,000 payable by the issue of 50,000,000 fully paid ordinary shares in the Company. SAHD is an established wholesale healthcare products business, with expanding online operations and distribution through a well known branded retail chain.

Future Developments, Prospects and Business Strategies

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

It is expected that the proposed acquisition of the above Australian based entity and business will result in complementary and viable businesses.

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. The consolidated group's operations are not subject to the National Greenhouse gas and energy data reporting requirements.

Information on Directors

Lloyd A Halvorson	—	**Executive Director/Chairman** (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
Conrad Crisafulli	—	**Non-Executive Director** (Appointed 27 September 2011)
Qualifications	—	Bachelor of Engineering (Hons) University of Western Australia
Experience	—	Conrad Crisafulli has extensive experience in all aspects of technology commercialisation. In January 2009, he stepped down from the role of Director for IP Commercialisation at Curtin University of Technology where, over 5 years, he established a successful technology commercialisation business. Prior to that he was managing director of TechStart Australia Pty Ltd (a boutique venture capital firm) and was involved in several of its investee companies. Mr Crusafilli has been a director of several other start-up technology ventures. He was chair of medical device development and marketing company Medevco Pty Ltd until its recent trade sale to ASX-listed Allied Healthcare Group Ltd.
Interest in Shares and Options	—	Nil 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 and 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
Directorships held in other listed entities	—	None
Josef A Plattner	—	**Non-Executive Chairman** (Appointed 14 January 2011, resigned 27 September 2011)
Qualifications	—	Degree in Engineering (Honours) Ministry of Education, Austria, Studied at Paracelsus Institute, Germany and 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

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 30 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.

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(3C) of the Corporations 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.
- A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and the Board 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. Currently, the Chairman receives $40,000 per year and directors $30,000 per year,
- 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 Group.

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.

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

Due to the current restructuring of the Company, the Company has not entered into service contracts with each key management person and positions are capable of termination on 1 month's notice. The Company retains the right to terminate the positions 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.

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
Joseph Plattner	Non-Executive Chairman (appointed 14 January 2011, resigned 27 September 2011)
Lloyd Halvorson	Executive Director (appointed 14 January 2011)
Mark Leong	Non-Executive Director (appointed 14 January 2011)
Ananda Rajah	Chief Executive Officer / Executive Director (resigned 27 November 2009)
Jitto Arulampalam	Chairman (resigned 14 January 2011)
Johnson Chong Sian Teh	Non-executive Director (resigned 14 January 2011)
Frank Cannavo	Non-executive Director (resigned 14 January 2011)
Pathma Ayadurai	Director – Atos Wellness Pte Ltd (disposed 21 April 2011)
Yeng Cheng Gek	Marketing Director – Atos Wellness Pte Ltd (disposed 21 April 2011)
Rajalakshimi Somasundram	Studio General Manager – Inner Harmony Pte Ltd (disposed 21 April 2011)
Tang Siew Eng	Studio General Manager – Atos Wellness Pte Ltd (disposed 21 April 2011)
Seah Bee Lian	Studio Sales Manager – Atos Wellness Pte Ltd (disposed 21 April 2011)

Key Management Personnel Remuneration

2011

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	20,000	-	-	1,800	-	-	21,800	-
F Cannavo	15,000	-	-	1,350	-	-	16,350	-
J Teh	15,000	-	-	-	-	-	15,000	-
J Plattner	18,332	-	-	1,650	-	-	19,982	-
L Halvorson	13,750	14,333	-	2,077	-	-	30,160	-
M Leong	13,750	-	-	-	-	-	13,750	-
Pathma Ayadurai	-	114,748	-	3,783	-	-	118,531	-
Yeng C	-	76,498	-	5,160	-	-	81,658	-
R Somasundram	-	40,611	-	4,645	-	-	45,256	-
Tang S	-	50,695	-	5,143	-	-	55,838	-
Seah B	-	20,453	-	2,453	-	-	22,906	-
	95,832	317,338	-	28,061	-	-	441,231	-

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 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 2009

* Resigned as executive director 27 November 2009

This is the end of the audited remuneration report.

Meetings of Directors

During the financial year, 6 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
Josef A Plattner	4	4
Lloyd A Halvorson	4	4
Mark Leong	4	4
Jitto Arulampalam	3	3
Frank Cannavo	3	3
Johnson Teh	3	3

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 $22,750.

Options

At the date of this report, there were nil unissued shares under options (2010: 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 2011.

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 2011 has been received and can be found on page 10.

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.

Lloyd A Halvorson , Chairman

Dated this 30th day of September 2011

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

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

30 September 2011

Atos Wellness Limited
The Board of Directors
67 Tifera Circle,
Kallaroo WA 6025

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 2011, 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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group 2011 $	2010 Restated $
Revenue	2	349	7
Other income	2	972,859	285,504
Employee benefits expense		(102,310)	(202,167)
Depreciation and amortisation expense		(270)	-
Finance costs		-	(22,551)
Consultancy fees		(17,835)	(35,676)
Insurance		(23,664)	(24,578)
Impairment of receivables	3	(3,670,502)	-
Impairment of other assets		(374,153)	-
Rent and occupancy costs		(20,360)	(10,800)
Research Costs		(25,388)	-
Selling & marketing		-	(20,000)
Foreign currency translation loss		(20,974)	-
Administrative expenses		(290,686)	(365,679)
Other expenses		(192,560)	(367,170)
Profit / (Loss) before income tax		(3,765,494)	(763,110)
Income tax (expense) / benefit	4	-	-
Loss from continuing operations		(3,765,494)	(763,110)
Profit from discontinued operations	5	2,775,080	380,210
Loss for the year		(990,414)	(382,900)
Profit / (Loss) is attributable to:			
Owners of Atos Wellness Limited		(1,010,962)	(260,155)
Non-controlling interests		20,548	(122,745)
		(990,414)	(382,900)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group 2011 $	2010 $
Profit / (Loss) for the year		**(990,414)**	**(382,900)**
Other comprehensive income			
Exchange differences on translation of foreign operations		(218,415)	(48,271)
Total other comprehensive loss		(218,415)	(48,271)
Total comprehensive loss		(1,208,829)	(431,171)
Total comprehensive loss for the year is attributable to:			
Owners of Atos Wellness Limited		(1,150,549)	(281,183)
Non-controlling interests		(58,280)	(149,988)
		(1,208,829)	(431,171)
Overall operations			
Basic and diluted loss per share (cents per share)	8	(0.56)	(0.14)
Loss from continuing operations			
Basic and diluted loss per share (cents per share)	8	(2.08)	(0.40)
Profit from Discontinued Operations			
Basic and diluted earnings per share (cents per share)	8	1.52	0.26

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated Group	
		2011	2010
		$	$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	9	178,862	530,242
Trade and other receivables	10	355,676	1,150,495
Inventories	11	-	407,747
Other current assets	18	7,900	122,866
Assets classified as held for sale	12	-	6,879,055
TOTAL CURRENT ASSETS		542,438	9,090,405
Trade and other receivables	10	-	3,538,738
Investments accounted for using the equity method	13	-	-
Financial assets	15	-	-
Property, plant and equipment	16	2,150	781,445
Goodwill	17	-	381,851
TOTAL NON-CURRENT ASSETS		2,150	4,702,034
TOTAL ASSETS		544,588	13,792,439
LIABILITIES			
Trade and other payables	19	155,514	3,104,232
Financial liabilities	20	-	256,511
Current tax liabilities	21	-	24,549
Liabilities classified as held for sale	12	-	6,546,308
TOTAL CURRENT LIABILITIES		155,514	9,931,600
Trade and other payables	19	-	811,418
Financial liabilities	20	-	205,457
Deferred tax liabilities	21	9,557	47,038
TOTAL NON-CURRENT LIABILITIES		9,557	1,063,913
TOTAL LIABILITIES		165,071	10,995,513
NET ASSETS		379,517	2,796,926
EQUITY			
Contributed equity	22	4,998,814	5,198,814
Reserves		-	402,237
Accumulated losses		(4,619,297)	(3,608,335)
Total equity attributable to equity holders of the Company		379,517	1,992,716
Non – controlling interest	24	-	804,210
TOTAL EQUITY		379,517	2,796,926

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2011

	Contributed equity $	Accumulated Losses $	Foreign Currency Translation $	Non-controlling Interest $	Total $
Consolidated Group					
Balance at 1 July 2009	5,173,814	(3,348,180)	423,265	954,198	3,203,097
Total comprehensive loss 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	(3,608,335)	402,237	804,210	2,796,926
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2010	5,198,814	(3,608,335)	402,237	804,210	2,796,926
Total comprehensive loss for the year	-	(1,010,962)	(139,587)	(58,280)	(1,208,829)
Sub-total	5,198,814	(4,619,297)	262,650	745,930	1,588,097
Disposal of controlled entities	-	-	(262,650)	(745,930)	(1,008,580)
Shares cancelled	(200,000)	-	-	-	(200,000)
Dividends paid or provided for	-	-	-	-	-
Balance at 30 June 2011	4,998,814	(4,619,297)	-	-	379,517

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2011

	Note	Consolidated Group 2011	2010 $
Cash Flows From Operating Activities			
Receipts from customers		9,581,694	23,606,986
Payments to suppliers and employees		(11,687,482)	(23,278,487)
Interest received		14,537	1,121
Interest paid		(56,470)	(100,641)
Income tax paid		(57,159)	(265,124)
Net cash flows provided by / (used in) operating activities	28a	(2,204,880)	(36,145)
Cash flows from Investing Activities			
Proceeds from sale of plant and equipment		5,626	58,809
Purchase of property, plant and equipment		(420,401)	(1,048,525)
Loans (to)/from other related parties		1,998,975	330,696
Procees from disposal of subsidiaries		858,500	-
Net cash disposed on sale of subsidiaries		(1,035,630)	-
Net cash flows provided by / (used in) investing activities		1,407,070	(659,020)
Cash flows from Financing Activities			
Repayment of borrowings		204,938	(1,100,217)
Proceeds from borrowings		(123,110)	182,240
Net cash flows provided by / (used in) financing activities		81,828	(917,977)
Net increase/(decrease) in cash held		(715,982)	(1,613,142)
Effect of foreign exchange rates		(71,886)	(121,164)
Cash at beginning of financial period		966,730	2,701,036
Cash at end of financial period	9	178,862	966,730

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').

The financial report was authorised for issue on 30 September 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. Following the sale of Atos Wellness Pte Ltd and its controlled entities on 21 April 2011, Atos Wellness Pte Ltd ceased to be the accounting acquirer of Atos Wellness Limited. From this date, the financial statements of the Consolidated Group reflect a continuation of the existing consolidated financial statements and any previous adjustments resulting from the reverse acquisition accounting described above.

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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.

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 into consideration 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.

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

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-existing 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 cost.

(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.

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.

d. **Property, Plant and Equipment (cont'd)**

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.

Plant and equipment (cont'd)

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;

f. **Financial Instruments (cont'd)**

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.

Classification and Subsequent Measurement (cont'd)

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.

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.

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.

l. **Employee Benefits**

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

Equity-settled compensation

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

m. **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.

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. **Receivables**

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written-off by reducing the carrying amount directly. Debts are impaired when there is objective evidence that the debt will not be able to collect all amounts according to their original terms. The amount of an impairment loss is recognised in profit or loss within other expenses.

o. **Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

p. **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.

q. **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.

r. **Non-Current Assets Classified as Held for Sale and Discontinued Operations**

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.

s. **Comparative Figures**

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

Significant Accounting Judgements, Estimates and Assumptions

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

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

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

(i) *Significant Accounting Judgements*

Impairment of Non-Financial Assets other than Goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. There was no impairment during the financial year ended 30 June 2011 (2010: $Nil).

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 2011 is $Nil (2010: $6,879,055) and $Nil (2010: $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. The total impairment loss on goodwill was $Nil (2010: $110,184) 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 (2010: $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 (2010: $Nil) 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 no other impairment has been recognised in respect of goodwill for the year ended 30 June 2011 (2010: 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 Group and will seek further equity funding where necessary. The company and its controlled entities incurred a loss of $990,414 (2010: $382,900) and a negative cash flow from operating activities of $2,204,880 (2010: $36,145) for the year ended 30 June 2011. The Group has a net working capital of $386,924 (2010: $841,196 deficit) as at 30 June 2011.

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 the disposal of Atos Wellness Pte Ltd and its controlled entities.

The disposal of Body Contours has brought in fresh funding of AUD 708,500 and the balance of the consideration was settled by way of release and discharge of various debts owing by the Company to Body Contours Pte Ltd amounting to AUD 1,785,154. Upon disposal of Atos Singapore, the Company realised AUD 500,000 in cash (AUD150,000 was received at reporting date) and of the balance of the consideration was settled by way of release and discharge of debts owing to the purchaser of Atos Wellness Group of AUD 2,825,516 million and the cancellation of shares to the value of AUD 200,000. In summary, the Group has received fresh funding of AUD1,208,500.

Since the completion of the sale of the Singapore operations, the company has been actively evaluating opportunities for the company to acquire a new line of businesses. The cash flow forecast for the next 18 months remains positive and is prepared based on the following assumptions:

(a) the company will receive the balance of the cash consideration from the Atos Singapore Transaction;

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

(c) the company is proposing to undertake a capital raising of approximately $4 million and this will be successful.

The Board announced on 16 August 2011 that the Company has signed a Share Sale Agreement with Australian Healthcare Enterprises Pty Ltd, who has who has concepts and preliminary agreements to establish a national new multi-purpose health care products trading entity by the expansion of an existing wholesale distribution, establishing new manufacturing and TGA licensed facilities and the acquisition of well known wholesale and retail healthcare product operations. The Company has also signed a Business Sale Agreement with Mega Health Pty Ltd to acquire South Australian Health Distributors, an established wholesale healthcare products business, with expanding online operations and distribution through a well known branded retail chain.

	Note	Consolidated Group 2011 $	2010 Restated $
NOTE 2: REVENUE AND OTHER INCOME			
Revenue – Continuing operations			
— sales		-	-
— interest received	2a	349	7
— other revenue		-	-
Total Revenue		349	7
a. Interest revenue from:			
— other persons		349	7
		349	7
Other Income – Continuing operations			
— Debts forgiven		468,690	-
— Foreign currency translation gain		15,534	221,683
— Other income		488,635	63,821
		972,859	285,504
Revenue – Discontinued operations			
— sales		11,262,755	23,959,915
— interest received	2b	14,188	1,121
— other revenue		74,100	113,111
Total Revenue		11,351,043	24,074,147
b. Interest revenue from:			
— other persons		14,188	1,121
		14,188	1,121
Other Income – Discontinued operations			
— Profit on disposal of property, plant and equipment		-	17,452
— Gain on deconsolidation		2,725,567	-
— Foreign currency translation profit		-	2,121
— Government Grants – Job Creation Credit, maternity and paid child leave		-	399,272
		2,725,567	418,845

NOTE 3: EXPENSES

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

	Note	Consolidated Group 2011	2010 Restated
a. Expenses			
Cost of sales			
— Continuing operations		-	-
— Discontinued operations		1,829,759	2,793,342
		1,829,759	2,793,342
Depreciation of non-current assets – Plant and equipment			
— Continuing operations		270	-
— Discontinued operations		275,410	1,048,184
		275,680	1,048,184
Impairment of goodwill in controlled entities			
— Continuing operations		-	-
— Discontinued operations		-	110,184
		-	110,184
Bad and doubtful debts:			
— Continuing operations – Associated companies		3,670,502	-
— Discontinued operations – trade debtors		-	104,467
		3,670,502	104,467
Rental and occupancy on operating leases:			
— Continuing operations		20,360	10,800
— Discontinued operations		1,639,160	3,670,739
		1,659,520	3,681,539
Foreign currency translation losses			
— Continuing operations		20,974	-
— Discontinued operations		-	-
		20,974	-

NOTE 4: INCOME TAX

	Note	Consolidated Group 2011 $	2010 Restated $
Accounting profit/(loss) before tax from continuing operations		(3,765,494)	(763,110)
Accounting profit/(loss) before tax from discontinuing operations		2,739,038	510,155
Consolidated profit/(loss) loss before tax		(1,026,456)	(252,955)
A. Numerical reconciliation of income tax expense to prima facie tax payable			
Prima facie tax payable on profit before income tax at 30% (2010: 30%)		(307,937)	(75,887)
Sundry non-deductible (deductible) expenses for Australian tax consolidated group			
- non-deductible expenses		599,475	135,591
Sundry assessable (non-assessable) items for Australian tax consolidated group			
- assessable (non-assessable) items		(1,623,273)	-
Sundry non-deductible (deductible) expenses for International Operations			
- non-deductible expenses		1,421,031	140,116
Deferred tax asset relating to tax loss not brought to account		-	67,601
Recoupment of prior year tax losses not previously brought to account		(67,513)	-
Difference in international tax rates and exchange rates		(1,753)	(222,115)
Under provision in respect of prior years		(56,072)	84,639
Income tax expense/(benefit)		(36,042)	129,945
Income tax attributable to discontinued operations		(36,042)	(129,945)
Income tax attributable to continuing operations		-	-
B. Income tax expense			
Current tax		10,010	63,481
Under/(over) provision in respect of prior years		(56,072)	84,639
<u>Deferred income tax:</u>			
Relating to origination and reversal on temporary differences		10,020	(18,175)
Income tax expense		(36,042)	129,945
Income tax expense attributable to discontinued operations		36,042	(129,945)
Income tax expense reported in statement of comprehensive income		-	-

NOTE 5: DISCONTINUED OPERATIONS

On 15 April 2010, the Company executed an agreement for 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 transaction were Atos Wellness Pte Ltd, Inner Harmony Pte Ltd, Atos Academy Pte Ltd, Atos Research Centre Pte Ltd, Atos Consumer Products Pte Ltd and Bodycure International Ltd (collectively known as "Atos Singapore") were valued at an estimate of AUD4.17 million.

The transaction was completed with shareholders' approval at the General Meeting on 21 April 2011. The purchasers settled the 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 a consideration of AUD3.53 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. The gain on this transaction is AUD 2.92 million.

	Note	Consolidated Group	
		30.06.2011	30.06.2010
		$	$
Financial information relating to the discontinued operation to the date of disposal is set out below. The gain on disposal of the discontinued operations is included in the profit from discontinued operations in the Income Statement. The financial performance of the discontinued operation to the date of sale is as follows:			
Revenue		8,300,419	11,759,948
Expenses		(8,318,902)	(11,406,742)
Profit before income tax		(18,483)	353,206
Income tax benefit/ (expense)		31,361	(114,696)
Profit attributable to members of the parent entity		12,878	238,510
Profit on sale before income tax	(a)	1,583,380	-
Income tax expense		-	-
Profit on sale after income tax		1,583,380	-
Total profit after tax attributable to the discontinued operations		1,596,258	238,510
The net cash flows of the discontinued divisions which have been incorporated into the statement of cash flows are as follows:			
Net cash inflow/(outflow) from operating activities		425,325	59,963
Net cash inflow/(outflow) from investing activities		(293,987)	(293,263)
Net cash inflow/(outflow) from financing activities		(4,687)	(299,381)
Net cash increase generated by the discontinuing divisions		(126,651)	(532,681)

	Note	Consolidated Group 30.06.2011 $	30.06.2010 $
NOTE 5: DISCONTINUED OPERATIONS (CONT'D)			
(a) Details of sale of subsidiary			
Consideration received			-
Cash		500,000	-
Loans Discharged		2,825,516	-
Share Cancellation		200,000	-
Total disposal consideration		3,525,516	-
Less: Net assets at date of disposal	(b)	(2,195,198)	-
Foreign exchange reserve recycled to profit and loss		253,062	-
Profit on sale before income tax		1,583,380	-
Income tax expense		-	-
Profit on sale after income tax		1,583,380	-

(b) The carrying amounts of assets and liabilities as at the date of sale (21 April 2011) were:

	21.04.2011 $
Plant and equipment	463,310
Inventories	1,336,399
Trade and other receivables	2,453,291
Cash and bank balances	566,037
Goodwill	978,025
Total assets	5,797,062
Trade and other payables	2,222,064
Deferred income	585,886
Financial liabilities	197,591
Provision for taxation	584,585
Deferred taxation	11,738
Total liabilities	3,601,864
Net assets	2,195,198
Less: Non-controlling interests	-
Net assets attributable to members of the parent entity	2,195,198

NOTE 5: DISCONTINUED OPERATIONS (CONT'D)

On 12 August 2010, the Board of Directors of Atos Wellness Limited announced that the Company had executed an agreement with a private Singapore investor on the sale of its 51% shareholdings in Body Contours Pte Ltd for AUD 2,493,654 (SGD 3.349 million). The transaction was settled partly with AUD708,500 (SGD 900,000) in cash and the remaining consideration through release and discharge of various debts owing by the Company to Body Contours Pte Ltd for a sum of AUD 1.79 million (SGD 2.45 million). The transaction was completed without shareholders' approval on 17 September 2010 after receiving approval from the ASX dated 8 September 2010. The management determined the gain to the consolidated entity on disposal of the 51% interest in Body Contours to be $1,129,544.

	Note	Consolidated Group	
		30.06.2011	30.06.2010
Financial information relating to the discontinued operation to the date of disposal is set out below. The gain on disposal of the discontinued operations is included in the profit from discontinued operations in the Income Statement. The financial performance of the discontinued operation to the date of sale is as follows:			
Revenue		3,050,624	12,877,914
Expenses		(3,018,670)	(12,720,965)
Profit before income tax		31,954	156,949
Income tax benefit/ (expense)		4,681	(15,249)
Profit attributable to members of the parent entity		36,635	141,700
Profit on sale before income tax	(a)	1,142,187	-
Income tax expense		-	-
Profit on sale after income tax		1,142,187	-
Total profit after tax attributable to the discontinued operations		1,178,822	141,700
The net cash flows of the discontinued divisions which have been incorporated into the statement of cash flows are as follows:			
Net cash inflow/(outflow) from operating activities		798,815	17,078
Net cash inflow/(outflow) from investing activities		(406,389)	(400,618)
Net cash inflow/(outflow) from financing activities		(62,534)	(281,479)
Net cash increase generated by the discontinuing divisions		329,892	(665,019)
(a) Details of sale of subsidiary			
Consideration received			
Cash		708,500	-
Loans Discharged		1,785,154	-
Total disposal consideration		2,493,654	-
Less: Net assets at date of disposal	(b)	(1,360,679)	-
Foreign exchange reserve recycled to profit and loss		9,212	-
Profit on sale before income tax		1,142,187	-
Income tax expense		-	-
Profit on sale after income tax		1,142,187	-

NOTE 5: DISCONTINUED OPERATIONS (CONT'D)

(b) The carrying amounts of assets and liabilities as at the date of sale (17 September 2010) were:

	17.09.2010
	$
Plant and equipment	810,520
Inventories	413,682
Trade and other receivables	3,151,646
Cash and bank balances	502,358
Goodwill	381,851
Total assets	5,260,057
Trade and other payables	1,907,906
Deferred income	765,989
Financial liabilities	427,842
Provision for taxation	21,998
Deferred taxation	29,713
Total liabilities	3,153,448
Net assets	2,106,609
Less: Non-controlling interests	(745,930)
Net assets attributable to members of the parent entity	1,360,679

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

Remuneration

a.

	2011 $	2010 $
Short-term	413,170	716,405
Post-employment	28,061	17,150
Long-term benefits	-	-
Share-based payments	-	-
	441,231	733,555

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 2011

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

	Balance 1.7.2010	Granted as Compensation	Options Exercised	Net Change* Other	Balance 30.6.2011
Joseph Plattner[~]	9,192,449	-	-	-	9,192,449
Lloyd Halvorson[~]	151,000	-	-	-	151,000
Mark Leong[~]	540,000	-	-	-	540,000
Ananda Rajah	73,139,038	-	-	(48,828,125)	24,310,913
Jitto Arulampalam[@]	-	-	-	-	-
Frank Cannavo[@]	2,363,060	-	-	(2,000,000)	363,060
Johnson Chong Sian Teh[@]	-	-	-	-	-
Pathma Ayadurai[#]	24,414,063	-	-	-	24,414,063
Richard Chow[@]	-	-	-	-	-
Total	109,799,610	-	-	(50,828,125)	58,971,485

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

c. **Number of Shares held by Key Management Personnel (Cont'd)**

	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 and the cancellation of shares held by Ananda Rajah following the disposal of Atos Singapore Pte Ltd and its controlled entities.

~ Appointed 14 January 2011

@ Resigned 21 April 2011

% Resigned on 31 July 2009

Atos Singapore Pte Ltd and controlled entities disposed on 21 April 2011

	Consolidated Group	
	2011	2010
	$	$
NOTE 7: AUDITORS' REMUNERATION		
Remuneration of the auditor of the parent entity:		
— BDO Audit (WA) Pty Ltd for auditing or reviewing the financial report	77,752	63,436
Remuneration of other auditors of subsidiaries of discontinued operations for:		
— auditing or reviewing the financial report of subsidiaries	29,452	86,513

NOTE 8: EARNINGS PER SHARE

	Consolidated Group	
	2011	2010
	$	$
a. Reconciliation of loss to profit or loss		
Profit/(loss)	(990,414)	(382,900)
(Profit)/loss attributable to non-controlling equity interest	(20,548)	122,745
Earnings used to calculate basic EPS	(1,010,962)	(260,155)
b. Reconciliation of earnings to profit or loss from continuing operations		
Profit/(loss)	(3,765,494)	(763,110)
(Profit)/loss attributable to non-controlling equity interest in respect of continuing operations	-	-
Earnings used to calculate basic EPS from continuing operations	(3,765,494)	(763,110)
c. Reconciliation of earnings to profit or loss from discontinuing operations		
Profit from discontinued operations	2,775,080	380,210
(Profit)/loss attributable to non-controlling equity interest in respect of discontinuing operations	(20,548)	122,745
Earnings used to calculate basic EPS from continuing operations	2,754,532	502,955
		No.
d. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	181,278,563	190,413,694
Weighted average of options outstanding	-	-
Weighted average of number of ordinary shares outstanding during the year used in calculating dilutive EPS	181,278,563	190,413,694

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 9: CASH AND CASH EQUIVALENTS	Note	Consolidated Group	
		2011	2010
		$	$
Cash at bank and in hand		178,862	977,182
Bank overdrafts used for cash management purposes		-	(10,452)
		178,862	966,730

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:

	Note	2011	2010
Cash at bank and in hand		178,862	530,242
Bank overdrafts used for cash management purposes		-	-
		178,862	530,242
Cash at bank and in hand attributable to discontinued operations	12	-	436,488
		178,862	966,730

NOTE 10: TRADE AND OTHER RECEIVABLES

	Note	2011	2010
CURRENT			
Trade receivables		1,186	498,491
Allowance for impairment of receivables	10a	-	-
		1,186	498,491
Deposits	10b	-	1,022,358
Other receivables		354,490	1,146,431
		355,676	2,667,280
Transfer to assets held for sale	12	-	(1,516,785)
		355,676	1,150,495
NON CURRENT			
Amounts receivable from:			
— Associated companies		3,584,231	4,995,244
— Allowance for impairment – associated companies	10a(ii)	(3,584,231)	(1,086,219)
— Other related companies		-	1,723,618
		-	5,632,643
Transfer to assets held for sale	12	-	(2,093,905)
		-	3,538,738

The amounts receivable from other related companies have been fully impaired. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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 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
		1,086,219	-	-	1,086,219

		Opening Balance 1 July 2010	Charge for the Year	Amounts Written Off/ Disposals	Closing Balance 30 June 2011
	Consolidated Group				
(i)	Current trade receivables	-	-	-	-
(ii)	Non-current associated companies	1,086,219	3,670,502	(1,172,490)	3,584,231
		1,086,219	3,670,502	(1, 172,490)	3,584,231

Impaired assets are provided for in full.

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 had significant credit risk exposures in Singapore during the year (2010: 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	
	2011 $	2010 $
Singapore	-	498,491
	-	498,491

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	
	2011 $	2010 $
iii. **Ageing analysis of trade receivables**		
0 – 30 days past due	-	248,532
31 – 60 days past due	-	18,614
61 – 90 days past due not impaired	-	55,467
91 + days past due not impaired	-	175,878
	-	498,491

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 $Nil (2010: $214,425).

NOTE 11: INVENTORIES

CURRENT		
Finished goods, at cost	-	1,814,289
Transfer to Assets held for sale	-	(1,406,542)
	-	407,747

(a) Inventory expense

Inventories recognised as expense during the year ended 30 June 2011 amounted to $1,829,759 (2010: $2,793,342). 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 continuing and discontinued operations.

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 were 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	
	2011	2010
		$
Interests in joint venture entities	-	-
Share of net loss	-	-
	-	-

Interests in Joint Venture Entities

	2011	2010
Atos Wellness Ltd had a 50% interest in the joint venture entity ATOS SOL Wellness Pty Ltd incorporated in Australia which was involved in the wellness industry. The joint venture entity entered voluntary liquidation in August 2009 and was deregistered on 30 November 2010. The voting power held by Atos Wellness Ltd was 50% 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
Non-current Assets	-	281,255
Total Assets	-	317,659
Current Liabilities	-	409,150
Non-current Liabilities	-	245,951
Total Liabilities	-	655,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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

	Consolidated Group	
	2011	**2010**
		$
Revenues	-	-
Expenses	-	-
Loss before income tax	-	-
Income tax expense	-	-
Loss after income tax	-	-

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**	
				2011%	**2010**	**2011**	**2010**
						$	**$**
Unlisted:							
Medec International Pty Ltd	Medical products manufacturing	Australia	Ord	49%	49%	-	-
						-	-

		Consolidated Group	
		2011	**2010**
		$	**$**
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	-	-
Less:	Accumulated losses offset	-	-
	Balance at end of the financial year	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 14: ASSOCIATED COMPANIES (CONT'D)

		Consolidated Group	
		2011	**2010**
		$	**$**
b.	**Equity accounted profits of associates are broken down as follows:**		
	Share of associate's profit before income tax expense	-	-
	Share of associate's income tax expense	-	-
	Share of associate's profit after income tax	-	-
c.	**Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates**		
	Current assets	865,476	865,476
	Non-current assets	1,878,702	1,878,702
	Total assets	2,744,178	2,744,178
	Current liabilities	310,077	310,077
	Non-current liabilities	6,159,485	6,159,485
	Total liabilities	6,469,562	6,469,562
	Net liabilities	(3,725,384)	(3,725,384)
	Revenues	-	-
	Profit after income tax of associates	-	-

d. Ownership interest in Medec International Pty Ltd at that company's reporting date was 49% (2010: 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 transactions during the financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 15: OTHER FINANCIAL ASSETS

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $

a. **Controlled Entities**

	Country of Incorporation	Percentage Owned * 2011	Percentage Owned * 2010
Legal Parent Entity:			
Atos Wellness Limited	Australia		
Subsidiaries of Atos Wellness Limited			
Atos Wellness Pte Ltd	Singapore	-	100
Swandale Holdings Pty Ltd	Australia	100	100
Learange Holdings Pty Ltd	Australia	100	100
Body Contours Pte Ltd	Singapore	-	51
Inner Harmony Pte Ltd (formerly known as Inahamani Pte Ltd)	Singapore	-	100
Letchworth House Pty Ltd #	Australia	100	100
Bodycure International Ltd	Hong Kong	-	60
Subsidiaries of Atos Wellness Pte Ltd			
Atos Consumer Products Pte Ltd	Singapore	-	100
SlimLine Studio Pte Ltd	Singapore	-	100
SlimCare Studio Pte Ltd	Singapore	-	100
Subsidiaries of Body Contours Pte Ltd			
The Aesthetics Clinic (Body Contours) Pte Ltd	Singapore	-	100
Body Contours Wellness Spa Sdn. Bhd.	Malaysia	-	51
Kooj Pte Ltd	Singapore	-	80

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

 # Letchworth House Pty Ltd was placed into voluntary administration on 4 July 2009

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

c. **Disposal of controlled entities**

On 17 September 2010, the parent entity sold 51% of the subsidiary Body Contours Pte Ltd. On 21 April 2011, the parent entity sold 100% of Atos Wellness Pte Ltd, 100% of Inner Harmony Pte Ltd and its 60% interest in Bodycure International Ltd

See note 5 for more details.

d. **Disposal of controlled entities**

See note 5 for more details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 16: PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated Group	
		2011	2010
		$	$
Plant and equipment			
At cost		2,420	6,813,638
Accumulated depreciation		(270)	(5,664,541)
Accumulated impairment loss		-	-
		2,150	1,149,097
Transfer to assets held for sale	12	-	(367,652)
		2,150	781,445

Movements in Carrying Amounts

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

		Consolidated Group	
		2011	2010
		$	$
Balance at the beginning of year		1,149,097	1,398,388
Effects of movement in foreign exchange rates		-	(72,851)
Additions		420,401	1,048,525
Disposals		(1,291,938)	(176,781)
Depreciation expense		(275,410)	(1,048,184)
Impairment of assets		-	-
Carrying amount at the end of year		2,150	1,149,097
Transfer to assets held for sale	12	-	(367,652)
		2,150	781,445

NOTE 17: GOODWILL

		Consolidated Group	
		2011	2010
		$	$
Balance at the beginning of year		1,359,876	1,476,693
Effects of movement in foreign exchange rates		-	(6,633)
Disposal		(1,359,876)	-
Impairment losses on discontinued operations		-	(110,184)
Net Carrying Value		-	1,359,876
Transfer to assets held for sale	12	-	(978,025)
Total		-	381,851

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 17: GOODWILL (CONT'D)

Impairment Disclosures

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

	2011 $	2010 $
Asian segment – discontinued operations	-	1,359,876
Total	-	1,359,876

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 2011 $	2010 $
NOTE 18: OTHER ASSETS			
CURRENT			
Prepayments		7,900	194,690
Transfer to assets held for sale	12	-	(71,824)
		7,900	122,866

NOTE 19: TRADE AND OTHER PAYABLES

	Note	Consolidated Group 2011 $	2010 $
CURRENT			
Unsecured liabilities:			
Trade payables		6,404	526,003
Accrued expenses and sundry payables		149,110	3,536,755
Deferred income		-	1,754,758
Deferred settlements	19a	-	1,240,250
Initial deposit for disposal of subsidiaries	19b	-	70,000
		155,514	7,127,766
Transfer to liabilities held for sale	12	-	(4,023,354)
		155,514	3,104,412
NON-CURRENT			
Unsecured liabilities:			
Amounts payable to associated companies		-	311,971
Amount payable to directors		-	27,707
Amounts payable to directors of subsidiaries		-	1,429,561
Amounts payable to other related parties		-	710,640
		-	2,479,879
Transfer to liabilities held for sale	12	-	(1,668,461)
		-	811,418

a. Deferred settlements includes $Nil (2010: $1,240,250) for the deferred consideration relating to the acquisition of Body Contours Pte Ltd in Singapore. 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, formed part of the consideration on the disposal of Atos Singapore Pte Ltd and its controlled entities.

b. The initial deposit for disposal of subsidiaries was 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 2011 $	2010 $
CURRENT			
Secured Liabilities			
Bank overdrafts		-	10,452
Hire purchase liabilities		-	205,303
Bank loans		-	139,986
		-	355,741
Transfer to liabilities held for sale	12	-	(99,230)
		-	256,511

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
NOTE 20: FINANCIAL LIABILITIES (CONT'D)			
NON CURRENT			
Secured Liabilities			
Hire purchase liabilities		-	93,407
Bank loans		-	147,150
		-	240,557
Transfer to liabilities held for sale	12	-	(35,100)
		-	205,457

a. Total current and non-current secured liabilities:

	2011 $	2010 $
Bank overdraft	-	10,452
Hire purchase liabilities	-	298,710
Bank loans	-	287,136
	-	596,298

b. The carrying amounts of non-current assets pledged as security are:

	2011 $	2010 $
	-	
First mortgage over freehold land and buildings	-	-
Plant and equipment under hire purchase	-	264,296
	-	264,296

c. Collateral Provided

In the comparative period, the bank overdrafts of the subsidiaries were secured by fresh charge on fixed deposit placed with the same financial institution in the name of one of the directors of the subsidiaries.

In the comparative period, the bank loans were 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.

Financing facilities available

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

	Consolidated Group 2011 $	Consolidated Group 2010 $
Bank loans	-	837,521
Hire purchase facilities	-	841,648
Bank overdraft facility	-	83,752
Credit cards	-	50,251
	-	1,813,172

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
Note 21: Tax			
a. **Liabilities**			
CURRENT			
Income Tax		-	750,528
Transfer to Liabilities held for sale	12	-	(725,979)
		-	24,549

NON-CURRENT	Opening Balance $	Charged to Income $	Disposals $	Exchange Differences $	Transfer to Liabilities held for sale $	Closing Balance $
Consolidated Group						
Deferred Tax Liability						
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
Property Plant and Equipment						
— tax allowance	41,937	2,186	(42,940)	(1,183)	-	-
— other	9,557	-	-	-	-	9,557
Balance at 30 June 2011	51,494	2,186	(42,940)	(1,183)	-	9,557
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)	-
Property Plant and Equipment						
— tax allowance	7,834	(7,834)	-	-	-	-
— other	-	-	-	-	-	-
Balance at 30 June 2011	7,834	(7,834)	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note 21: Tax (cont'd)

	Consolidated Group 2011 $	Consolidated Group 2010 $
b. **Assets**		
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur**:**		
Australian Operations		
— temporary differences		92,587
— temporary differences in equity	-	-
— tax losses: operating losses		290,986
Unrecognised deferred tax liabilities		-
Total		383,573
Balance of franking account at year end adjusted for franking credit arising from payment of provision of income tax		164,634

NOTE 22: ISSUED CAPITAL

	2011 $	2010 $
Ordinary shares		
Fully paid	5,198,814	5,173,814
Shares issued during the period:		
- 7 September 2009 issued @ $0.02	-	25,000
- 21 April 2011 shares cancelled	(200,000)	-
	4,998,814	5,198,814

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**
At the beginning of the reporting year	190,642,861	189,392,861
Shares issued during the period:		
- 7 September 2009 issued @ $0.02	-	1,250,000
- 21 April 2011 shares cancelled	48,828,125	-
At reporting date	141,814,736	190,642,861

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 21 April 2011, 48,828,125 ordinary shares were bought back and cancelled as part of the consideration for the sale of Atos Wellness Pte Ltd and its controlled entities for a consideration of $200,000.

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 2011 and 30 June 2010 are as follows:

	Note	Consolidated Group	
		2011	2010
		$	$
Total borrowings	19,20	-	10,923,926
Less cash and cash equivalents	9	(178,862)	(966,730)
Net Debt		(178,862)	9,957,196
Total equity		379,517	2,796,926
Total capital		200,655	12,754,122
Gearing Ratio		Nil%	78.1%

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)

Refer to the statement of changes in equity for movements in reserves.

NOTE 24: NON-CONTROLLING INTEREST

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 25: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated Group 2011 $	Consolidated Group 2010 $
a. **Hire Purchase Commitments**			
Payable			
— not later than 1 year		-	220,132
— later than 1 year but not later than 5 years		-	113,141
— later than 5 years		-	-
Total hire purchase liability		-	333,273
Less future finance charges		-	(34,563)
		-	298,710
Less Transfer to Liabilities held for sale	12	-	(123,878)
		-	174,832
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
— Later than 1 year but not later than 5 years		-	640,400
— Later than 5 years		-	-
			3,135,973
Less: Operating Lease Commitments attributable to discontinued operations		-	(1,456,265)
		-	1,679,708

NOTE 26: CONTINGENT LIABILITIES

The Company is continuing to defend a claim for a liquidated sum of $40,000 in respect of the sale by a former subsidiary of a ‘Caloriefit’ machine and the Company’s defence is that it was not a party as at the date of the sale contract, being 21 September 2009.

There are no other contingent liabilities as at 30 June 2011 (2010: $125,203).

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)

(i) Segment performance

2011	Atos Singapore $	Body Contours $	Inner Harmony $	Consolidated Group $	Discontinuing Operations $
Revenue					
External sales	5,289,927	3,041,414	2,770,625	-	11,101,966
Inter-segment sales	160,789	-	-	-	160,789
Other revenue	74,019	81	-	-	74,100
Interest revenue	-	9,129	5,059	-	14,188
Total Segment Revenue	5,524,735	3,050,624	2,775,684	-	11,351,043
Reconciliation of segment revenue to group revenue					
Inter-segment elimination	(160,790)	-	-	-	(160,790)
Total group revenue	5,363,945	3,050,624	2,775,684	-	11,190,253
Segment net profit / (loss) before tax	(135,433)	31,954	116,950	-	13,471
Reconciliation of segment result to group net profit / (loss) before tax					
Unallocated items:					
• Other income				972,858	2,725,567
• Interest income				349	-
• Selling and marketing				-	-
• Employee benefits				(102,310)	-
• Other				(4,636,391)	-
Net (loss) / profit before tax				(3,765,494)	2,739,038

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

NOTE 27: OPERATING SEGMENTS (CONT'D)

2010 (Restated)	Atos Singapore $	Body Contours $	Inner Harmony $	Consolidated Group $	Discontinuing Operations $
Revenue					
External sales	7,188,012	12,518,639	3,999,439	-	23,706,090
Inter-segment sales	253,825	-	-	-	253,825
Other revenue	215,623	264,479	102,273	-	582,375
Interest revenue	776	94,796	-	-	95,572
Total Segment Revenue	7,658,236	12,877,914	4,101,712	-	24,637,862
Reconciliation of segment revenue to group revenue					
Inter-segment elimination	(304,969)	(93,682)	-	-	(398,651)
Total group revenue	7,353,267	12,784,232	4,101,712	-	24,239,211
Segment net profit / (loss) before tax	(1,343,697)	156,949	1,696,903	-	510,155
Reconciliation of segment result to group net profit / (loss) before tax					
Unallocated items:					
• Other income				285,504	-
• Interest income				7	-
• Selling and marketing				(20,000)	-
• Employee benefits				(202,167)	-
• Other				(826,454)	-
Net (loss) / profit before tax				(763,110)	510,155

(ii) **Revenue by Geographical region**

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

	2011 $	2010 **Restated** $
Australia	-	-
Asia	11,101,966	23,706,090
Total revenue	11,101,966	23,706,090

(iii) **Major customers**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 28: CASH FLOW INFORMATION

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

	Consolidated Group	
	2011	2010
	$	$
Loss after income tax	(990,414)	(382,900)
Non-cash flows in profit		
Depreciation	275,680	1,048,184
(Gain)/loss on disposal of property, plant and equipment	12,212	82,578
(Gain)/loss on disposal of investments in controlled entities	-	1,664
Impairment of goodwill	-	110,184
Impairment of receivables	3,670,502	11,282
Impairment of other assets	374,153	-
Bad debts written off/(back)	(468,690)	93,185
Gain on deferred deconsolidation	(2,725,567)	-
Movement on foreign exchange reserve	(208,893)	(15,522)
Other	(12,542)	25,000
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase) / decrease in receivables	(1,638,654)	(526,636)
(Increase) / decrease in inventories	64,209	140,685
(Increase) / decrease in other assets	114,966	(6,647)
(Increase) / decrease in current tax assets	-	30,430
(Increase) / decrease in deferred tax assets	7,834	-
Increase / (decrease) in payables	(535,246)	(482,022)
Increase / (decrease) in current tax liabilities	(143,944)	(145,510)
Increase / (decrease) in deferred tax liabilities	(486)	(20,100)
Net cash provided by (used in) operating activities	(2,204,880)	(36,145)

(b) **Disposal of Entities**

On 17 September 2010, Body Contours Pte Ltd was sold for $2,493,654. Body Contours Pte Ltd was a subsidiary of Atos Wellness Limited. Aggregate details of this transaction are:

Disposal price	2,493,654	-
Cash consideration	708,500	-
Net (loss) / gain on disposal	1,142,187	-

NOTE 28: CASH FLOW INFORMATION (CONT'D)

	Consolidated Group 2011 $	2010 $
On 21 April 2011, Atos Wellness Pte Ltd was sold for $3,525,516. Atos Wellness Pte Ltd was a legal subsidiary of Atos Wellness Ltd. Aggregate details of this transaction are:		
Disposal price	3,525,516	-
Cash consideration	500,000	-
Net (loss) / gain on disposal	1,583,380	-

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

i. Share cancellation

On 21 April 2011, 48,828,125 shares were cancelled for a consideration of $200,000 as part of the consideration for the sale of Atos Singapore Pte Ltd.

ii. Share issue

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

NOTE 29: SHARE BASED PAYMENTS

There are no share-based payment arrangements existing at 30 June 2011:

Included under employee benefits expense in the income statement is $nil (2010: $nil)

No shares were issued during the year that were granted as compensation (2010: nil).

NOTE 30: EVENTS AFTER THE REPORTING DATE

On 15 August 2011, the Board of Directors of Atos Wellness Limited announced that the Company had signed a Share Sale Agreement with Australian Healthcare Enterprises Pty Ltd ("AHE") to acquire 100% ownership and a Business Sale Agreement with Mega Health Pty Ltd to acquire the complete business assets of South Australian Health Distributors ("SAHD") as a going concern. The agreements provide for the Company to:

- Acquire 100% of the equity in AHE, the company which holds the intellectual property, concepts and preliminary agreements to establish a new national multi-purpose health care products trading entity by the expansion of an existing wholesale distribution, establishing new manufacturing and TGA licensed facilities and the acquisition of a well known wholesale and retail healthcare product operation. Consideration of $300,000 is payable by the issue of 15,000,000 fully paid ordinary shares in the Company.
- Acquire 100% of the operations of SAHD for consideration of $1,000,000 payable by the issue of 50,000,000 fully paid ordinary shares in the Company. SAHD is an established wholesale healthcare products business, with expanding online operations and distribution through a well known branded retail chain.

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

NOTE 31: RELATED PARTY TRANSACTIONS

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

Transactions with related parties:

	Consolidated Group 2011 $	Consolidated Group 2010 $
(i) **Director related entities**		
The following transactions are associated with Mr. Ananda Rajah		
— Sales to related companies:		
- I Spa Pte Ltd	160,789	163,751
— Other income received from related companies		
- I Spa Pte Ltd	42,170	-
— Loans to / (from) associated companies		
- Medec International Pty Ltd	3,584,231	-
— Loans to / (from) other related companies		
- Atos Group Pte Ltd	-	(537,317)
- Atos Group Pte Ltd	-	184,255
- A Quest Pte Ltd	-	171,259
- Atoz Performance Pte Ltd	-	1,366
- Beverly Hill Pte Ltd	-	5,130
- Matahari Spa Pte Ltd	-	336,171
- Oora Pte Ltd	-	439,900
- Oora Sdn Bhd	-	3,240
- Slimrite Pte Ltd	-	41,430
- The Ultimate Pte Ltd	-	48,718
- Unique Slim Care Studio Pte Ltd	-	345,219
- Unisense Sdn Bhd	-	8,585
(ii) Key Management Personnel		
Loan to (from) directors of Atos Wellness Pte Ltd		
- Chua Soo Lim	-	(156,405)
- Pathma Ayadurai	-	(575,623)
- Ananada Rajah	350,000	(75,332)
Loan from Director of Body Contours Pte Ltd		
- Ananada Rajah	-	(63,118)
Loan (from) director of Body Contours Wellness Spa Sdn Bhd		
- Jane Kang Yein Mei	-	(559,084)
Payable to (from) directors of Atos Wellness Pte Ltd		
- Ananada Rajah	(92,000)	-

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 2011 approximately nil% (2010: 98%) of group debt is fixed. For further details on interest rate risk refer to Note 32(c).

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(c) 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.

There are no material amounts of collateral held as security at 30 June 2011.

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 2011 is detailed below:

	Consolidated Group	
	2011	2010
	$	$
Trade receivables		
Counterparties not rated	1,186	498,491
Total	1,186	498,491

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 2011	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Trade and sundry payables	155,514	-	-	-	-	155,514	155,514
Lease liabilities	-	-	-	-	-	-	-
Bank loans and overdrafts	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
	155,514	-	-	-	-	155,514	155,514

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 32: FINANCIAL RISK MANAGEMENT (CONT'D)

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

	2011		2010	
Consolidated Group	**Carrying Amount $**	**Fair Value $**	**Carrying Amount $**	**Fair Value $**
Financial Assets				
Cash	178,862	178,862	977,182	977,182
Loans and receivables	355,676	355,676	8,299,923	8,299,923
	534,538	534,538	9,277,105	9,277,105
Financial Liabilities				
Trade & sundry payables	155,514	155,514	9,607,645	9,607,645
Lease liabilities	-	-	298,710	298,710
Bank loans & overdrafts	-	-	297,588	297,588
Other liabilities	-	-	750,527	750,527
	155,514	155,514	10,954,470	10,954,470

The carrying amounts of assets and liabilities on the Consolidated Group 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 2011, the Group do not have any financial instrument measured and recognised at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 32: FINANCIAL RISK MANAGEMENT (CONT'D)

c. **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 2011, 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	
	2011	2010
	$	$
Change in profit		
— Increase in interest rate by 1%	(170)	(105)
— Decrease in interest rate by 1%	170	105
Change in equity		
— Increase in interest rate by 1%	(170)	(105)
— Decrease in interest rate by 1%	170	105

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

As at 30 June 2011, the group is not exposed directly to fluctuations in foreign currency. Accordingly, there is no material quantifiable change in profit or equity as a result of fluctuations in exchange rates. 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 was minimal as the Group had its operations only in Singapore whose functional currency of its controlled entities was 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	
	2011	2010
	$	$
Change in profit		
— Improvement in AUD to SGD by 5%	-	(55)
— Decline in AUD to SGD by 5%	-	55
Change in equity		
— Improvement in AUD to SGD by 5%	-	(55)
— Decline in AUD to SGD by 5%	-	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	
	2011	2010
	$	$
Change in profit		
— Improvement in AUD to EUR by 5%	-	(52)
— Decline in AUD to EUR by 5%	-	52
Change in equity		
— Improvement in AUD to EUR by 5%	-	(52)
— Decline in AUD to EUR by 5%	-	52

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

NOTE 32: FINANCIAL RISK MANAGEMENT (CONT'D)

At 30 June 2011, the Group had the following exposure to Singapore $ foreign currency that is not designated in cash flow hedges:

	Consolidated Group	
	2011	2010
	$	$
Financial Assets		
Cash	-	1,109
Trade and other receivables	-	-
Other financial assets	-	-
	-	1,109
Financial Liabilities		
Trade and sundry payables	-	-
Lease liabilities	-	-
Bank loans	-	-
Other	-	-
	-	-
Net exposure	-	1,109

At 30 June 2011, 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
Trade and other receivables	-	-
Inventories	-	-
	-	1,032
Financial Liabilities		
Trade and sundry payables	-	-
Interest bearing loans and borrowings	-	-
	-	-
Net exposure	-	1,032

Price Risk Sensitivity Analysis

As at 30 June 2011, 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: PARENT COMPANY INFORMATION

Parent Entity

	2011 $	2010 $
Assets		
Cash	178,862	37,057
Trade and other receivables	355,676	3,545,031
Property, plant & equipment	2,150	-
Financial assets	-	608,261
Other assets	7,900	52,234
	544,588	4,242,583
Liabilities		
Trade and sundry payables	155,514	5,017,899
Deferred tax liabilities	9,557	9,557
	165,071	5,027,456
Equity		
Issued capital	20,639,490	20,839,490
Reserves	339,005	339,005
Accumulated losses	(20,598,978)	(21,963,368)
	379,517	(784,873)
Financial Performance		
Profit/(loss) for the year	1,364,390	(877,196)
Other comprehensive income	-	-
	1,364,390	(877,196)

(i) The parent entity had no material contingent assets or contingent liabilities at 30 June 2011.

NOTE 34: VARIANCES FROM THE PRELIMINARY FINAL REPORT

The financial information presented in the preliminary final report lodged on 1 September 2011 was in the process of being reviewed by management and audited by the Consolidated Entity's independent auditor. The following adjustments have been made to the information presented in the preliminary final report

	Consolidated Group	
	2011	2010
	$	$
Consolidated Statement of Comprehensive Income		
Net Loss		
Net loss for the period reported in the preliminary final report	(1,043,738)	(382,900)
Additional accrued liabilities recognised	(104,000)	-
Increase in gain on deconsolidation of subsidiaries	157,324	-
Net loss for the period reported in the financial statements	(990,414)	(382,900)
Other Comprehensive Income		
Other comprehensive loss reported in the preliminary final report	(204,008)	(48,271)
Additional exchange differences on translation of foreign operations	(14,407)	-
Other comprehensive loss reported in the financial statements	(218,415)	(48,271)
Total comprehensive loss for the period	(1,208,829)	(431,171)
Consolidated Statement of Financial Position		
Current Liabiltiies		
Additional accrued liabilities recognised	104,000	-
Net loss for the period reported in the financial statements	104,000	-
Total Equity		
Equity reported in the preliminary final report	483,517	2,796,926
Additional accrued liabilities recognised	(104,000)	-
Equity reported in the financial statements	379,517	2,796,926

NOTE 35: 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 2011, 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 2010 – 6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011) In November 2010, the AASB issued AASB 2010-6 Disclosures on Transfers of Financial Assets which amends AASB 1 First-time Adoption of Australian Accounting and AASB 7 Financial Instruments: Disclosures to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Fund□s disclosures. The Fund intends to apply the amendment from 1 July 2011.

- Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011) □In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Fund does not expect that any adjustments will be necessary as the result of applying the revised rules.

NOTE 36: COMPANY DETAILS

The registered office of the company is:

C/- Cimetta & Assoc
10 Bowman Street
SOUTH PERTH WA 6151

The principal place of business is:

— Atos Wellness Limited
C/- Cimetta & Assoc
10 Bowman Street
SOUTH PERTH WA 6151

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 2011 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.

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

Director Lloyd A Halvorson

Dated this 30th day of September 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 consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. 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 of Atos Wellness Limited 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

Our audit report in relation to the financial report of Atos Wellness Limited as at 30 June 2010 expressed a disclaimer of opinion arising from a limitation of scope on various closing balances of those statements. The previous financial report to June 2009 and audited by Grant Thornton (WA) partnership, also expressed a disclaimer of opinion arising from a limitation of scope on those statements. We were still unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding the comparatives.

Medec International Pty Ltd, Medec International Management Pty Ltd and Medec Systems GmbH

During the year ended 30th June 2011, Atos Wellness Limited held a 49% interest in Medec International Pty Ltd and its subsidiaries Medec International Management Pty Ltd and Medec Systems GmbH. Medec International Pty Ltd and its subsidiaries have not been subject to an audit for the current and prior year.

Atos Wellness Limited has not included the results of Medec International Pty Ltd and its subsidiaries in its consolidated financial statements for the current and prior financial years and we have been unable to perform any audit procedures in relation to these entities, nor have we been able to assess the impact of the exclusion of these entities on the consolidated financial statements of the Group.

Related party disclosures

We draw your attention to note 31 in the financial statements which discloses related party transactions. As a result of the matters raised in the above paragraphs and further qualifications below, we are unable to satisfy ourselves as to the completeness of the disclosures on related party transactions.

Divestment in the Singapore entities

On 21 April 2011 the Group disposed its 100% shareholding in Atos Wellness Pte Ltd. The financial statements of Atos Wellness Pte Ltd were audited for the period up to the date of disposal and the audit was qualified in relation to the following items:

Inventories
Atos Wellness Pte Ltd, had expired inventories amounting to A$82,017 and goods on consignment amounting to A$56,928 as at 21 April 2011. The auditor was unable to satisfy themselves that the inventories had been measured at the lower of cost and net realisable value or that the inventory existed at that date.

Trade and other receivables
Atos Wellness Pte Ltd had trade and other receivables of A$48,386 and A$275,706 respectively as at 21 April 2011. The auditor was unable to obtain sufficient audit evidence as to the recoverability of these amounts at that date.

Non-related parties loan and consultancy fees paid
Atos Wellness Pte Ltd and its subsidiaries had non-interest bearing loans from various non-related parties amounting to A$823,588 as at 21 April 2011. During the financial period ending 21 April 2011 the company also paid these parties a total of A$201,495 for consultancy fees and these were charged to marketing expenses.

The auditor was unable to obtain supporting documentation for the non interest bearing loans nor were they able to satisfy themselves as to the nature of these marketing expenses.

Atos Wellness Vienna
On 25 March 2008, Atos Wellness Pte Ltd registered and commenced a 100% owned branch, Atos Wellness Vienna. In January 2009, it was purported that Atos Wellness Vienna was converted to a private limited company called Atos Wellness GmbH. At 21 April 2011, Atos Wellness Pte Ltd had a loan advance to Atos Wellness GmbH of A$124,852.

The directors of Atos Wellness Pte Ltd have not been able to determine the legal status of Atos Wellness GmbH and the results of this entity have not been included in the consolidated financial statements of the Group.

The auditor was unable to obtain sufficient audit evidence as to the recoverability or classification of this amount.

Bionic Care GmbH
On 21 September 2008, Atos Wellness Pte Ltd entered into a share purchase agreement with a third party to acquire a 40% shareholding in Bionic Care GmbH. At 21 April 2011, Atos Wellness Pte Ltd had an investment in Bionic Care GmbH amount to A$191,525

The directors of Atos Wellness Pte Ltd have not been able to determine the legal status of the investment in Bionic Care GmbH and the results of this entity have not been included in the consolidated financial statements of the Group.

The auditor was unable to obtain sufficient audit evidence as to the recoverability or classification of this amount.

Due to the matters in the preceding paragraphs, we are unable to perform sufficient appropriate audit procedures to ensure the consolidated financial statements of Atos Wellness Limited correctly include the financial results of Atos Wellness Pte Ltd and its controlled entities for the year ended 30 June 2011.

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 consolidated entity's financial position as at 30 June 2011 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(ii) to the Financial Statements, which indicates that company incurred negative cash flows from operating activities of $2.2m during the year ended 30 June 2011. 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 at amounts stated at the Financial Statements.

BDO

Emphasis of Matter

We draw attention to Note 26 to the financial statements, which describe the uncertainty related to the outcome of the lawsuit filed against the entity. Our opinion is not qualified in respect of this matter.

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 in the Directors' Report for the year ended 30 June 2011. 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 2011 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 30th September 2011

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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

1. Shareholdings

a. **Distribution of shareholders at 16 September 2011**

Category (size of holding)	Number Shareholders	Number Ordinary Shares
1 – 1000	8	2,303
1001 – 5000	139	541,063
5001 – 10,000	60	491,471
10,000 – 100,000	93	3,195,296
100,000 – and over	51	137,577,603
Total on register	**351**	**141,814,736**

b. The number of shareholdings held in less than marketable parcels is 265 parcels of 2,143,724 ordinary shares.

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

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	JP Morgan Nom Aust Ltd	51,480,008	36.30
2.	Ayadurai Pathma D/O S	24,414,063	17.22
3.	Retnam Siva Ananda R S	23,164,062	16.33
4.	Etron P L	9,192,449	6.48
5.	HSBC Custody Nom	5,442,419	3.84
6.	Plattner Josef Anton	2,783,333	1.96
7.	DBS Vickers Sec Singapore	2,348,000	1.66
8.	Capita Entps P L	2,114,909	1.49
9.	Seng Yong Nghee	2,066,667	1.46
10.	EMPL Andreas	1,250,000	0.88
11.	AH Khee	1,250,000	0.88
12.	Rajah Siva Ananda	1,146,851	0.81
13.	DMG & Prtnrs Sec Pte Ltd	1,100,000	0.78
14.	Lim Serene	650,000	0.46
15.	G T Getley P L	640,715	0.45
16.	Werner Inge	550,000	0.39
17.	Heber R G	500,000	0.35
18.	Midterm Entps P L	431,203	0.30
19.	Tulsidas Pushpa	421,906	0.30
20	Seidel O	400,000	0.28
	Top 20 Total	**131,346,585**	**92.62**

d. The names of the substantial shareholders listed in the holding company's register as at 16 September 2011 are:

	Ordinary Shares	
	Number	**Percentage**
JP Morgan Nom Aust Ltd	51,480,008	36.30
Ayadurai Pathma D/O S	24,414,063	17.22
Retnam Siva Ananda R S	23,164,062	16.33
Etron PL	9,192,449	6.48

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 C/- Cimetta & Assoc, 10 Bowman Street South Perth, Western Australia, Telephone (08) 9474 2047.

4. Registers of securities are held at the following addresses:

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

5. **Stock Exchange Listings**

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

6. **Unquoted Securities**

N/A

COPORATE GOVERNANCE PRINCIPLES AND 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 the need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Corporate Governance Principles and 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 include:

- Overseeing the Company, including its control and accounting systems;
- Providing input to the direction, strategies and financial objectives of the Company and ensuring appropriate resources are available;
- Approving and monitoring the implementation of 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 recommendations to the Board on corporate strategy, risk management, internal control, codes of conduct and legal compliance;
- Supervising other staff and represent them to the Board;
- Exercising such specific and express powers as are delegated to them by the Board from time to time.

Evaluation of the performance of Senior Executives.

The Board monitors the performance of senior executive on an on-going basis and conducts an evaluation of the performance of senior executives as and when the Board considers appropriate. A formal evaluation of the performance of senior executives was not carried out in the financial year ended 30 June 2011.

Availability to public

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

Principle 2 – Structure the board to add value

Composition of the Board

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

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

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

- is not a substantial shareholder of 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.

Of the three (3) Board members, Mr. Lloyd Halvorson and Mr. Mark Leong do not meet these criteria, however, the Board believes that this composition is appropriate as the Company works through the current period of transition. Mr Conrad Crisafulli does 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 committee (if any) and the individual directors is assessed on an on-going basis by the Chairman of the Board. The performance of the Chairman of the Board is assessed on an on-going basis by the Board as a whole. A formal evaluation of the performance of the Board, or of individual directors, was not carried out in the financial year ended 30 June 2011.

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 contact with or otherwise engage any person or party where it considers integrity may be compromised.

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

Each director and senior executive is required to advise the Chairman of the 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 is securities of the Company and directors and employees are prohibited from short term or "active" trading in the Company's securities and are prohibited from dealing in the Company's securities whilst in possession of price sensitive information until it has been released to the market. That is information which a reasonable person would expect to have a material effect on the price or value of the Company's shares. It is required 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 to 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 announcement in accordance with the listing rules and the continuous disclosure obligations;
- maintaining the Company's website and hosting all of the above on the Company's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the notice of meeting and proxy form, and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The Board seeks to notify all shareholders so they can be fully informed annually for 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 Executive Director 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
1.2 and 2.5	A formal Board evaluation process has not been put in place.	Evaluation of the Board is carried out on a continuing and informal basis. The Company will put a formal process in place as an when the level of operations justifies it.
2.1	A majority of the Board should be independent directors.	The Board believes that the existing composition is appropriate as the Company works through the current period of transition.
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 and 8.2	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.