ATOS WELLNESS LIMITED

ABN 85 100 531 191

and

Controlled Entities

PRELIMINARY FINAL FINANCIAL REPORT (UNAUDITED)

FOR THE YEAR ENDING

30 JUNE 2010

ATOS WELLNESS LIMITED
and Controlled Entities

APPENDIX 4E PRELIMINARY FINAL REPORT

YEAR ENDED 30 JUNE 2010

Results for announcement to the market

Revenues from ordinary activities	down	11% to $24,499,685
Loss from ordinary activities after tax attributable to members	up	127% to $1,928,120
Net loss for the year attributable to members	up	127% to $1,928,120

Dividends

No dividends have been paid since the beginning of the current reporting period and no further dividend is proposed.

Net Tangible Assets per Security

	Current Period	Previous Corresponding Period
Net tangible asset backing issued per Ordinary share at balance sheet date	**0.76 cents**	**0.91 cents**

Commentary on results

The results for 2009/2010 includes the operations from:
Body Contours Pte Ltd, Singapore which ATOS WELLNESS LTD (ATOS) owns 51%
and Letchworth House Pty Ltd T/A Inspired Life Bentley, which is wholly owned by ATOS.

The 12 months ended 30 June 2010 has ended in a loss after tax of $1,961,806. The loss is largely due to write-off of goodwill of $1,476,693 as the Singapore operations will be disposed of in the next financial year as announced by the Board of Directors on 10 May 2010 and 12 August 2010, subject to the approval of the Company's shareholders in the general meeting. As the Group no longer has operations in the country, the holding company incurred a loss of $598,096 on operating costs. These losses are offset by the profits generated from its Singapore operations as follows:

1. Body Contours Pte Ltd turned in a profit after tax of $154,078 on a turnover of $12,518,230; and
2. Atos Wellness Pte Ltd together with Inner Harmony Pte Ltd (formerly known as Inahamani Pte Ltd) had a combined profit after tax of $167,634 on a turnover of $11,441,569.

The afore-mentioned disposal of Singapore operations is the first initiative in restructuring the Company to generate positive cash flow and improvement on shareholders' value. These subsidiaries will be sold for approximately $6.87 million of which, an estimated $1.25 million will be received in cash and the balance of the consideration will be settled through release of various debts owed by the Company to these subsidiaries and other third parties amounting to approximately $5.5 million and selective buy-back and cancellation of 48,828,125 shares from one of the Company's major shareholders at an agreed value of $200,000.

The Board has announced on 30 July 2010, an agreement has been executed with the Board of Calzada Ltd (ASX CZD) under which Calzada will invest $500,000 in cash and vend into the Company its 100% owned subsidiary Metabolic Pharmaceuticals Pty Ltd, plus all intellectual property associated with the drug development. In return, Calzada will be issued with 160 million of shares at a price of 1.85 cents per share and 30 million of options with an exercise price of 2 cents, expiring 3 years from the transaction completion date.

Metabolic is currently developing a drug for treatment of obesity and obesity related disorder, cosmeceutical application for treatment of cellulite and sub-cutaneous fat and prevention of osteoporosis and bone disorders.

The realisation of the Singapore assets coupled with the acquisition of Metabolic will effectively leave the Company free of debt, a cash surplus of approximately $1.4 million and a new strategic direction for creation shareholders' value.

PRELIMINARY CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009 Restated
Continuing operations	$	$
Revenue	12,907,516	13,733,995
Changes in inventories	(174,490)	(372,456)
Raw materials and consumables	(1,027,357)	(1,152,497)
Employee benefits expenses	(6,009,077)	(7,145,928)
Depreciation and amortization expense	(628,287)	(864,486)
Finance costs	(43,840)	(1,694)
Impairment of goodwill	(1,476,693)	(1,367,251)
Impairment of receivables	-	(1,316,823)
Impairment of other assets	-	(177,175)
Rent and occupancy costs	(3,556,049)	(2,766,265)
Royalties	-	(65,000)
Selling and Marketing	(472,925)	(743,165)
Foreign currency translation loss	-	(326,389)
Share of net loss of joint venture entities	-	(90,108)
Other Expenses	(1,545,326)	(1,665,798)
Loss before income tax	(2,026,528)	(4,321,040)
Income Tax expense	(102,913)	(160,119)
Loss before income tax	(2,129,441)	(4,881,159)
Profit from discontinued operations	167,634	3,601,135
Loss for the period	(1,961,807)	(880,024)
Profit attributable to non-controlling interest	33,687	30,212
Loss attributable to owners of the company	(1,928,120)	(849,812)

ATOS WELLNESS LIMITED
and Controlled Entities

	2010	2009
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalent	498,114	2,722,798
Trade and other receivables	1,148,547	2,399,993
Inventories	401,809	1,954,975
Current tax assets	18,302	-
Other current assets	122,573	188,043
	2,189,345	6,735,901
Assets classified as held for sale	5,650,256	-
TOTAL CURRENT ASSETS	7,839,601	7,295,809
NON CURRENT ASSETS		
Trade and Other receivables	3,807,168	5,932,650
Investments account for using the equity method	-	-
Property Plant and Equipment	794,453	1,398,388
Intangible assets	-	1,476,693
TOTAL NON-CURRENT ASSETS	4,601,621	8,807,731
TOTAL ASSETS	12,441,222	16,073,540
CURRENT LIABILITIES		
Trade and Other payables	3,851,015	7,609,788
Financial Liabilities	255,807	1,100,088
Current tax liabilities	108,505	896,037
Liabilities directly associated with the assets classified as held for sale	5,813,305	-
TOTAL CURRENT LIABILITIES	10,028,632	13,743,413
NON CURRENT LIABILITIES		
Trade and Other payables	716,275	2,775,273
Financial Liabilities	205,458	425,497
Deferred tax liabilities	51,270	63,760
TOTAL NON-CURRENT LIABILITIES	973,003	3,264,530
TOTAL LIABILITIES	11,001,635	12,870,443
NET ASSETS	1,439,587	3,203,097

ATOS WELLNESS LIMITED
and Controlled Entities

	2010	2009
	$	$
EQUITY		
Issued Capital	5,173,814	5,173,814
Reserves	644,832	423,267
Retained earnings (accumulated losses)	(5,276,301)	(3,348,181)
Parent Interest	542,345	2,248,899
Non-controlling interest	897,242	954,198
TOTAL EQUITY	1,439,587	3,203,097

Consolidated Group	**Note**	**Share Capital Ordinary $**	**Retained Earnings $**	**Foreign Currency Translation $**	**Option Reserve $**	**Minority Interest $**	**Total $**
Balance at 1 July 2008		4,776,814	(2,498,369)	211,875	-	869,128	3,359,448
Shares issued during the year		397,000	-	-	-	-	397,000
Loss attributable to members of parent company		-	(849,812)	-	-	-	(849,812)
Loss attributable to minority Shareholders		-	-	-	-	(30,212)	(30,212)
Movement from translation of foreign controlled entities		-	-	211,391	-	115,282	326,673
Sub-total		5,173,814	(3,348,181)	423,266	-	954,198	3,203,097
Dividends paid or provided for		-	-	-	-	-	-
Balance at 30 June 2009		5,173,814	(3,348,181)	423,266	-	954,198	3,203,097
Loss attributable to members of parent company		-	(1,928,120)	-	-	-	(1,928,120)
Loss attributable to minority Shareholders		-	-	-	-	(33,687)	(30,212)
Movement from translation of foreign controlled entities		-	-	211,392	-	(23,269)	326,674
Sub-total		5,173,814	(5,276,301)	423,267		897,242	3,819,330
Dividends paid or provided for		-	-	-	-	-	-
Balance at 30 June 2010		5,173,814	(2,731,949)	423,267		897,242	3,819,330

ATOS WELLNESS LIMITED
and Controlled Entities

PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS

	2010	2009
	$	$
Cash Flows from Operating Activities		
Receipts from customers	23,258,505	26,572,408
Payments to suppliers and employees	(21,585,906)	(27,642,846)
Interest received	6,061	43,332
Interest paid	(72,559)	(66,455)
Income tax paid	(269,169)	(410,891)
Net cash from (used in)operating activities	1,336,932	(1,504,452)
Cash flows from Investing Activities		
Proceeds from sale of plant and equipment	57,137	2,396,322
Purchase of property, plant and equipment	(950,098)	(717,605)
Adjustment on disposal of subsidiaries	-	(30,000)
Loans to /from other related parties	(1,183,970)	2,179,559
Disposal of subsidiaries	-	2
Net overdrafts disposed on sale of subsidiaries	-	51,756
Net cash flows from (used in) investing activities	(2,076,931)	3,880,034
Cash flows from Financing Activities		
Repayment of borrowings	(1,032,306)	(2,661,124)
Proceeds from borrowings	113,287	1,266,250
Proceeds from share issue		322,000
Net cash flows from (used in) financing activities	(919,019)	(1,072,874)
Net increase/(decrease) in cash and cash equivalents held	(1,659,018)	1,302,708
Effect of foreign exchange rates	(122,580)	(270,247)
Cash and cash equivalents at beginning of financial period	2,701,036	1,668,575
Cash and cash equivalents at end of financial period	919,438	2,701,036

Notes to and forming part of the Preliminary Final Report

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

NOTE 1: BASIS OF PREPARATION

The consolidated financial report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The financial report should be read in conjunction with the annual financial report for the year ended 30 June 2009 which was prepared based on Australian Accounting Standards applicable before 1 January 2005 (AGAAP).

It is also recommended that this financial report be considered in conjunction with any public announcements made by Atos Wellness Limited and its controlled entities during the year ended 30 June 2010 in accordance with the continuous disclosure requirements arising under the Corporations Act 2001.

(a) Basis of accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards and other mandatory professional reporting requirements.

The financial report has been prepared on a historical cost basis.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

(c) Principles of Consolidation

The consolidated financial statements comprise the financial statements of Atos Wellness Ltd and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Unrealised losses are eliminated unless costs cannot be recovered.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(d) Income tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

• except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

NOTE 1: BASIS OF PREPARATION

(d) Income tax (cont'd)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

• except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(e) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

(f) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on an average cost basis;

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(h) Trade and other receivables

Trade receivables are recognised at original invoice amount less an allowance for any uncollectible amounts.

An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

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

NOTE 1: BASIS OF PREPARATION

(i) Property, Plant and Equipment

Plant and equipment is carried at cost or fair value less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated as follows:

Leasehold improvements	33.3%	straight line basis
Plant and equipment	11.25% -50%	reducing balance basis
Leased plant and equipment	15%	reducing balance basis

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised

(j) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequent if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

NOTE 1: BASIS OF PREPARATION

(k) Intangibles

Acquired both separately and from a business combination

Intangible assets acquired separately are capitalised at cost and from a business combination are capitalised at fair value as at the date of acquisition. Following initial recognition, the cost model is applied to the class of intangible assets.

The useful lives of these intangible assets are assessed to be either finite or indefinite.

Where amortisation is charged on assets with finite lives, this expense is taken to the income statement through the 'administrative expenses' line item.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the period in which the expenditure is incurred.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite lived intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Research and development costs

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Any expenditure carried forward is amortised over the period of expected future sales from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents and Licences	**Development Costs**
Useful lives	Indefinite	Finite
Method used	Not depreciated or revalued	10 years – Straight line
Impairment test / Recoverable amount testing	Annually and where an indicator of impairment exists	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(l) Foreign Currency Translation

Both the functional and presentation currency of Atos Wellness Limited and its Australian subsidiaries is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

The functional currency of the overseas subsidiaries, Bodycure GmBH, Swandale Holdings Pty Ltd and Medec Systems GmbH, is Euros, Body contours Pte Ltd is Singapore dollars and Medec Ltd Hong Kong and Bodycure International Ltd is Hong Kong dollars and United States dollars.

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

NOTE 1: BASIS OF PREPARATION

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Atos Wellness Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(m) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(n) Interest bearing loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

(o) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

(p) Comparative Figures

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

NOTE 2 DISCONTINUED OPERATIONS

(a) On 16 December 2008, Atos Wellness Limited (Atos) signed an agreement for the management buy-out of 51% of Medec International Pty Ltd and 100% of Medec Hong Kong Limited, Medec Systems GmbH and Medec International Management Pty Ltd, thereby discontinuing its operations in this business. Under the management buy-out agreement, Medec Hong Kong Limited will be the holding company of Medec International Pty Ltd, Medec International Pty Ltd will be the holding company of Medec Systems GmbH and Medec International Management Pty Ltd. Atos will continue to hold a 49% indirect interest in these operations.

NOTE 2 DISCONTINUED OPERATIONS (CONT'D))

(b) On 28 December 2008 Atos Wellness Ltd signed an agreement to sell Body Cure Deutschland GmbH to Mensaco GmbH an unrelated party for the sum of 1 Euro. The divisions were sold on 31 December 2008.

Financial information relating to the discontinued operation to the date of disposal is set out below. The gain on disposal of the discontinued operations in included in the profit from discontinued operations in the Income Statement. The financial information for the comparative period is not included in Note 4 Segment Reporting or in the consolidated results for the year as the disposal occurred prior to the reverse acquisition of Atos Wellness Limited by Atos Wellness Pte Ltd on 1 January 2008. The financial performance of the discontinued operation to the date of sale is as follows:

Revenue	556,146
Expenses	(791,883)
Loss before income tax	(235,737)
Income tax expense	-
Loss attributable members of the parent entity	(235,737)
Profit on sale before income tax	4,237,144
Income tax expense	-
Profit on sale after income tax	4,237,144
Total profit after tax attributable to the discontinued operations	4,001,407

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	(605,665)
Net cash inflow (outflow) from investing activities	543,695
Net cash inflow (outflow) from financing activities	-
Net cash increase in cash generated by the discontinuing division	(61.970)

(c) On 15 April 2010, the Company executed an agreement on the sale of several of its operating subsidiaries, subject to regulatory and the Company's shareholders' approval at the general meeting, to the Company's major shareholders, Mr. Ananda Rajah and Ms Pathma Ayadurai (collectively known as "Purchasers"). The operating subsidiaries for the proposed transaction are Atos Wellness Pte Ltd, Inner Harmony Pte Ltd, Slim care Studio Pte Ltd, Slimline Studio Pte Ltd and Atos Consumer Products Pte Ltd (collectively known as "Atos Singapore") are valued at an estimate of AUD4.17 million. The Purchasers will settle the proposed transaction with AUD500,000 in cash, release and discharge of various debts owed by the Company to the Purchasers, the sale companies and other third parties at an estimate of AUD$3.47 million and selective buyback and cancellation of 48,828,125 shares in the Company held by the Purchaser for an agreed value of AUD200,000. As at 30 June 2010, Atos Singapore Group are classified as held for sale.

NOTE 2 DISCONTINUED OPERATIONS (CONT'D)

The results of the discontinued operations of Atos Singapore Group are presented below:

	2010 $	2009 $
Revenue	11,441,569	13,278,510
Cost of sales	(1,888,520)	(2,575,234)
Gross Profit	9,553,049	10,703,276
Gain on disposal of plant and equipment	345	-
Interest income	4,940	12,322
Other income	263,712	395,719
Depreciation and amortisation	(422,962)	(864,511)
Advertising and marketing expenses	(817,162)	(989,145)
Employee benefits expenses	(4,994,449)	(6,378,821)
Finance costs	(49,580)	(63,139)
Impairment of goodwill	-	(116,817)
Impairment of receivables	-	(39,410)
Rental expenses on operating lease	(1,392,973)	(1,504,888)
Other operating expenses	(1,894,414)	(1,508,502)
Profit / (loss) before tax from discontinued operations	250,506	(353,916)
Income tax expense	(82,872)	(46,356)
Profit / (loss) for the year from discontinued operations	167,634	(400,272)

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

	2010 **$**
Assets	
Plant and equipment	367,652
Inventories	1,385,564
Trade and other receivables	3,465,265
Cash and cash equivalents	421,324
Assets classified as held for sale	5,639,805
Liabilities	
Trade and other payables	4,993,106
Obligations under hire purchase	123,539
Deferred taxation	19,884
Provision for taxation	666,325
Liabilities directly associated with assets classified as held for sale	5,802,854
Net liabilities attributable to discontinued operations	163,049

Notes to and forming part of the Preliminary Final Report

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

	2010 $
Net cash inflow (outflow) from operating activities	(17,023)
Net cash inflow (outflow) from investing activities	(311,440)
Net cash inflow (outflow) from financing activities	(225,885)
Net cash increase in cash generated by the discontinuing operations	(554,348)

Segment Information

2010

	Australia	Europe	Asia	Eliminations	Consolidated Group	Discontinuing Operations
External Revenue	441	-	23,959,799	-	23,960,240	11,441,569
Other Revenue	118,398	-	633,127	(93,682)	539,445	268,997
Total segment revenue	118,839	-	26,849,717	(93,682)	24,499,685	11,710,566
Unallocated revenue	-	-	-	-	-	-
Total Revenue	118,839		26,849,717	(93,682)	24,499,685	11,710,566
Segment result	(598,096)		507,496	(1,685,422)	(1,776,022)	1,652,313
Unallocated expenses net of unallocated revenue					-	-
(Loss) / profit before income tax					(1,776,022)	1,652,313
Income tax expenses					(185,785)	(82,872)
(Loss) / profit after income tax					(1,961,807)	167,634
ASSETS						
Segment Assets	4,712,162	-	11,834,683	(4,105,623)	12,441,222	5,639,805
Unallocated Assets					-	-
					12,441,222	5,639,805
LIABILITIES						
Segment Liabilities	7,702,507	-	8,667,292	(5,368,164)	11,001,635	5,802,854
Unallocated liabilities					-	-
					11,001,645	-
OTHER						
Acquisition of non-current segment assets	-	-	950,098	-	-	312,341
Depreciation and amortization of segment assets	-		1,051,248	-	1,051,248	422,962

ATOS WELLNESS LIMITED
and Controlled Entities

Notes to and forming part of the Preliminary Final Report

Segment Information

2009

	Australia	Europe	Asia	Eliminations	Consolidated Group	Discontinuing Operations
External Revenue	645,879	472,874	26,235,232	-	26,802,686	13,829,809
Other Revenue	3,724	4,498	614,485	-	614,485	412,888
Total segment revenue	649,603	477,372	26,849,717	-	27,420,546	14,242,697
Unallocated revenue	-	-	-	-	-	-
Total Revenue	621,505	477,372	26,849,717	-	26,915,076	14,242,697
					-	
Segment result	(6,020,513)	(190,524)	(241,242)	5,778,730	(4,674,956)	3,647,491
Unallocated expenses net of unallocated revenue					-	-
Loss before income tax					(4,674,956)	3,647,491
Income tax expenses / (expense)					(206,475)	(46,356)
Loss after income tax					(4,881,431)	3,601,135
ASSETS						
Segment Assets	5,046,378	-	12,339,267	(1,312,105)	16,073,540	-
Unallocated Assets					-	-
					16,073,450	-
LIABILITIES						
Segment Liabilities	8,028,360	-	9,131,839	(4,289,759)	12,870,443	-
Unallocated liabilities					-	-
					12,870,443	-
OTHER						
Acquisition of non-current segment assets	(9,703,251)	(250,371)	994,438	6,120,003	109,131	(2,948,312)
Depreciation and amortization of segment assets	31,972		1,708,541	-	1,728,997	876,027

ATOS WELLNESS LIMITED
and Controlled Entities

Notes to and forming part of the Preliminary Final Report

Note 4 Dividends

No dividends have been paid since the beginning of the current reporting period and no further dividend is proposed.

Note 5 Cash and cash equivalents

	2010	2009
	$	$
Cash on hand and at bank	498,114	2,722,798
Bank overdraft	-	(21,762)
	498,114	2,701,036
Cash at bank and in hand attributable to discontinued operations	421,324	-
	919,438	2,701,036

Note 6 Net tangible assets

	2010	2009
	$	$
Net tangible asset backing per ordinary share	0.76 cents	0.91 cents

Note 7 Earnings per share

(a) Earnings in cents per share

Basic loss per share (cents per share)	()	(0.45)
- From continuing operations		(2.58)
- From discontinuing operations		2.13
Diluted loss per share (cents per share)	()	(0.45)
- From continuing operations		(2.58)
- From discontinuing operations		2.13

(b) Weighted average number of shares used in the calculation of earnings per share

Number for basic earnings per share	189,392,861	187,835,509
Number for diluted earnings per share	189,392,861	187,835,509

(c) Net (loss) used in calculation of basic and diluted earnings per share

Net (loss) profit used in calculation of basic and diluted earnings per share	$()	$(849,812)
- From continuing operations		$(4,851,219)
- From discontinuing operations		$4,001,407

Note 8 Events subsequent to reporting date

On 30 July 2010, the Board of Directors of Atos Wellness Limited announced that the Company has entered into an agreement with Calzada Ltd (ASX: CZD) under which Calzada will invest $500,000 and vend into the Company its 100% owned subsidiary Metabolic Pharmaceuticals Pty Ltd, plus all intellectual property associated with Metabolic's drug development assets, primarily focused on AOD9604. Under the proposed transaction, Calzada will be issued with 160 million new shares of the Company valued at 1.85 cents per share and 30 million ATOS options with an exercise price of 2 cents, expiring 3 years from the transaction completion date. The proposed transaction is subject to a number of conditions, including satisfactory due diligence enquiries and ATOS shareholders' approval at general meeting.

On 12 August 2010, the Board of Directors of Atos Wellness Limited announced that the Company has executed an agreement with a private Singapore investor on the sale of its 51% shareholdings in Body Contours Pte Ltd for an estimated AUD2.7 million (SGD 3.34 million). The proposed transaction with be settled partly with SGD900,000 in cash and the remaining consideration through release and discharge of various debts owing by the Company to Body Contours Pte Ltd for an estimated sum of SGD 2.45 million. The proposed transaction is subject to ATOS shareholders' approval at general meeting.

Note 9 Compliance statement

This Appendix 4E gives a true and fair view of the matters disclosed.

This Appendix 4E is based on financial statements which are in the process of being audited.

Jitto Arulampalam

Executive Chairman
Atos Wellness Ltd

31 August 2010