

# **ATW Holdings Limited**

(formerly Atos Wellness Limited)

ABN 85 100 531 191

and

**Controlled Entities**

**2012**

**ANNUAL REPORT**

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**CORPORATE INFORMATION**

This annual report covers the consolidated entity comprising ATW Holdings Ltd and controlled entities.

The presentation currency is Australian dollars.

**DIRECTORS**

Conrad Crisafulli      Executive Chairman  
Robert Mair  
John Driscoll

**COMPANY SECRETARY**

Ian E Gregory

**REGISTERED OFFICE**

Level 6  
360 Queen Street  
Brisbane  
Queensland 4000  
Tel: +61 (07) 3010 8588  
Fax: +61 (07) 3229 7641  
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**

N/A

**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 2012.

**Directors**

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

Conrad Crisafulli	Executive Chairman (appointed a Director 27 September 2011, appointed Chairman 31 October 2011)
Robert Mair	Non-Executive Director (appointed 21 May 2012)
John Driscoll	Non- Executive Director ( appointed 17 October 2012)
Lloyd A Halvorson	Appointed Executive Chairman 27 September 2011, resigned 31 October 2011)
Josef A Plattner	Non-Executive Chairman (resigned 27 September 2011)
Mark Leong	Non-Executive Director (appointed 14 January 2011, resigned 21 May 2012)
Ernest Boswarva	Non-Executive Director (appointed 31 October 2011, resigned 17 October 2012)

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

**Principal Activities**

The Company does not have an operating business, having divested its major investment in Atos Wellness Pte Ltd Singapore group in April 2011.

The Annual General Meeting held on 15th February 2012 approved the change of the Company's name to ATW Holdings Limited.

**Operating Results**

The consolidated loss of the Company after providing for income tax and eliminating non-controlling equity interests amounted to \$599,361 (2011: loss of \$990,414).

**Dividends Paid or Recommended**

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

**Review of Activities**

As previously announced to the market, on 20 December 2011, the Company signed:

1. a Sale and Purchase Agreement to acquire 100% ownership of the issued capital of Fitgenes Pty Ltd ("Fitgenes Transaction") for a consideration of the issue of 344,300,940 fully paid shares in the Company on the basis of 30 (thirty) new shares in the Company for each 1 (one) issued share in Fitgenes; and
2. a Share Sale Agreement with Siva Ananda Rajah S/O Retnam for the sale of the Company's 49% equity interest in Medec International Pty Ltd ("Medec Transaction") for a total consideration of between \$114,500 and \$199,500. The sale is subject to a number of conditions and the agreement is subject to approval by the Company's shareholders in general meeting later in 2012 ("EGM"). The agreement was amended on 1 April 2012 to provide for a single fixed payment of \$50,000 in lieu of the previous Contingent Consideration.

Both these transactions are scheduled to be put to shareholders for approval at the EGM.

An Independent Experts' Report, prepared by DMR Corporate Pty Ltd, on the proposed acquisition of Fitgenes, was released to the market on 10 November 2011. The report concluded that the proposed transaction was fair and reasonable to the shareholders of ATW Holdings Ltd.

**DIRECTORS' REPORT (CONT'D)**

Following a ruling by the Australian Securities Exchange ("ASX") that the Fitgenes Transaction will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules, Fitgenes and the Company agreed to proceed with this re-compliance process and jointly put in place an implementation programme. Key elements of this are:

- The chair of Fitgenes has joined the board of the Company.
- The Company has concluded an Entitlement Offer, announced on 25 May 2012, to raise approximately \$141,815. 51 shareholders contributed \$48,929. The underwriter initially agreed to provide the entire shortfall of \$92,885.16.
- A sequence of unforeseen adverse circumstances subsequently made it impossible for the underwriter to honour this commitment.
- Post-balance date, on 28 September 2012, ATW concluded an agreement with Fitgenes to place the entire shortfall with Fitgenes. This placement has now been executed.
- Fitgenes is in the process of completing a capital raising of \$275,000.
- The Company will conduct the EGM to secure shareholder approval for the two transactions, for consolidation of its capital and to otherwise clear all other requirements to allow it to raise at least \$2.5 million.
- Fitgenes to fund, by way of a non-recourse loan to the Company, the costs of re-compliance (projected to be approximately \$250,000).
- The Company to complete a full-form prospectus including Investigating Accountant's Report, Independent Expert's Report and legal guidance and review/sign-off.
- A revised Independent Expert's Report has been completed in relation to both the Fitgenes Transaction and the Medec Transaction. This again concluded that both transactions are fair and reasonable to the shareholders of ATW Holdings Ltd.
- The Company, in collaboration with Fitgenes, to raise sufficient capital from enough separate shareholders to meet all the re-compliance requirements, including net assets, shareholder spread and working capital, at a share price of at least \$0.20.

Much of the activity in the last six months of the reporting period has been directed at raising the capital needed to fund the re-compliance activities. Considerable effort went into the preparation of the Fitgenes Information Memorandum and the Entitlement Offer documentation.

**Significant Change in State of Affairs**

There have been no significant changes in the state of affairs of the Company during the year excepting that disclosed in the Review of Activities above and the After Reporting Date Events below.

**After Reporting Date Events**

As reported above, following the failure of the underwriting agreement in relation to the Entitlement Offer, the Company placed the entire Shortfall with Fitgenes. As a consequence, Fitgenes now holds 32.7% of the expanded capital of the Company. There have been no other significant after reporting date events.

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

**DIRECTORS' REPORT (CONT'D)**

**Information on directors**

<b>Conrad Crisafulli</b>	—	<b>Executive Chairman</b> (Appointed Director on 27 September 2011, Executive Chairman on 31 October 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 Crisafulli 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 ATW Holdings Limited.
Directorships held in other listed entities	—	None
<b>John Driscoll</b>	—	<b>Non-Executive Director</b> (Appointed 17 October 2012)
Qualifications	—	B.Bus; FCA
Experience	—	Mr Driscoll has extensive finance and commercial experience gained in international investment banking in his role as Chief Financial Officer with national and international corporations. Mr Driscoll has also extensive experience in public practice as advisor to a wide range of SME's and large corporate clients and has structured and managed a number of international expansions into USA, UK, Europe, South Africa and South-East Asia. Prior to embarking on a career in finance and accounting, Mr Driscoll was a professional sportsman for 8 years with Brisbane Broncos Football Club. Mr Driscoll is a partner at Altezza Partners, a director and Chief Financial Officer of Fitgenes Pty Ltd .
Interest in Shares and Options	—	Nil shares in ATW Holdings Limited.
Directorships held in other listed entities	—	Nil

**DIRECTORS' REPORT (CONT'D)**

**Information on directors (cont'd)**

<b>Robert Mair</b>	—	<b>Non-Executive Director</b> (Appointed 21 May 2012)
Qualifications	—	Master of Accounting; MBA; FCPA; Dip FS
Experience	—	Robert has extensive industry experience including venture capital, corporate and consumer banking and technology based businesses. Robert has been involved in a number of business start-ups, turnarounds, restructures, and international expansions and possesses skills across finance, accounting, and business management (with a particular focus on business systemisation and commercialisation). In addition to being a Certified Practicing Accountant (CPA), Robert also holds an MBA (Bond University), a Masters of Accounting (Bond University) and a Diploma of Finance Services (Financial Planning).
Interest in Shares and Options	—	Nil shares in ATW Holdings Limited
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, FCSA, F FIN, MAICD. Ian was appointed as Company Secretary of ATW Holdings Limited 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 ATW Holdings Limited. This report has been audited in accordance with Section 308(3C) of the Corporations Act.

**Remuneration policy**

The remuneration policy of ATW Holdings Limited 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 when considered necessary. The Board of ATW Holdings Limited 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 Company, as well as create goal congruence between directors, executives and shareholders.

**DIRECTORS' REPORT (CONT'D)**

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 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 \$43,600 per year and directors \$32,700 per year, including superannuation.
- 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.

There are no schemes for retirement benefits other than statutory 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 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 Company employs a small number of executives. Remuneration levels for executives are competitively set to attract the most qualified and experienced individuals, in the context of prevailing market conditions at the relevant time.

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

**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
Conrad Crisafulli	Executive Chairman (appointed 31 October 2011, appointed Director 27 September 2011)
Ernest Boswarva	Non-Executive Director (appointed 31 October 2011)
Robert Mair	Non-Executive Director (appointed 21 May 2012)
Ananda Rajah	Chief Executive Officer
Lloyd A Halvorson	Executive Chairman (appointed 27 September 2011, resigned 31 October 2011)
Joseph A Plattner	Non-Executive Chairman (resigned 27 September 2011)
Mark Leong	Non-Executive Director (resigned 21 May 2012)



**ATW HOLDINGS Limited ABN 85 100 531 191 and Controlled Entities**

**DIRECTORS' REPORT (CONT'D)**

**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	
	\$	\$	\$	\$	\$	\$	\$	%
L Halvorson	13,750	14,333	-	2,077	-	-	30,160	-
J Plattner	18,332	-	-	1,650	-	-	19,982	-
M Leong	13,750	-	-	-	-	-	13,750	-
J Arulampalam	20,000	-	-	1,800	-	-	21,800	-
F Cannavo	15,000	-	-	1,350	-	-	16,350	-
J Teh	15,000	-	-	-	-	-	15,000	-
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**

**2012**

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	
	\$	\$	\$	\$	\$	\$	\$	%
C Crisafulli #	32,245	17,550	-	-	-	-	49,795	-
E Boswarva &	20,000	3,250	-	1,800	-	-	25,050	-
R Mair %	3,604	-	-	-	-	-	3,604	-
L Halvorson \$	10,833	22,000	-	2,415	-	-	35,248	-
A Raja	-	1	-	-	-	-	1	-
J Plattner **	9,554	-	-	860	-	-	10,414	-
M Leong ^	26,350	-	-	-	-	-	26,350	-
	102,586	42,801	-	5,075	-	-	150,462	-

# Appointed 27 September 2011

& Appointed 31 October 2011

% Appointed 21 May 2012

\*\* Resigned 27 September 2011

\$ Resigned 31 October 2012

^ Resigned 21 May 2012

This is the end of the audited remuneration report.

**DIRECTORS' REPORT (CONT'D)**

**Meetings of Directors**

During the financial year, 4 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
Conrad Crisafulli	4	4
Ernest Boswarva	1	1
Robert Mair	1	1
Lloyd A Halvorson	4	4
Josef A Plattner	1	1
Mark Leong	4	4

**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 \$35,896.

**Options**

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

**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 2012.

**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 2012 has been received and can be found on page 11.

**Auditor**

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

**DIRECTORS' REPORT (CONT'D)**

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

A handwritten signature in blue ink, appearing to read 'C. Crisafulli', is positioned above a horizontal line.

---

Conrad Crisafulli, Chairman

Dated this 25<sup>th</sup> day of October 2012

25 October 2012

ATW Holdings Limited  
The Board of Directors  
67 Tifera Circle  
Kallaroo, WA 60025

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY CHRIS BURTON TO THE DIRECTORS OF  
ATW HOLDINGS LIMITED**

As lead auditor of ATW Holdings Limited for the year ended 30 June, 2012, 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 ATW Holdings Limited and the entities it controlled during the year.



**Chris Burton**  
Director

**BDO Audit (WA) Pty Ltd**  
Perth, West Australia

**ATW HOLDINGS Limited ABN 85 100 531 191 and Controlled Entities**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2012**

		<b>Consolidated Group</b>	
	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>\$</b>	<b>\$</b>
Revenue	2	14	349
Other income	2	-	972,859
Employee benefits expense		(150,462)	(102,310)
Depreciation and amortisation expense		(806)	(270)
Consultancy fees		(142,560)	(17,835)
Insurance		(25,536)	(23,664)
Impairment of receivables	3	(20,000)	(3,670,502)
Impairment of other assets		-	(374,153)
Rent and occupancy costs		(6,754)	(20,360)
Legal fees		(65,619)	-
Foreign currency translation loss		-	(20,974)
Administrative expenses		(167,209)	(290,686)
Other expenses		(30,000)	(217,948)
Profit / (Loss) before income tax		(608,932)	(3,765,494)
Income tax (expense) / benefit	4	9,557	-
Loss from continuing operations		(599,361)	(3,765,494)
Profit from discontinued operations	5	-	2,775,080
Loss for the year		(599,361)	(990,414)
Profit / (Loss) is attributable to:			
Owners of ATW Holdings Limited		(599,361)	(1,010,962)
Non-controlling interests		-	20,548
		(599,361)	(990,414)

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

**ATW HOLDINGS Limited ABN 85 100 531 191 and Controlled Entities**

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2012**

		<b>Consolidated Group</b>	
	<b>Note</b>	<b>2012</b>	<b>2011</b>
		<b>\$</b>	<b>\$</b>
<b>Profit / (Loss) for the year</b>		<b>(599,361)</b>	<b>(990,414)</b>
Other comprehensive income			
Exchange differences on translation of foreign operations		-	(218,415)
Total other comprehensive loss		(599,361)	(218,415)
<b>Total comprehensive loss</b>		<b>(599,361)</b>	<b>(1,208,829)</b>
Total comprehensive loss for the year is attributable to:			
Owners of ATW Holdings Limited		(599,361)	(1,150,549)
Non-controlling interests		-	(58,280)
		<b>(599,361)</b>	<b>(1,208,829)</b>
<b>Overall operations</b>			
Basic and diluted loss per share (cents per share)	8	(0.42)	(0.56)
<b>Loss from continuing operations</b>			
Basic and diluted loss per share (cents per share)	8	(0.42)	(2.08)
<b>Profit from Discontinued Operations</b>			
Basic and diluted earnings per share (cents per share)	8	-	1.52

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

**ATW HOLDINGS Limited ABN 85 100 531 191 and Controlled Entities**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2012**

	Note	Consolidated Group	
		2012	2011
		\$	\$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	9	61,649	178,862
Trade and other receivables	10	7,921	355,676
Other current assets	16	17,709	7,900
<b>TOTAL CURRENT ASSETS</b>		<b>87,279</b>	<b>542,438</b>
NON-CURRENT ASSETS			
Financial assets	13	-	-
Property, plant and equipment	14	1,344	2,150
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,344</b>	<b>2,150</b>
<b>TOTAL ASSETS</b>		<b>88,623</b>	<b>544,588</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	17	308,467	155,514
<b>TOTAL CURRENT LIABILITIES</b>		<b>308,467</b>	<b>155,514</b>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	-	9,557
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>9,557</b>
<b>TOTAL LIABILITIES</b>		<b>308,467</b>	<b>165,071</b>
<b>NET (LIABILITIES)/ ASSETS</b>		<b>(219,844)</b>	<b>379,517</b>
<b>EQUITY</b>			
Contributed equity	19	4,998,814	4,998,814
Accumulated losses		(5,218,658)	(4,619,297)
<b>TOTAL (DEFICIENCY)/ EQUITY</b>		<b>(219,844)</b>	<b>379,517</b>

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

**ATW HOLDINGS Limited ABN 85 100 531 191 and Controlled Entities**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2012**

	Contributed equity \$	Accumulated Losses \$	Foreign Currency Translation Reserve \$	Non- controlling Interest \$	Total \$
<b>Consolidated Group Balance at 1 July 2010</b>	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	-	-	-	-	-
<b>Balance at 30 June 2011</b>	4,998,814	(4,619,297)	-	-	379,517
Total comprehensive loss for the year	-	(599,361)	-	-	(599,361)
Sub-total	4,998,814	(5,218,658)	-	-	(219,844)
Dividends paid or provided for	-	-	-	-	-
<b>Balance at 30 June 2012</b>	4,998,814	(5,218,658)	-	-	(219,844)

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



**ATW HOLDINGS Limited ABN 85 100 531 191 and Controlled Entities**

**CONSOLIDATED STATEMENTS OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2012**

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2012</b>	<b>2011</b>
		<b>\$</b>	<b>\$</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers		1,186	9,581,694
Payments to suppliers and employees		(612,913)	(11,687,482)
Interest received		14	14,537
Interest paid		-	(56,470)
Income tax paid		-	(57,159)
Net cash flows provided by / (used in) operating activities	24a	<hr/> (611,713) <hr/>	<hr/> (2,204,880) <hr/>
<b>Cash flows from Investing Activities</b>			
Proceeds from sale of plant and equipment		-	5,626
Purchase of property, plant and equipment		-	(420,401)
Loans (to)/from other related parties		(20,000)	1,998,975
Proceeds from disposal of subsidiaries		350,000	858,500
Proceeds from deposit received on disposal of associated company		164,500	-
Net cash disposed on sale of subsidiaries		-	(1,035,630)
Net cash flows provided by / (used in) investing activities		<hr/> 494,500 <hr/>	<hr/> 1,407,070 <hr/>
<b>Cash flows from Financing Activities</b>			
Proceeds from borrowings		-	204,938
Repayment of borrowings		-	(123,110)
Net cash flows provided by / (used in) financing activities		<hr/> - <hr/>	<hr/> 81,828 <hr/>
Net increase/(decrease) in cash held		(117,213)	(715,982)
Effect of foreign exchange rates		-	(71,886)
Cash at beginning of financial period		<hr/> 178,862 <hr/>	<hr/> 966,730 <hr/>
Cash at end of financial period	9	<hr/> 61,649 <hr/>	<hr/> 178,862 <hr/>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report includes the consolidated financial statements and notes of ATW Holdings Limited and controlled entities ('Consolidated Group' or 'Group'). The financial report was authorised for issue on 25<sup>th</sup> October 2012.

**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.

ATW Holdings Limited completed the disposal of Atos Wellness Pte Ltd, a company incorporated in Singapore during the comparative period. 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 prior to disposal and therefore had been accounted for as a reverse acquisition under AASB 3. Accordingly, the financial statements of the Consolidated Group were prepared as a continuation of the consolidated financial statements of Atos Wellness Pte Ltd. 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 ATW Holdings Limited (formerly 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.

a. **Principles of Consolidation**

A controlled entity is any entity over which ATW Holdings 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 13 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

(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 acquiree, 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 Company. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 as 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*

ATW Holdings 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Leasehold improvements	33.3% straight line
Plant and equipment	11.25% – 50% straight line
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

*Classification and Subsequent Measurement (cont'd)*

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- d. less any reduction for impairment.

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

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

i. *Financial liabilities*

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

ii. *Loans and receivables*

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

*Fair Value*

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

*Impairment*

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

*Derecognition*

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

g. **Impairment of Assets**

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 11.

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 disposed entities that were 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

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. **Comparative Figures**

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

*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 2012 (2011: \$Nil).

*Taxation*

The group is subject to income taxes in Australia. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

*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 \$599,361 (2011: \$990,414) and a negative cash flow from operating activities of \$611,713 (2011: negative cash flow \$2,204,880) for the year ended 30 June 2012. The Group has a net working capital deficit of \$221,188 (2011: net working capital \$386,924) as at 30 June 2012.

The directors nevertheless believe it is appropriate to prepare the financial statements on a going concern basis for the following reasons.

The company disposed of its operating undertaking, at a profit, in April 2011. The company has now entered into an agreement, subject to shareholder and regulatory approvals, to acquire 100% of the capital of Fitgenes Pty Ltd. The ASX has ruled that its approval for this transaction is subject to the company re-complying with Chapters 1 and 2 of the Listing Rules. Fitgenes and the company have embarked on a programme to perfect such re-compliance. Key steps are:

- The chair of Fitgenes has joined the board of the company.
- The company has concluded an Entitlement Offer announced on 25 May 2012 to raise approximately \$141,815.51. 51 shareholders contributed \$48,929. The underwriter initially agreed to provide the entire shortfall of \$92,885.16.
- A sequence of unforeseen adverse circumstances subsequently made it impossible for the underwriter to honour the commitment.
- Post balance date, on 28 September 2012, ATW concluded an agreement with Fitgenes to place the entire shortfall with Fitgenes. This placement has now been executed.
- Fitgenes is in the process of completing a capital raising of \$275,000.
- The company will conduct the EGM to secure shareholder approval for the two transactions, for consolidation of its capital and to otherwise clear all other requirements to allow it to raise at least \$2.5 million.
- Fitgenes to fund, by way of a non-recourse loan to the company, the costs of re-compliance (projected to be approximately \$250,000).
- The company to complete a full-form prospectus, including Investigating Accountant's Report, Independent Expert's Report and legal guidance and review/sign-off.
- A revised Independent Expert's Report has been completed in relation to both the Fitgenes Transaction and the Medec Transaction. This again concluded that both transactions are fair and reasonable to the shareholders of ATW Holdings Ltd.
- The company, in collaboration with Fitgenes, to raise sufficient capital from enough separate shareholders to meet all the re-compliance requirements, including net assets, shareholder spread and working capital, at a share price of at least \$0.20.

The agreement with Fitgenes and the above programme provide the basis for the board's view that the Group remains a going concern. The short term cash requirements will be funded via the proceeds from the Entitlement Offer and the Fitgenes loan arrangement. Once the transaction is approved, including by all regulatory authorities, and following successful completion of the retail capital raising, cash flow projections will be as per those developed for the Fitgenes business.

Should the Group not be able to complete the above transaction or raise additional working capital as required then it may not be able to settle its debts as and when they fall due and realise its assets at the values included in the Statements of Financial Position.

The financial report does not include any adjustments relating to the recoverability and classification of recorded amounts that might be necessary should ATW Holdings Limited not be able to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		2012	2011
		\$	\$
<b>NOTE 2: REVENUE AND OTHER INCOME</b>			
<b>Revenue – Continuing operations</b>			
— interest received	2a	14	349
Total Revenue		14	349
<b>a. Interest revenue from:</b>			
— other persons		14	349
		14	349
<b>Other Income – Continuing operations</b>			
— Debts forgiven		-	468,690
— Foreign currency translation gain		-	15,534
— Other income		-	488,635
		-	972,859
<b>Revenue – Discontinued operations</b>			
— sales		-	11,262,755
— interest received	2b	-	14,188
— other revenue		-	74,100
Total Revenue		-	11,351,043
<b>b. Interest revenue from:</b>			
— other persons		-	14,188
		-	14,188
<b>Other Income – Discontinued operations</b>			
— Gain on deconsolidation		-	2,725,567
		-	2,725,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTE 3: EXPENSES**

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

**Consolidated Group**

**2012                      2011**

**\$                              \$**

**a. Expenses**

Cost of sales

— Continuing operations

- -

— Discontinued operations

- 1,829,759

- 1,829,759

Depreciation of non-current assets – Plant and  
equipment

— Continuing operations

806 270

— Discontinued operations

- 275,410

806 275,680

Bad and doubtful debts:

— Continuing operations – Associated companies

20,000 3,670,502

— Discontinued operations

- -

20,000 3,670,502

Rental and occupancy on operating leases:

— Continuing operations

6,754 20,360

— Discontinued operations

- 1,639,160

6,754 1,659,520

Foreign currency translation losses

— Continuing operations

- 20,974

— Discontinued operations

- -

- 20,974

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 4: INCOME TAX**

	Note	Consolidated Group	
		2012	2011
		\$	\$
Accounting (loss) before tax from continuing operations		(608,932)	(3,765,494)
Accounting profit before tax from discontinuing operations		-	2,739,038
Consolidated profit/(loss) before tax		(608,932)	(1,026,456)
<b>A. Numerical reconciliation of income tax expense to prima facie tax payable</b>			
Prima facie tax payable on (loss) before income tax at 30% (2011: 30%)		(182,680)	(307,937)
Sundry non-deductible expenses for Australian tax consolidated group		23,837	599,475
Sundry assessable (non-assessable) items for Australian tax consolidated group		-	(1,623,273)
Sundry non-deductible (deductible) expenses for International Operations		-	1,421,031
Deferred tax assets not brought to account		158,843	-
Recoupment of prior year tax losses not previously brought to account		-	(67,513)
Difference in international tax rates and exchange rates		-	(1,753)
Under/(over) provision in respect of prior years		(9,557)	(56,072)
Income tax expense/(benefit)		(9,557)	(36,042)
Income tax attributable to discontinued operations		-	(36,042)
Income tax attributable to continuing operations		(9,557)	-
<b>B. Income tax expense</b>			
Current tax		-	10,010
Under/(over) provision in respect of prior years		(9,557)	(56,072)
<u>Deferred income tax:</u>			
Relating to origination and reversal on temporary differences		-	10,020
Income tax expense/(benefit)		(9,557)	(36,042)
Income tax expense attributable to discontinued operations		-	36,042
Income tax expense/(benefit) reported in statement of comprehensive income		(9,557)	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**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.

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2012</b>	<b>2011</b>
		<b>\$</b>	<b>\$</b>
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
Expenses		-	(8,318,902)
Profit before income tax		-	(18,483)
Income tax benefit/ (expense)		-	31,361
Profit attributable to members of the parent entity		-	12,878
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

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
Net cash inflow/(outflow) from investing activities	-	(293,987)
Net cash inflow/(outflow) from financing activities	-	(4,687)
Net cash increase generated by the discontinuing divisions	-	(126,651)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group	
		2012	2011
		\$	\$
<b>NOTE 5: DISCONTINUED OPERATIONS (CONT'D)</b>			
(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:

	<b>21.04.2011</b>
	\$
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
<b>Total assets</b>	<b>5,797,062</b>
Trade and other payables	2,222,064
Deferred income	585,886
Financial liabilities	197,591
Provision for taxation	584,585
Deferred taxation	11,738
<b>Total liabilities</b>	<b>3,601,864</b>
<b>Net assets</b>	<b>2,195,198</b>
Less: Non-controlling interests	-
Net assets attributable to members of the parent entity	2,195,198

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 5: DISCONTINUED OPERATIONS (CONT'D)**

On 12 August 2010, the Board of Directors of ATW Holdings 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.

	<b>Note</b>	<b>Consolidated Group</b>	
		<b>2012</b>	<b>2011</b>
		<b>\$</b>	<b>\$</b>
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
Expenses		-	(3,018,670)
Profit before income tax		-	31,954
Income tax benefit/ (expense)		-	4,681
Profit attributable to members of the parent entity		-	36,635
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

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
Net cash inflow/(outflow) from investing activities	-	(406,389)
Net cash inflow/(outflow) from financing activities	-	(62,534)
Net cash increase generated by the discontinuing divisions	-	329,892

**(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)	-
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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 5: DISCONTINUED OPERATIONS (CONT'D)**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 6: KEY MANAGEMENT PERSONNEL COMPENSATION

Remuneration

a.		2012	2011
		\$	\$
	Short-term	145,387	413,170
	Post-employment	5,075	28,061
	Long-term benefits	-	-
	Share-based payments	-	-
		150,462	441,231

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 2012

c. Number of Shares held by Key Management Personnel

	Balance 1.7.2011	Granted as Compensation	Options Exercised	Net Change* Other	Balance 30.6.2012
Conrad Crisafulli **	-	-	-	-	-
Ernest Boswarva &	-	-	-	-	-
Robert Mair !	-	-	-	-	-
Mark Leong ^	540,000	-	-	-	540,000
Ananda Rajah	24,310,913	-	-	-	24,310,913
Josef Plattner #	9,192,449	-	-	-	9,192,449
Lloyd Halvorson \$	151,000	-	-	-	151,000
Total	34,194,362	-	-	-	34,194,362

\*\* Appointed 27 September 2011

& Appointed 31 October 2011

! Appointed 21 May 2012

^ Resigned 21 May 2012

# Resigned 27 September 2011

\$ Resigned 31 October 2011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

\* Net Change Other refers to shares purchased or sold during the financial year and the cancellation of shares held by Ananda Rajah in the comparative period following the disposal of Atos Singapore Pte Ltd and its controlled entities.

Consolidated Group	
2012	2011
\$	\$

NOTE 7: AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity:

— BDO Audit (WA) Pty Ltd for auditing or reviewing the financial report

79,139 77,752

Remuneration of other auditors of subsidiaries of discontinued operations for:

— auditing or reviewing the financial report of subsidiaries

- 29,452

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 8: EARNINGS PER SHARE

	Consolidated Group 2012	2011
	\$	\$
a. Reconciliation of loss to profit or loss		
Profit/(loss)	(599,361)	(990,414)
(Profit)/loss attributable to non-controlling equity interest	-	(20,548)
Earnings used to calculate basic EPS	<u>(599,361)</u>	<u>(1,010,962)</u>
b. Reconciliation of earnings to profit or loss from continuing operations		
Profit/(loss)	(599,361)	(3,765,494)
(Profit)/loss attributable to non-controlling equity interest in respect of continuing operations	-	-
Earnings used to calculate basic EPS from continuing operations	<u>(599,361)</u>	<u>(3,765,494)</u>
c. Reconciliation of earnings to profit or loss from discontinued operations		
Profit from discontinued operations	-	2,775,080
(Profit)/loss attributable to non-controlling equity interest in respect of discontinued operations	-	(20,548)
Earnings used to calculate basic EPS from continuing operations	<u>-</u>	<u>2,754,532</u>
	<b>No.</b>	<b>No.</b>
d. Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	141,814,736	181,278,563
Weighted average of options outstanding	-	-
Weighted average of number of ordinary shares outstanding during the year used in calculating dilutive EPS	<u>141,814,736</u>	<u>181,278,563</u>

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 2012

NOTE 9: CASH AND CASH EQUIVALENTS

Note

Consolidated Group

2012 2011

		\$	\$
Cash at bank and in hand		61,649	178,862
		<u>61,649</u>	<u>178,862</u>

Reconciliation of Cash

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

Cash at bank and in hand		61,649	178,862
Bank overdrafts used for cash management purposes		-	-
		<u>61,649</u>	<u>178,862</u>

NOTE 10: TRADE AND OTHER RECEIVABLES

CURRENT

Trade receivables		-	1,186
Allowance for impairment of receivables	10a	-	-
		<u>-</u>	<u>1,186</u>
Other receivables		7,921	354,490
		<u>7,921</u>	<u>355,676</u>

NON CURRENT

Amounts receivable from:

— Associated companies		3,584,231	3,584,231
— Allowance for impairment – associated companies	10a(ii)	(3,584,231)	(3,584,231)
		<u>-</u>	<u>-</u>

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 2012

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 2010	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2011
<b>Consolidated Group</b>				
(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
	Opening Balance 1 July 2011	Charge for the Year	Amounts Written Off	Closing Balance 30 June 2012
<b>Consolidated Group</b>				
(i) Current trade receivables	-	-	-	-
(ii) Non-current associated companies	3,584,231	20,000	(20,000)	3,584,231
	3,584,231	20,000	(20,000)	3,584,231

Impaired assets are provided for in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 11: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Consolidated Group

2012 2011

\$ \$

Interests in joint venture entities

- -

Share of net loss

- -

- -

Interests in Joint Venture Entities

ATW Holdings 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 ATW Holdings 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

- -

Non-current Assets

- -

Total Assets

- -

Current Liabilities

- -

Non-current Liabilities

- -

Total Liabilities

- -

Consolidated Group

2012 2011

\$ \$

Revenues

- -

Expenses

- -

Loss before income tax

- -

Income tax expense

- -

Loss after income tax

- -

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 12: ASSOCIATED COMPANIES**

Interests are held in the following associated companies

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carry amount of investment	
				2012 %	2011 %	2012 \$	2011 \$
Unlisted:							
Medec International Pty Ltd	Medical products manufacturing	Australia	Ord	49%	49%	-	-
						-	-

**Consolidated Group**

2012  
\$

2011  
\$

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	-	-

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**

The Group has not disclosed the summarised presentation of aggregate assets, liabilities and performance of Medec International Pty Ltd as the information is not available.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 12: ASSOCIATED COMPANIES (CONT'D)

- d. Ownership interest in Medec International Pty Ltd at that company's reporting date was 49% (2011: 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.

NOTE 13: OTHER FINANCIAL ASSETS

a. Controlled Entities

	Country of Incorporation	Percentage Owned *	
		2012	2011
<i>Legal Parent Entity:</i>			
ATW Holdings Limited	Australia		
<i>Subsidiaries of ATW Holdings Limited</i>			
Swandale Holdings Pty Ltd	Australia	100	100
Learange Holdings Pty Ltd	Australia	100	100
Letchworth House Pty Ltd #	Australia	100	100

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

The carrying value of the financial assets have been written-off in previous reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Note	Consolidated Group	
		2012	2011
		\$	\$
Plant and equipment			
At cost		2,420	2,420
Accumulated depreciation		(1,076)	(270)
		<u>1,344</u>	<u>2,150</u>

**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:

Balance at the beginning of year	2,150	1,149,097
Additions	-	420,401
Disposals	-	(1,291,938)
Depreciation expense	(806)	(275,410)
	<u>1,344</u>	<u>2,150</u>

NOTE 15: GOODWILL

Balance at the beginning of year	-	1,359,876
Disposals	-	(1,356,876)
	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Group

2012 2011

\$ \$

NOTE 16: OTHER ASSETS

CURRENT

Prepayments

17,709 7,900

17,709 7,900

NOTE 17: TRADE AND OTHER PAYABLES

Note

Consolidated Group

2012 2011

\$ \$

CURRENT

Unsecured liabilities:

Trade payables

81,967 6,404

Accrued expenses and sundry payables

62,000 149,110

Deposit for disposal of equity accounted investment 17a

164,500 -

308,467 155,514

- a. The deposit for disposal of Medec International Pty Ltd was paid in accordance with the share and purchase agreement executed by the Board with Mr. Ananda Rajah dated 29 December 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Note 18: Tax

a. NON-CURRENT

	Opening Balance	Charged to Income	Disposals	Exchange Differences	Transfer to Liabilities held for sale	Closing Balance
	\$	\$	\$	\$	\$	\$
<b>Consolidated Group</b>						
<b>Deferred Tax Liability</b>						
Property Plant and Equipment						
— tax allowance	41,937	2,186	(42,940)	(1,183)	-	-
— other	9,557	-	-	-	-	9,557
<b>Balance at 30 June 2011</b>	<b>51,494</b>	<b>2,186</b>	<b>(42,940)</b>	<b>(1,183)</b>	<b>-</b>	<b>9,557</b>
Property Plant and Equipment						
— tax allowance	-	-	-	-	-	-
— other	9,557	(9,557)	-	-	-	-
<b>Balance at 30 June 2012</b>	<b>9,557</b>	<b>(9,557)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Deferred Tax Asset</b>						
Property Plant and Equipment						
— tax allowance	7,834	(7,834)	-	-	-	-
— other	-	-	-	-	-	-
<b>Balance at 30 June 2011</b>	<b>7,834</b>	<b>(7,834)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Property Plant and Equipment						
— tax allowance	-	-	-	-	-	-
— other	-	-	-	-	-	-
<b>Balance at 30 June 2012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**Note 18: Tax (cont'd)**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>b. Assets</b>		
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	18,591	5,360
— tax losses: operating losses	1,023,325	889,586
— tax losses: capital losses	893,922	884,922
Unrecognised deferred tax liabilities	-	-
<b>Total</b>	<b>1,935,838</b>	<b>1,779,868</b>
Balance of franking account at year end adjusted for franking credit arising from payment of provision of income tax	164,634	164,634

The use of the tax losses are subject to satisfying the tests in the Income Tax Assessment Act in the year of recoupment which is uncertain.

**NOTE 19: ISSUED CAPITAL**

Ordinary shares		
Fully paid	4,998,814	5,198,814
Shares issued/(cancelled) during the period:		
- 21 April 2011 shares cancelled	-	(200,000)
	<b>4,998,814</b>	<b>4,998,814</b>

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

<b>a. Ordinary shares</b>	<b>No. of shares</b>	<b>No. of shares</b>
At the beginning of the reporting year	141,814,736	190,642,861
Shares issued/(cancelled) during the period:		
- 21 April 2011 shares cancelled	-	(48,828,125)
At reporting date	<b>141,814,736</b>	<b>141,814,736</b>

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 19: 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 2012 and 30 June 2011 are as follows:

	Note	Consolidated Group	
		2012	2011
		\$	\$
Total borrowings	19,20	-	-
Less cash and cash equivalents	9	(61,649)	(178,862)
Net Debt		(61,649)	(178,862)
Total equity		(219,844)	379,517
Total capital		(281,493)	200,655
Gearing Ratio		N/A	78.1%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 20: RESERVES**

**Foreign Currency Translation Reserve**

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

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

**NOTE 21: CAPITAL AND LEASING COMMITMENTS**

There are no capital and leasing commitments at 30 June 2012 (2011: \$Nil).

**NOTE 22: 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 2012 (2011: \$40,000).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 23: OPERATING 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.

The Group does not have any operating businesses, having divested its major investment in Atos Wellness Pte Ltd Singapore group in April 2011. Accordingly, the Group's no longer has any reporting segments.

In the comparative period, the Group 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTE 23: OPERATING SEGMENTS (CONT'D)**

*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

**(i) Segment performance**

	Consolidated Group \$	Discontinuing Operations \$
<b>2012</b>		
Unallocated items:		
• Other income	-	-
• Interest income	14	-
• Selling and marketing	-	-
• Employee benefits	(150,462)	-
• Other	(458,484)	-
Net (loss) / profit before tax	(608,932)	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23: OPERATING SEGMENTS (CONT'D)

	Atos Singapore	Body Contours	Inner Harmony	Consolidated Group	Discontinuing Operations
2011	\$	\$	\$	\$	\$
<b>Revenue</b>					
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
<b>Total Segment Revenue</b>	<b>5,524,735</b>	<b>3,050,624</b>	<b>2,775,684</b>	<b>-</b>	<b>11,351,043</b>
Reconciliation of segment revenue to group revenue					
Inter-segment elimination	(160,790)	-	-	-	(160,790)
<b>Total group revenue</b>	<b>5,363,945</b>	<b>3,050,624</b>	<b>2,775,684</b>	<b>-</b>	<b>11,190,253</b>
<b>Segment net profit / (loss) before tax</b>	<b>(135,433)</b>	<b>31,954</b>	<b>116,950</b>	<b>-</b>	<b>13,471</b>
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)	
<b>Net (loss) / profit before tax</b>				<b>(3,765,494)</b>	<b>2,739,038</b>

(ii) **Revenue by Geographical region**

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

	2012	2011
	\$	\$
Australia	-	-
Asia	-	11,101,966
<b>Total revenue</b>	<b>-</b>	<b>11,101,966</b>

(iii) **Major customers**

No single customer represented 10% or more of the consolidated revenue in the comparative period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 24: CASH FLOW INFORMATION

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

	Consolidated Group	
	2012	2011
	\$	\$
Loss after income tax	(599,361)	(990,414)
Non-cash flows in profit		
Depreciation	806	275,680
(Gain)/loss on disposal of property, plant and equipment	-	12,212
Impairment of receivables	20,000	3,670,502
Impairment of other assets	-	374,153
Bad debts written off/(back)	-	(468,690)
Gain on deferred deconsolidation	-	(2,725,567)
Movement on foreign exchange reserve	-	(208,893)
Other	-	(12,542)
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase) / decrease in receivables	(2,245)	(1,638,654)
(Increase) / decrease in inventories	-	64,209
(Increase) / decrease in other assets	(9,809)	114,966
(Increase) / decrease in current tax assets	-	-
(Increase) / decrease in deferred tax assets	-	7,834
Increase / (decrease) in payables	(11,547)	(535,246)
Increase / (decrease) in current tax liabilities	-	(143,944)
Increase / (decrease) in deferred tax liabilities	(9,557)	(486)
Net cash provided by (used in) operating activities	(611,713)	(2,204,880)

(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 ATW Holdings Limited. Aggregate details of this transaction are:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**Consolidated Group**  
**2012                      2011**  
**\$                              \$**

**NOTE 24: CASH FLOW INFORMATION (CONT'D)**

On 21 April 2011, Atos Wellness Pte Ltd was sold for \$3,525,516. Atos Wellness Pte Ltd was a legal subsidiary of ATW Holdings 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.

**NOTE 25: SHARE BASED PAYMENTS**

There are no share-based payment arrangements existing at 30 June 2012:

Included under employee benefits expense in the income statement is \$nil (2011: \$nil)

No shares were issued during the year that were granted as compensation (2011: nil).

**NOTE 26: EVENTS AFTER THE REPORTING DATE**

The Company concluded an Entitlement Offer, announced on 25 May 2012, to raise approximately \$141,815. 51 shareholders contributed \$48,929. The underwriter initially agreed to provide the entire shortfall of \$92,885.16. A sequence of unforeseen adverse circumstances subsequently made it impossible for the underwriter to honour this commitment. Following the failure of the underwriting agreement in relation to the Entitlement Offer, the Company, on 28 September 2012, concluded an agreement with Fitgenes to place the entire shortfall with Fitgenes. This placement has now been executed and as a consequence, Fitgenes now holds 32.7% of the expanded capital of the Company.

There has been no other significant after reporting date events.

**Consolidated Group**  
**Note                      2012                      2011**  
**\$                              \$**

**NOTE 27: 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:

**(ii) Key Management Personnel**

Deposit received for sale of Medec International Pty Ltd

- Ananada Rajah	164,500	70,000
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Consulting fee paid to a related entity of Robert Mair

- Fitgenes Pty Ltd	5,000	-
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**NOTE 28: 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 liquidity risk and credit risk.

**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 2012.

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

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

- only banks and financial institutions with an 'A' rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the group's strict credit policies may only purchase in cash or using recognised credit cards.

The credit risk for counterparties included in trade and other receivables at 30 June 2012 is detailed below:

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Trade receivables</b>		
Counterparties not rated	-	1,186
Total	-	1,186

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 28: FINANCIAL RISK MANAGEMENT (CONT'D)

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
<b>Group – at 30 June 2012</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and sundry payables	308,467	-	-	-	-	308,467	308,467
	308,467	-	-	-	-	308,467	308,467

  

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
<b>Group – at 30 June 2011</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade and sundry payables	155,514	-	-	-	-	155,514	155,514
	155,514	-	-	-	-	155,514	155,514

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

Consolidated Group	2012		2011	
	Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Financial Assets				
Cash	61,649	61,649	178,862	178,862
Loans and receivables	7,921	7,921	355,676	355,676
	69,570	69,570	534,538	534,538
Financial Liabilities				
Trade & sundry payables	308,467	308,467	155,514	155,514
	308,467	308,467	155,514	155,514

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 28: FINANCIAL RISK MANAGEMENT (CONT'D)

*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 2012, the Group do not have any financial instrument measured and recognised at fair value.

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 2012, the group is not materially exposed directly to fluctuations in interest rates. The effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Change in profit		
— Increase in interest rate by 1%	-	(170)
— Decrease in interest rate by 1%	-	170
Change in equity		
— Increase in interest rate by 1%	-	(170)
— Decrease in interest rate by 1%	-	170

*Foreign Currency Risk Sensitivity Analysis*

As at 30 June 2012, 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.

*Price Risk Sensitivity Analysis*

As at 30 June 2012, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 29: PARENT COMPANY INFORMATION

Parent Entity

	2012 \$	2011 \$
<b>Assets</b>		
Cash	61,649	178,862
Trade and other receivables	7,921	355,676
Property, plant & equipment	1,344	2,150
Financial assets	-	-
Other assets	17,709	7,900
	<u>88,623</u>	<u>544,588</u>
<b>Liabilities</b>		
Trade and sundry payables	308,467	155,514
Deferred tax liabilities	-	9,557
	<u>308,467</u>	<u>165,071</u>
<b>Equity</b>		
Issued capital	20,639,490	20,639,490
Reserves	339,005	339,005
Accumulated losses	(21,198,339)	(20,598,978)
	<u>(219,844)</u>	<u>379,517</u>
<b>Financial Performance</b>		
Profit/(loss) for the year	(599,361)	1,364,390
Other comprehensive income	-	-
	<u>(599,361)</u>	<u>1,364,390</u>

- (i) The parent entity had no material contingent assets or contingent liabilities at 30 June 2012 other than those disclosed at Note 26.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 30: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Reference	Title	Nature of Change	Application date of standard	Impact on ATW's financial statements	Application date for ATW
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	<p>Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated.</p> <p>AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p>	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Group has not yet made an assessment of the impact of these amendments.	1 July 2015
AASB 10 (issued August 2011)	Consolidated Financial Statements	<p>Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:</p> <ul style="list-style-type: none"> <li>• Power over investee (whether or not power used in practice)</li> <li>• Exposure, or rights, to variable returns from investee</li> <li>• Ability to use power over investee to affect the Group's returns from investee.</li> <li>• Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.</li> </ul>	Annual reporting periods commencing on or after 1 January 2013	<p>When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities.</p> <p>The 'Entity' does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.</p>	1 July 2013
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group has not entered into any joint arrangements.	1 July 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 30: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 <i>Consolidated and Separate Financial Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> . Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	1 July 2013
AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.  Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements.  Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.	1 July 2013
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date	1 July 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 30: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

AASB 2010-8 (issued December 2010)	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (AASB 112)	For investment property measured using the fair value model, deferred tax assets and liabilities will be calculated on the basis of a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.	Periods commencing on or after 1 January 2012	The Group does not have any investment property measured using the fair value model. There will therefore be no impact on the financial statements when these amendments are first adopted.	1 July 2012
AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the <i>Corporation Act 2001</i>	Annual periods commencing on or after 1 July 2013	When this standard is first adopted for the year ended 30 June 2014 the Group will show reduced disclosures under Key Management Personnel note to the financial statements	1 July 2013
AASB 2011-9 (issued September 2011)	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income	<p>Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP.</p> <p>Various name changes of statements in AASB 101 as follows:</p> <ul style="list-style-type: none"> <li>1 statement of comprehensive income - to be referred to as 'statement of profit or loss and other comprehensive income'</li> <li>2 statements - to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'.</li> <li>OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.</li> </ul>	Annual periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives).	1 July 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 30: NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONT'D)

Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Surface Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 <i>Inventories</i> if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met.	Annual periods commencing on or after 1 January 2013	The Group does not operate a surface mine. There will therefore be no impact on the financial statements when this interpretation is first adopted.	1 July 2013
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32)	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2013, there will be no material impact.	1 July 2013
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	1 July 2015

NOTE 31: COMPANY DETAILS

The registered office of the company is:

6/360 Queen Street  
BRISBANE QLD 4000

The principal place of business is:

ATW Holdings Limited  
6/360 Queen Street  
BRISBANE QLD 4000

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes (and remuneration disclosures that are contained in the Remuneration Report in the Directors Report at pages 6 to 8), set out on pages 12 to 59, 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 2012 and of the performance for the year ended on that date of the company and the consolidated group.
2. The Executive Chairman has 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 of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company and the consolidated group.
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

Dated this 25<sup>th</sup> day of October 2012

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ATW HOLDINGS LIMITED

### Report on the Financial Report

We were engaged to audit the accompanying financial report of ATW Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2012, 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 gives a true and fair view and 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 ATW Holdings 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 statements of ATW Holdings Limited as at 30 June 2011 expressed a disclaimer of opinion arising from a limitation of scope on the financial 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 30 June 2012, ATW Holdings 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.

ATW Holdings 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 has on the consolidated financial statements of the Group.

Due to the matters in the preceding paragraphs, we are unable to perform sufficient appropriate audit procedures to ensure the consolidated financial statements of ATW Holdings Limited correctly include the financial results of Medec International Pty Ltd and its controlled entities for the year ended 30 June 2012.

### **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 ATW Holdings Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its 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.

### **Emphases of Matter**

We draw attention to Note 1(r)(i) to the Financial Report, which indicates that company incurred negative cash flows from operating activities during the year ended 30 June 2012. This condition, along with other matters as set forth in Note 1(r)(i), 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 therefore, the group may be unable to realise its assets, extinguish its liabilities and meet its commitments in the normal course of business at amounts stated in the financial report.

We draw attention to Note 22 to the financial statements, which describe the uncertainty related to the outcome of the lawsuit filed against the Company. We note we have not disclaimed our opinion in respect of this matter.



## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of ATW Holdings Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

BDO

A handwritten signature in black ink, appearing to read 'C Burton', is written over the printed name.

**Chris Burton**  
Director

Perth, Western Australia  
Dated this 25<sup>th</sup> day of October 2012



**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.	<b>Distribution of shareholders at 12 October 2012</b>	<b>Number</b>	<b>Number</b>
	Category (size of holding)	<b>Shareholders</b>	<b>Ordinary Shares</b>
	1 – 1000	5	1,703
	1001 – 5000	126	489,933
	5001 – 10,000	62	517,471
	10,000 – 100,000	98	3,295,285
	100,000 – and over	<u>60</u>	<u>279,325,349</u>
	Total on register	<b><u>351</u></b>	<b><u>283,629,741</u></b>

b. The number of shareholdings held in less than marketable parcels is 257 parcels of 2,259,594 ordinary shares.

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

	<b>Name</b>	<b>Number of Ordinary Fully Paid Shares Held</b>	<b>% Held of Issued Ordinary Capital</b>
1.	Fitgenes Pty Ltd	92,885,160	32.75
2.	JP Morgan Nom Aust Ltd Cash Income A/c	62,831,290	22.15
3.	Ayadurai Pathma D/O S	48,828,126	17.22
4.	Retnam Siva Ananda R S	23,164,062	8.17
5.	Etron PL Plattner S/F A/c	9,192,449	3.24
6.	HSBC Custody Nom Aust	5,898,239	2.08
7.	DBS Vickers Sec Singapore Client Account	4,696,000	1.66
8.	Plattner Josef Anton	2,783,333	0.98
9.	Capita Entps PL Ad Super A/c	2,114,909	0.75
10.	Maine Phirose	2,100,000	0.74
11.	Seng Yong Nghee	2,066,667	0.73

## ATW HOLDINGS Limited ABN 85 100 531 191 and Controlled Entities

12.	Tromso PL	2,050,000	0.72
13.	Lim Serene Serene Lim Fam A/c	1,950,000	0.69
14.	EMPL Andreas	1,250,000	0.44
15.	AH Khee	1,250,000	0.44
16.	Leaver, Graham Alan	1,208,000	0.43
17.	DMG & Prtnrs Sec Pte Ltd Clients A/c	1,200,000	0.42
18.	Rajah Siva Ananda A/L Retnam A/c	1,146,851	0.40
19.	Leaver, Anne Marie	1,090,000	0.38
20	Seels, Christopher	<u>715,500</u>	<u>0.25</u>
<b>Top 20 Total</b>		<b><u>268,420,586</u></b>	<b><u>94.64</u></b>

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

- d. The names of the substantial shareholders listed in the holding company's register as at 12 October 2012 are:

	Ordinary Shares	
	Number	Percentage
Fitgenes Pty Ltd	92,885,160	32.75
JP Morgan Nom Aust Ltd Cash Income A/c	62,831,290	22.15
Ayadurai Pathma D/O S	48,828,126	17.22
Retnam Siva Ananda R S	23,164,062	8.17

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 6/360 Queen Street, Brisbane, Queensland, Telephone 61 (07) 3010 8588, Fax 3229 7641

**ATW HOLDINGS Limited ABN 85 100 531 191 and Controlled Entities**

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

**CORPORATE GOVERNANCE STATEMENT**

**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 Corporate Governance Principles and Recommendations 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

**CORPORATE GOVERNANCE STATEMENT**

has the authority and the responsibility to perform the functions, determine the policies and control the affairs of the ATW Holdings Limited group.

The Board must ensure that ATW Holdings 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 2012.

*Availability to public*

The matters reserved for the Board and the matters delegated to senior executives are included in the Company's annual report which is announced to the ASX. During the current period of transition the Company doesn't have a website. The Company will reinstate the website as soon as practicable.

**CORPORATE GOVERNANCE STATEMENT**

***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 Company 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 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. Conrad Crisafulli, Executive Chairman and Mr Robert Mair 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 Ernest Boswarva did meet these criteria.

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

The performance of the Board, its committees (if any) and the individual Directors is assessed on an on-going basis by the Chairman of the Board. The performance of the Chairman of the Board is assessed on an on-going basis by the Board as a whole. A formal evaluation of the performance of the Board, or of individual Directors, was not carried out in the financial year ended 30 June 2012.

*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.

**CORPORATE GOVERNANCE STATEMENT**

*Independent Advice*

Each Director 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. During the current period of transition the Company doesn't have a website. The Company will reinstate the website as soon as practicable

**Principle 3 – Promote ethical and responsible decision making**

*Code of Conduct*

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.

*Diversity Policy and Measurable Objectives*

The Company has an Equal Employment Opportunity and Diversity Policy. This Policy does not include measurable objectives as the Board believes that the Company will not be able to successfully meet these given the size and stage of development of the Company. Given the size of the Company the Directors do not consider it appropriate to set measurable objectives in relation to diversity. Notwithstanding this the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Company's Equal Employment Opportunity and Diversity Policy.

For the 2012 financial year, the Company had no women employees out of a total of 5 Directors and contractors, and no women in senior executive positions or women on the Board.

CORPORATE GOVERNANCE STATEMENT

*Availability to public*

The code of conduct is included in the Company's annual report which is announced to the ASX. During the current period of transition the Company doesn't have a website. The Company will reinstate its website as soon as practicable.

**Principle 4 – Safeguard integrity in financial reporting**

No audit committee has been established. During the current period of transition, the Directors have played an active role in monitoring the daily affairs of the Company. Meetings were held throughout the year between the Directors and 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. During the current period of transition the Company doesn't have a website. The Company will reinstate its website as soon as practicable.

**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. During the current period of transition the Company doesn't have a website. The Company will reinstate its website as soon as practicable.

**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:



**CORPORATE GOVERNANCE STATEMENT**

- preparing half-yearly and yearly financial reports and announcing these reports to the ASX;
- preparing quarterly cash flow reports and reports as to activities and announcing these reports to the ASX;
- making announcements in accordance with the listing rules and the continuous disclosure obligations;
- maintaining the Company's website and hosting all of the above on the Company's website ( temporarily unavailable during the current period of transition);
- 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. During the current period of transition the Company doesn't have a website. The Company will reinstate its website as soon as practicable.

***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 is 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;

**CORPORATE GOVERNANCE STATEMENT**

- The Board is responsible for oversight and for providing corporate assurance on 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 Chairman 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. During the current period of transition the Company doesn't have a website. The Company will reinstate its website as soon as practicable.

**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 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 statutory superannuation for non-executive Directors. The Company does not currently have an unvested equity based remuneration scheme.

Directors are prohibited from entering into transactions which limit the risk of participating in unvested entitlements under any equity based remuneration scheme.

*Availability to public*

The above policy is included in the Company's annual report which is announced to the ASX. During the current period of transition the Company doesn't have a website. The Company will reinstate its website as soon as practicable.

CORPORATE GOVERNANCE STATEMENT

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 and 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.
2.2	The Chair should be an independent director	The Board believes that Mr Conrad Crisafulli acting as Executive Director 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.
3.2 and 3.3	The Diversity Policy should include measurable objectives for achieving gender diversity and these should be disclosed in the annual report	The Board believes that given the size and stage of development of the Company measurable objectives would not be able to be successfully met as the Company works through the current period of transition.

**CORPORATE GOVERNANCE STATEMENT**

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.
6.1	The Company should maintain a website	During the current period of transition the Company doesn't have a website. The Company will reinstate its website as soon as practicable.
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.