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Fermiscan Holdings Limited and Controlled Entities
Directors' report

The directors present their report together with the financial report of the consolidated entity consisting of Fermiscan Holdings Limited (Fermiscan) and the entities it controlled, for the financial year ended 31 December 2009 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards.

Principal activities

During the period up until the company had a Voluntary Administrator appointed, Fermiscan's principal activity was the commercialisation of an innovative non-invasive diagnostic test for the detection of breast cancer. The test is based on the discovery by an Australian scientist that a change can be detected in the molecular structure of hair from women with breast cancer and this change can be identified by using diffraction of X-rays generated in a synchrotron.

Results

The consolidated loss after income tax attributable to the members of Fermiscan Holdings Limited was $14.108 million (2008: loss $9.244 million).

Review of operations

As one can see by the cash position of the group as at 31 December 2009, in comparison to 31 December 2008, a great deal of cash was expended on Employee Remuneration - $5.744m; Synchrotron expenses- $1.243m; Legal fees - $1.509m and Other - $1.760m. The company expenses were far too high to sustain the amount of scientific work and the commencement of pre-commercialisation. The Board was endeavouring to commercialise the technology and had commenced expenditure on robotics and staff to educate the medical profession.

On 17 April 2009 the Board announced they had agreed to a proposed merger with Polartechnics Limited. On 16 July 2009 the Board announced that the off market offer from Polartechnics Limited was withdrawn due to the minimum of 90% acceptances not being achieved.

On 16 July 2009 Mr. David Young resigned as a director and the Board agreed to down size due to the two clinical trials to be completed and the court case, as noted below. During this process the Board became aware that the requirement for the completion of the Italian and French trials was necessary to be able to provide to the medical profession the efficacy of the test. It was decided to endeavour to complete these trials.

On 2 October 2009 the company announced the sale of the Sydney Breast Clinic business for $1,000,000 less a final adjustment amount representing net current assets less certain current liabilities with the net proceeds being $730,000.

The original inventor of the technology announced in the media that work had been conducted on using x-ray diffraction of skin and finger nails to detect breast cancer. The Board was advised that this was an improvement of the original patent owned by the group and as a result of this and subsequent legal advice the company commenced legal proceedings in the Supreme Court. On 29 May 2009 the case was decided against the company. The Board was advised to appeal the decision, and on 11 November 2010 the New South Wales Court of Appeal handed down its decision dismissing the appeal with costs.

The Board of Directors reviewed the cash position and the cost of legal expenses and a decision was taken to appoint a Voluntary Administrator on 18 November 2009.

Cash position

The overall net cash position in the year decreased by $6.6 million from $7.5 million at 31 December 2008 to $0.9 million at 31 December 2009.

Significant changes in the state of affairs

Apart from the matters noted in the "Review of operations", "After balance date events" and in the financial statements and accompanying notes attached, there were no other significant changes in the state of affairs.

After balance date events

Fermiscan Holdings Ltd was placed into Voluntary Administration on 18 November 2009 and subsequently creditors resolved on 16 February 2010 that the company execute a Deed of Company Arrangement ("DOCA"). This DOCA was executed by the company and the Administrator on 8 March 2010.

The controlled entities being Fermiscan Pty Limited, Fermiscan Australia Pty Limited and Fibrescan Pty Limited were also placed into Voluntary Administration on 18 November 2009, creditors of these entities resolved to place them in liquidation on 16 February 2010.

On 2 June 2010 creditors of the company resolved to vary the DOCA, such varied DOCA was executed by the company and the Administrator on 11 June 2011. The DOCA payment required by the company was funded by a capital raising of $100,000 with 10,000,000 shares being issued at 1 cent. The amended DOCA included all assets of the company being contributed to a Creditors Trust for the benefit of the company's creditors. As a result of the effectuation of the DOCA the company currently has no assets or liabilities.

The DOCA was wholly effectuated on 11 June 2010 and the company was at this date returned to the control of its directors.

Likely developments

Fermiscan applied to have its ASX suspension lifted and for trading to recommence post a shareholders meeting which will be called to approve a placement of new capital to raise a minimum of $1,300,000. Subject to the finalisation of the fund raising the company has negotiated with the European parties to complete the Italian and French trials that were commenced last year. On completion the Board will negotiate with these parties and the purchaser of the Fermiscan patents to move to the commercialisation of the technology.

Environmental regulation

The consolidated entity's operations are not subject to any significant Commonwealth or State environmental regulations or laws.

Dividend paid, recommended and declared

No dividends were paid, declared or recommended since the start of the financial year.

Share options

Fermiscan granted 2,900,000 options to employees through the Employee Share Option Plan in March 2009. The option exercise prices were 32 cents (2,000,000 options) and 30 cents (900,000 options).

The options are exercisable in 3 equal tranches of three hundred thousand options each over two years, with the first tranche being exercisable at any time after the date of grant, the second tranche on the first anniversary of grant, and the third tranche on the second anniversary of grant. The options expire on the earlier of the date being seven (7) days after the date the employee ceases working with Company for any reason, and the third anniversary of the date of grant.

Information on Directors and Company Secretary

The qualifications, experience and special responsibilities of each person who is a director of Fermiscan Holdings Limited at the end of the financial year is provided below, together with details of the company secretary.

Gary K Garton BComm - Resigned on 23 September 2009

Experience and expertise

Mr. Garton has been Chairman since the listing of the company in 2006.

Mr. Garton was appointed to the board of Fermiscan Holdings Limited on 9 October 2006.

He is an experienced Chief Executive Officer and public company director with a domestic and international background in the service, software and manufacturing industries. Mr. Garton was President and Chief Executive Office of Brinks Inc. for 10 years, the largest security transportation and armoured car company in the US. Prior to moving to the US he was an Executive Director of Brambles Holdings Limited. Mr. Garton was Chief Executive Officer and Managing Director of the gaming company Aristocrat Leisure Limited and successfully led Aristocrat through its initial public offering and listing on the ASX. Mr Garton is Chairman of the publicly listed Odyssey Gaming Limited.

Committee membership and special responsibilities

Chairman of the Board

Member of the Audit and Risk Committee

Chairman of the Remuneration and Nomination Committee

Chairman of the Governance Committee

Directorships in listed companies in the last three years

Chairman, Odyssey Gaming Limited

David C Young - Resigned on 17 July 2009

Experience and expertise

Mr Young led the Fermiscan management team since its formation in 2006.

Mr Young became a director of Fermiscan Holdings Limited on 9 October 2006.

He was previously Group Managing Director and CEO of Australian Pharmaceutical Industries Limited, an integrated health services business operating across Australia and New Zealand with a turnover in excess of A$3 billion. Prior to this, Mr Young was Group Managing Director at Hallenstein Glasson Holdings Limited, a New Zealand based specialty fashion retailer with over 100 stores in New Zealand and Australia. He spent 10 years abroad in senior international roles at Dairy Farm International running multiple businesses in various South East Asian countries. Mr Young also had 12 years with Target Australia Pty Limited in State and National roles in buying and marketing.

Committee membership and special responsibilities

Managing Director

Member of the Audit and Risk Committee

Member of the Remuneration and Nomination Committee

Member of the Governance Committee

Directorships in listed companies in the last three years

None

Other than the above, there were no issues, repurchases and repayments of debt securities or equity securities in the year. Fermiscan has a "Dealing in Securities Policy" and an overview of the policy is available on the company website.

Shares under option

Unissued ordinary shares of Fermiscan Holdings Limited under option at the date of this report are as follows:

Number of unissued ordinary shares under option	Issue price of shares	Latest expiry date of the options
6,600,000	30 cents	9-Oct-11
6,600,000	30 cents	9-Nov-11
5,000,000	32 cents	10-Dec-13
18,200,000		

No option holder has any right under the options to participate in any other share issue of the company, other than for bonus issues.

Shares issued on exercise of options

No ordinary shares of Fermiscan Holdings Limited were issued during or since the end of the financial year as a result of the exercise of an option. There are no amounts unpaid on shares issued on exercise of options.

Indemnification and insurance of Directors and Officers

For the year ended 31 December 2009 the Company had agreements to indemnify Directors and Officers of the Company against all liabilities to persons (other than the Company or related body corporate) which arise out of the performance of their normal duties as Directors or Executive Officers unless the liability relates to conduct involving lack of good faith.

The Company agreed to indemnify the Directors and Executive Officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity. The Directors' and Officers' liability insurance provides cover against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than the Company) incurred in their position as a Director or Executive Officer unless the conduct involves a willful breach of duty or an improper use of inside information or position to gain advantage.

The insurance policy does not allow specific disclosure of the nature of the liabilities insured against or the premium paid under the policy.

The company has not indemnified or agreed to indemnify the auditor of the company.

Proceedings on behalf of the consolidated entity

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity.

Dr. Ronald Shnier MBBS, FRACR – Resigned 8 July 2010

Experience and expertise

Dr Shnier became a director of Fermiscan Holdings Limited on 9 November 2006 and the Chief Medical Officer in October 2008.

He is a practising Radiologist and Director of ST George MRI s well as the President of the Australian Diagnostic Imaging Association. In the past he has been Director of Symbion Imaging Clinical Research Imaging Centre and National Director of Research and Professional Development at Symbion Imaging, divisions of Symbion Health Care Limited, General Manger Diagnostic Imaging for Symbionhealth. Prior to this Dr Shnier was Director MRI Services Sydney Imaging Group and Chairman Sydney Imaging Group and has held a number of prominent medical roles at leading hospitals.

Committee membership and special responsibilities

Member of the Remuneration and Nomination

Member of the Audit and Risk Committee

Chairman of the Scientific and Medical Advisory Board

Directorships in listed companies in the last three years

None

Mr. Leon Phillip Carr- Appointed as a Executive Director on 17 July 2009, resigned on 25 September 2009

Experience and expertise

Has had over 30 years as an investment banker. Started his career at J B Were, was employed in Hong Kong for 4 years and on returning to Australia in 1981 became a director of McIntosh Securities Limited. Currently is involved in investment banking and restructuring of companies.

Mr. Mark Fordree- Appointed 17 September 2009, resigned 2 June 2010

Experience and expertise

Mark is a financial markets professional with over 30 years experience in funds management, stockbroking and corporate advisory.

Mr. Ian Chalmers – Appointed 17 September 2009

Experience and expertise

Ian was formerly Chief Executive of Medicines Australia and previous roles included Chief Executive of Australian Local Government Association and Executive Director at both Australian Private Hospitals Association and the Australian Lifewriters Association.

Ian is an experienced chief executive, with extensive health sector exposure. He has had two decades as chief executive of a number of significant national organisations, as well as a federal ministerial adviser, a parliamentary policy and research adviser, a government relations consultant and several non executive directorships.

Mr. Ben Dillon- Appointed 2 June 2010

Experience and expertise

In life sciences Ben is currently advising to healthcare service providers including Macquarie Health Corporation and Independent Private Hospitals of Australia. Ben has previously served as a Managing Director and CEO of Polartechnics Limited, an ASX listed medical devices company that specialised in cervical cancer and melanoma screening systems.

Before the above role in life sciences, Ben had an extensive and broad range of commercial experience including roles as a partner in KPMG Sydney specialising in corporate advisory services, senior management roles in hospitality management, property investment banking with Macquarie Bank Limited and institutional property banking with Westpac Bank Limited.

Ben has Bachelors of Economics and Law from Sydney University and Masters of Management (Marketing) from Macquarie Graduate School of Management. Ben is currently an Associate of the Institute of Chartered Accountants in Australia, a Fellow of the Financial Services Institute of Australasia and a Member of the Royal Institution of Chartered Surveyors.

Directorships in listed companies in the last three years

Polartechnics Limited

Mr. Robert Whitton- Appointed 20 August 2010

Robert Whitton is a Director at William Buck, Chartered Accountants & Advisors where he is head of their Business Recovery team. He has in excess of 25 years insolvency, reconstruction and business advisory experience gained across a range of accounting firms. He is a Fellow of the Institute of Chartered Accountants, an Official Liquidator, Trustee in Bankruptcy and a Certified Fraud Examiner.

Robert is currently the Chairman of The Australian Wine Consumers Co-operative Society Ltd ("The Wine Society") where he has been a Director for 8 years. The Wine Society is Australia's oldest not for profit wine club having been established in 1946 with around 50,000 members nationally.

Mr. Gregory C West Chartered Accountant

Mr. West was appointed as Company Secretary on 9 October 2006.

Resigned on 16 July 2009

Appointed as a Company Secretary on 13 October 2009

Experience and expertise

Mr West has worked as a Company Secretary and Chief Financial Officer in leading services organisations. Mr West was appointed as Company Secretary on 9 October 2006.

Directorships in listed companies in the last three years

None

Ms. Caroline Raw

Appointed as Company Secretary on 7 October 2009

Resigned on 13 October 2009

Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the numbers of meetings attended by each director were:

	Board of Directors		Audit & Risk Committee		Remuneration & Nomination Committee		Governance Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Gary Garton (1)	12	12	1	1	-	-	1	1
David Young (2)	10	10	1	1	-	-	1	1
Dr Ronald Shnier(3)	16	14	1	1	-	-	-	-
Mr Leon Carr (4)	3	3	-	-	-	-	-	-
Mark Fordree (5)	4	4	-	-	-	-	-	-
Ian Chalmers (6)	4	4	-	-	-	-	-	-

(1) Resigned on 22 September 2009

(2) Resigned on 17 July 2009

(3) Resigned 8 July 2010

(4) Appointed on 17 July 2009 and resigned on 25 September 2009

(5) Appointed on 17 September 2009 and resigned 2 June 2010

(6) Appointed on 17 September 2009

Directors' interests in shares or options over shares

Directors' relevant interests in shares of Fermiscan Holdings Limited or options over shares in the company as at 31 December 2009 are detailed below.

Directors' relevant interests in:	Ordinary Shares of Fermiscan Holdings Limited	Options over shares in Fermiscan Holdings Limited
Dr Ronald Shnier	-	8,300,000
Mark Fordree	400.000	-
Ian Chalmers	400,000	-

Directors' Interests in Contracts

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors Report.

No director has entered into a material contract with the company or consolidated entity (other than an employment contract) since the end of the previous year and, there were no material contracts involving directors' at 31 December 2009.

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

Non-Audit Services

Non-audit services are approved by audit committee and approval is provided in writing to the board of directors. Non-audit services provided by the auditors of the consolidated entity during the year, Pitcher Partners, are detailed below. The directors are satisfied that the provision of the non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to any entity that is part of the consolidated entity for:	2009 $'000	2008 $'000
Taxation services, due diligence and corporate secretarial services	161	127

REMUNERATION REPORT

Remuneration policies

The board policy for determining the nature and amount of remuneration of directors and executives is agreed by the board of directors as a whole, in consultation with the board Remuneration & Nomination Committee. The board obtains professional advice where necessary to ensure that the company attracts and retains talented and motivated directors and employees who can enhance company performance through their contributions and leadership.

For directors and specified executives, the company provides a remuneration package that incorporates both cash-based remuneration and share-based remuneration. The contracts for service between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future aside from normal negotiations on contracts as they approach their conclusion and the normal annual review processes expected in July each year. Due to the development nature of the business the remuneration policy is not directly related to company performance. The board considers a remuneration policy based on short-term returns and incentives alone would not be beneficial to the long-term creation of wealth by the company for shareholders.

Non-executive directors receive fees and share-based remuneration.

The company determines the maximum amount for remuneration, including thresholds for share-based remuneration, for directors by resolution. Directors' share-based remuneration was voted on by members at general meetings.

DIRECTORS' AND EXECUTIVES' COMPENSATION

(a) Details of Directors and Key Management Personnel

The directors and key management personnel during the year ended 31 December 2009 were: -

(i) Directors and executives

Gary K Garton	Chairman – Non-Executive director
David C Young	Managing Director
Dr Ronald Shnier	Chief Medical Officer
Mark Fordree	
Ian Chalmers	
Leon P Carr	Corporate Strategist
Gary Corino	Chief Scientific Operations Officer
Dr Peter French	Chief Scientific Officer
Richard M Toltz	General Counsel
Greg West	Company Secretary & Chief Financial Officer

There have been no changes to executive or director compensation arrangements after reporting date and the date the financial report was authorised for issue.

The names and positions of each person who held the position of director at any time during the financial year is provided above. The five named executives in the consolidated group who received the highest remuneration for the financial year are named above.

(ii) **Directors' compensation**

	Short-Term				Post employment		Long-term	Share-based payments	TOTAL	TOTAL PERFORMANCE RELATED
	Salary fees	Cash Bonus	Non-monetary	Other	Super	Retirement benefits	Incentive plans	Number of Options granted		
2009	$	$	$	$	$					%
Gary Garlon[7]	55,000	nil	nil	nil	-	nil	-	-	55,000	not applicable
David Young[4]	369,887	nil	nil	34,106	11,693	nil	-	-	415,686	not applicable
Dr Ronald Shnier	146,666	nil	nil	nil	-	nil	-	-	146,666	not applicable
Leon Carr[6]	#	#	#	#	#	#	#	#	#	not applicable
Mark Fordree[5]	58,208	nil	nil	nil	1,205	nil	-	-	59,413	not applicable
Ian Chalmers[6]	5,833	nil	nil	nil	525	nil	-	-	6,358	not applicable
							-	-		not applicable
	635,594	nil	nil	34,106	13,423	nil	-	-	683,123	
2008	$	$	$	$	$	$			$	%
Gary Garlon	75,000	nil	nil	nil	nil	nil	-	-	75,000	not applicable
David Young	350,000	nil	nil	41,945	13,385	nil	-	-	405,330	not applicable
Ian Holman[1]	23,333	nil	nil	nil	2,100	nil	-	-	25,433	not applicable
Dr Ronald Shnier[2]	112,750	nil	nil	nil	nil	nil	-	5,000,000[3]	112,750	not applicable
	561,083	nil	nil	41,945	15,485	nil	-	5,000,000	618,513	

(1) *Resigned 5 September 2008*
(2) *Appointed as Chief Medical Officer on 17 October 2008*
(3) *Options were granted to Dr Ron Shnier at a shareholders' General Meeting on 10 December 2008.*
(4) *Employment terminated on 16 October 2009and resigned as a director*
(5) *Appointed on 17 September 2009*
(6) *Appointed 17 July 2009 resigned 25 September 2009*
(7) *Resigned 22 September 2009*
\# *Remuneration included in executive remuneration disclosures*

(iii) **Executives' Remuneration**

	Short-Term				Post employment		Long-term	Share-based payments	TOTAL	Total performance related
	Salary fees	Cash Bonus	Non-monetary	Other	Super	Retirement benefits	Incentive plans	Number of Options granted		
2009	$	$	$	$	$	$			$	%
Leon P Carr [1][3]	191,047	nil	nil	nil	10,636	-	-	-	201,683	Not applicable
Gary Corino [1]	195,063	nil	nil	nil	12,899	-	-	-	207,962	Not applicable
Dr Peter French [1]	137,226	nil	nil	58,073	10,449	-	-	-	205,748	Not applicable
Richard M Toltz [1][4]	441,978	nil	nil	3,787	10,858	-	-	-	456,623	Not applicable
Greg West [2][5]	239,289	nil	nil	nil	15,695	-	-	-	254,984	Not applicable
	1,204,603	nil	nil	61,860	60,537	-	-	-	1,327,000	
2008	$	$	$	$	$	$			$	%
Leon P Carr [1]	200,000	nil	nil	nil	13,385	-	-	-	213,385	Not applicable-
Gary Corino [1]	203,544	nil	nil	nil	13,385	-	-	-	216,929	Not applicable
Dr Peter French [1]	152,264	nil	nil	35,050	13,385	-	-	-	200,699	Not applicable
Richard M Toltz [1]	484,851	nil	nil	15,149	13,385	-	-	-	513,385	Not applicable
Greg West [2]	180,000	nil	nil	nil	13,385	-	-	-	193,385	Not applicable
	1,220,659	nil	nil	50,199	66,925	-	-	-	1,337,783	

[1] Executive service agreement commenced in April 2006
[2] Executive service agreement commenced in May 2006
[3] Resigned 3 October 2009
[4] Resigned 3 October 2009
[5] Resigned on 31 August 2009

(iv) **Compensation by category for Directors and nominated executives**

	Consolidated Entity 2009 $	Consolidated Entity 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Short-term employment benefits	1,936,163	1,873,886	144,707	136,833
Post employment benefits	73,960	82,410	nil	nil
Other long-term benefits	nil	nil	nil	nil
Termination benefits	nil	nil	nil	nil
	2,010,123	1,956,296	144,707	136,833
Share-based payments	*Performance incentives were provided by the granting of options by the parent company*		*Performance incentives were provided by the granting of options by the parent company*	

DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

(a) **Compensation Options: Granted and vested during the year to 31 December 2009 (consolidated)**

Vested Number	Granted Number	Grant Date	Value per option at grant date	Terms and conditions for each grant			
				Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
NIL							

DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

(b) Compensation Options: Granted, vested and exercised (consolidated)

	Number of Options held at 1 January 2009	Options issued during the year	Options expired during the year	Number of Options held at 31 December 2009	Grant Date	Value per option at grant date	Terms and conditions for each grant				Vested Number as at 31 December 2009
							Exercise Price $	Expiry Date	First Exercise Date	Last Exercise Date	
Directors											
Gary Garton	3,300,000	-	-	3,300,000	9-Oct-06	6.8 cents	30 cents	9-Oct-11	25-Oct-08	9-Oct-11	3,300,000
David Young	10,000,000	-	10,000,000	-	9-Oct-06	5.2 cents	30 cents	9-Oct-09	25-Oct-08	9-Oct-09	-
Dr Ronald Shnier	3,300,000	-	-	3,300,000	9-Nov-06	6.8 cents	30 cents	9-Nov-11	12-Jan-07	9-Nov-11	3,300,000
Dr Ronald Shnier	5,000,000	-	-	5,000,000	10-Dec-08	30 cents	32 cents	10-Dec-13	10-Dec-08	10-Dec-13	2,000,000
Executives											
Leon P Carr	10,000,000	-	10,000,000	-	9-Oct-06	5.2 cents	30 cents	9-Oct-09	25-Oct-08	9-Oct-09	
Gary Corino	3,000,000	-	3,000,000	-	9-Oct-06	5.2 cents	30 cents	9-Oct-09	9-Oct-06	9-Oct-09	
Gary Corino	2,000,000	-	2,000,000	-	17-Nov-06	5.2 cents	30 cents	17-Nov-09	17-Nov-06	17-Nov-09	
Dr Peter French	4,392,000	-	4,392,000	-	9-Oct-06	5.2 cents	30 cents	9-Oct-09	9-Oct-06	9-Oct-09	
Richard M Toltz	7,500,000	-	7,500,000	-	9-Oct-06	5.2 cents	30 cents	9-Oct-09	25-Oct-08	9-Oct-09	
Greg West	2,000,000	-	2,000,000	-	19-Oct-06	5.2 cents	30 cents	19-Oct-09	19-Oct-06	19-Oct-09	
Total	50,492,000	-	38,892,000	11,600,000							

(c) Details concerning share-based compensation of directors and executives

The value of each person's remuneration that consists of options is shown in the preceding tables. Options granted as remuneration are valued at grant date in accordance with AASB 2 Share-based Payments. No options previously granted as remuneration have lapsed during the year.

The basis for share-based compensation of directors and executives is disclosed the remuneration policy described above.

(d) Shares issued on exercise of compensation options (consolidated)

There were no shares issued on exercise of compensation options during the year.

(e) The number of options held by directors and key management personnel (consolidated)

Are as described in the preceding table.

(f) Number of shares held by directors and key management personnel

Relevant interest in ordinary shares held in Fermiscan Holdings Limited by directors as at 31 December 2009 *

	Opening balance 1 January 2009	Acquired	Disposed or retired as a director	Closing Balance 31 December 2009
Directors				
Gary Garton	41,140	-	41,140	-**
David Young	1,037,430	-	1,037,430	-**
Dr Ronald Shnier	-	-	-	-
Mark Fordree	-	400,000#	-	400,000
Ian Chalmers	-	400,000#	-	400,000
Executives				
Leon P Carr	44,819,302	-	44,819,302	-**
Gary Corino	-	-	-	-
Dr Peter French	-	-	-	-
Richard M Toltz	25,773,200	-	25,773,200	-**
Greg West	-	-	-	-
Total	**71,671,072**	**800,000**	**71,671,072**	**800,000**

* The shareholdings shown here are relevant interests in shares by the director or the executive or their associates.

** resigned as a director or executive during the year

appointed as directors during the year

SERVICE AGREEMENTS

The non-executive directors' being Gary Garton and Dr Ronald Shnier have agreements detailing the formal terms and conditions of the appointment, expected time commitment, procedure regarding conflicts of interest, performance appraisal, remuneration, superannuation and insurance arrangements. The Fermiscan Constitution governs the election and appointment of directors, rotation of elected directors, casual vacancies and eligibility for election. The terms and entitlements of non-executive directors are governed by normal employment law.

The following summarises the key provisions of service agreements with executives:

- Mr David Young had a three year service agreement as Managing Director from April 2006 which can be terminated by Mr Young on three months notice or is terminable by the company after three years on three months notice. Other than by normal operation of law, the contract does not provide for any termination payment.

- Mr Leon Carr had a three year service agreement as Corporate Strategist from April 2006 which can be terminated by Mr Carr on three months notice or is terminable by the company after three years on three months notice. Other than by normal operation of law, the contract does not provide for any termination payment.
- Mr Richard Toltz had a three year service agreement as General Counsel from April 2006 which can be terminated by Mr Toltz on three months notice or is terminable by the company after three years on three months notice. Other than by normal operation of law, the contract does not provide for any termination payment.
- Dr Peter French has an ongoing service agreement as Chief Scientific Officer from April 2006 which can be terminated by Dr French on three months notice or is terminable by the company on three months notice. Other than by normal operation of law, the contract does not provide for any termination payment.
- Mr Gary Corino has a three year service agreement as Chief Operations Officer USA from April 2006 which can be terminated by Mr Corino on six months notice or is terminable by the company after three years on six months notice. In some circumstances if the Company terminates Mr Corino's employment within three years from commencement he is entitled to a termination payment equivalent to his annual salary for the period from termination to the end of the three years.
- Mr Greg West had a three year service agreement as Chief Financial Officer from May 2006 which can be terminated by Mr West on six months notice or is terminable by the company after three years on six months notice. In some circumstances if the Company terminates Mr West's employment within three years from commencement he is entitled to a termination payment equivalent to his annual salary for the period from termination to the end of the three years.

Signed in accordance with a resolution of the directors.

Director

Sydney

Date 16 September 2010

PITCHER PARTNERS
ACCOUNTANTS AUDITORS & ADVISORS

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Pitcher Partners, including Johnston Rorke, is an association of independent firms
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AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Fermiscan Holdings Limited

In relation to the independent audit for the year ended 31 December 2009, as lead audit partner, to the best of my knowledge and belief there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contraventions of any applicable code of professional conduct.

MARK GODLEWSKI
Partner
PITCHER PARTNERS

Sydney
16 September 2010

Corporate Governance Statement

The comments below apply for the period commencing 1 January 2009 and up to the date the company appointed an Administrator.

Approach to Governance

Fermiscan Holdings Limited was committed to high standards of corporate governance and this was reflected in its culture, policies and business practices. The Fermiscan Board had in place governance structures for the strategic direction and policy including an overall framework of internal control, risk management and ethical standards.

This document outlines Fermiscan's corporate governance policies and Fermiscan compliance with the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* (ASX Principles) as described in this corporate governance statement.

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

PRINCIPLE 1 – Lay solid foundations for management and oversight

The role of the Board was to provide strategic guidance and effective oversight of management. The directors represented the interests of shareholders and were responsible for the overall direction, long term objectives and strategy, performance, compliance and policies.

The Board adopted a formal board charter, which was available on the Fermiscan website, and details the Board's role and responsibilities, membership, delegation of authority, committee composition and Board performance review. The Board was also governed by general law, the Corporations Act 2001 and Fermiscan's Constitution.

Board responsibilities

The main Board responsibilities, summarised from the Board charter included:

- ***Shareholder interests***: to serve the interests of shareholders and recognise the interests of other stakeholders such as employees, potential customers, regulators, and broader Fermiscan related communities;
- ***Strategy:*** to drive the strategic direction, set goals, performance measures and policies.
- ***Leadership:*** to determine the managing director's terms of appointment, performance evaluation and replacement; provide specific delegated authority to the managing director to oversee the day to day operations of Fermiscan;
- ***Performance:*** to review business results and monitor performance against key performance measures, corporate strategy plans and budgets; review reporting to shareholders and regulators; approve and monitor any required actions.
- ***Risk management :*** to consider and approve key risk management strategies; review and monitor processes for regulatory compliance
- ***Board performance:*** to regularly review the performance of the board, its committees, and individual directors, with external assistance as required; and
- ***Audit:*** to select external auditors and to evaluate their performance and independence.

The Board meet for at least ten regular meetings each year and other meetings are called as deemed necessary. The Board agendas are established by the chairman and managing director and were structured to meet Board responsibilities. At each of the meetings directors' receive reports provided by executive management. The Board discussed the Company strategy to consider longer term issues and strategic initiatives.

Each director had the right to seek independent professional advice at Fermiscan's expense on a matter relevant to the director's role at Fermiscan and affecting the director's own position, subject to prior approval from the chairman.

Delegations of Board authority

The Board delegated the authority of the day to day management of Fermiscan to the managing director subject to specific delegations and limits. Regular consultation between the managing director and the chairman occurred on matters generally as they arise.

The managing director's responsibility included:

- the development of long-term objectives, strategic plans, initiatives, performance measures and policies in consultation with the board;
- ensuring day to day operations are carried out effectively and efficiently;
- monitoring business performance against key performance measures, corporate strategy plans and the budget;
- determining the terms of appointment, performance evaluation, succession plans and replacement of his direct reports, in consultation with the Remuneration & Nomination Committee;
- development and monitoring of the risk management framework and building an appropriate internal control environment, in consultation with the Audit & Risk Committee; and
- bringing material and relevant matters to the board in a timely and factual manner.

PRINCIPLE 2- Structure the board to add value

The directors' possess a broad range of relevant skills and experience necessary to meet its objectives, whilst encouraging engaged debate. The Board composition, with details of individual members including skills experience and expertise, is set out in the Annual Report and the Directors Report.

A review of the Board's composition took place annually and matters such as the complexity of the business, the effectiveness and efficiency of the Board, appropriate capabilities and expertise of the collective Board and individual directors are taken into consideration.

The composition of the Board and the election and appointment of directors was determined in accordance with Fermiscan's Constitution which was available on the Fermiscan website, and are also subject to relevant regulatory requirements. With the exception of the managing director, directors retire by rotation and serve a maximum three year term, although each may stand for re-election.

The Board periodically reviews the framework for director nomination, with guidance from the Remuneration & Nomination Committee, to ensure the skills sets and experience of selected candidates are complementary to those currently available on the Board and consistent with the commercial and other circumstances of Fermiscan, both currently and into the foreseeable future. The Remuneration & Nomination Committee will evaluate potential candidates taking into consideration factors such as professional skills, background, personal qualities, experience and whether the candidate's skills will augment the existing Board.

Board committees

The board established three standing committees to assist in the execution of its responsibilities. Each committee had terms of reference with authority delegated from the Board and an independent chairman. The Board determines committee composition, membership and charters. Committee memberships are reviewed annually and are based on the capabilities and experience of individual directors. Minutes of subsidiary boards and board committee meetings are included in the board papers for the information of all directors.

The standing committees' are

- Audit & Risk Committee
- Remuneration & Nomination Committee
- Governance Committee

Members of the committee during the year included: -

Standing committees		
Audit & Risk	***Remuneration and Nomination***	***Governance***
Dr Ronald Shnier (Chairman)	Gary Garton (Chairman)	Gary Garton (Chairman)
David Young	David Young	David Young
Gary Garton	Dr Ronald Shnier	

The role of each of these committees is considered in the appropriate section of this corporate governance statement. In addition to the standing committees, Fermiscan had-:

- a ***Scientific and Medical Advisory Board*** which meet bimonthly. Its purpose was to help direct product development and clinical testing programs and to provide independent advice to the Board of Fermiscan.

  The advisory board provided professional oversight and advice on the commercialisation of the company's products to ensure they met the expectations of the medical and patient communities. The composition of the advisory board represented key perspectives and inputs needed in the development programs from both scientists and physicians specialising in various areas of medicine, including radiology.

- a ***Fermiscan Human Research and Ethics Committee*** provided governance to planned trials for the company. This committee was registered with the National Health and Medical Research Council (NHMRC).

  The purpose of the Ethics Committee was to protect the welfare and the rights of participants in research while following the guidelines and principles encapsulated in the "National Statement in Ethical Conduct in Research Involving Humans".

Governance Committee

The Governance Committee assisted the Board to discharge its responsibilities relating to corporate governance practices. The committee comprised the chairman, Mr Gary Garton, and Mr David Young, the managing director. The roles and responsibilities of the committee were reviewed regularly by the Bboard.

The Chairman

The chairman was responsible for:

- leading the board;
- chairing meetings of the board and shareholders;
- being the primary point of contact between the board and the managing director;
- representing the views of the board to the public;
- instituting the process for appraising board members and the board as a whole;
- communicating with shareholders on matters of corporate governance; and
- ongoing counselling of individual directors.

The roles of the chairman and the managing director were entirely separate.

Independence

To qualify as an independent director, a director must be independent of management and free of any business or other relationship that could materially interfere with – or could be reasonably perceived to materially interfere with – the exercise of their unfettered and independent judgement

The Board made regular determinations on the independence of individual directors based on an independence policy and a review process undertaken by the Board. Independence was met when a non-executive director:

- was not an officer of a substantial shareholder, or otherwise associated directly or indirectly with, a substantial shareholder of the company;
- had not, within the last three years been employed in an executive capacity by the company;
- had not, within the last three years been a principal or employee of the external auditor, material professional adviser or a material consultant to the company
- was not a material supplier or customer of the company , or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- had no material contractual relationship with the company, other than as a director of the company; and
- was 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.

In determining whether a director's interest or relationship interfered with their independence, the Board had regard to the materiality of the interest or relationship. If directors' circumstances change, they were expected to volunteer information relevant to a continuing independence assessment.

Avoidance of conflict of interest

In addition to the issue of independence, directors had a continuing responsibility to avoid conflicts of interest (both real and apparent) between their duty to Fermiscan and their own interests. Directors were required to disclose any actual or potential conflict of interest on appointment and were required to keep this disclosure up to date.

A director who had an actual or potential conflict must immediately inform the Board and remove themselves from any discussions or decision making in relation to the actual or potential conflict.

Appointment of Directors

The Fermiscan Constitution governs the election and appointment of directors, rotation of elected directors, casual vacancies and eligibility for election. There are a number of elements relating to formalising the appointment for either elected or appointed independent directors, including:

- a letter detailing the formal terms and conditions of the appointment, expected time commitment, procedure regarding conflicts of interest, performance appraisal, remuneration, superannuation and insurance arrangements;
- written consent to act as a director;
- agreement to the directors Code of Conduct; and
- Deed of Access to Documents and provision of Indemnity Insurance.

Board renewal

The Board's policy on renewal was to ensure the Board remained open to new ideas and independent thinking. As part of the policy, the Board set, as a general rule, that director's tenure will be reviewed if the director is approaching a service period of three concurrent terms of office. Matters to be considered by the Board when a director is approaching a service period of three concurrent terms of office would include board competencies, board committee membership, and the average tenure and experience of the board overall.

PRINCIPLE 3 - Promote ethical and responsible decision making

Fermiscan was committed to establishing and maintaining high ethical standards in its dealings with shareholders, stakeholders and regulatory bodies. Fermiscan's established committees in addition to those required under ASX Corporate Governance requirements to better address the ethical issues surrounding the company's medical diagnostic activities – the Fermiscan Scientific and Medical Advisory Board and the Fermiscan Human Research and Ethics Committee

The company's codes of conduct which governed ethical business behaviour in addition to policies covering whistleblower protection, shareholder communications policy, continuous disclosure and dealing in securities.

Directors and staff were encouraged to own shares in Fermiscan in accordance with policy. The policy prohibited dealing in securities outside certain designated periods and at any time which the individual is in possession of inside information. Directors and executives were granted share options over the last three years and this is disclosed in the Remuneration Report.

The Fermiscan Board took ethical and responsible decision-making seriously and it expected employees to have the same approach. All directors, managers and staff were expected to act with the utmost integrity in the best interest of the organisation, while striving at all times to enhance the reputation and performance of Fermiscan.

The Board and the staff acknowledge that they were responsible for promoting high ethical and integrity standards and that the language, attitudes and actions of directors and the staff affect the integrity, ethics, values and other aspects of Fermiscan's culture.

PRINCIPLE 4 - Safeguard integrity in financial reporting

The Board were committed to integrity in financial reporting particularly as it applies to the company's financial position and prospects. The Board had a structured process, through the Audit & Risk Committee, for the quarterly, six monthly and annual financial reports including the sign off and release of information to the market.

The Audit & Risk Committee assisted the Board to discharge its responsibilities relating to the integrity of the financial reporting, the effectiveness and independence of the audit, evaluation of the management processes relating to compliance, internal control systems, and the risk management framework.

The committee comprised an independent chairman, an independent non-executive director and the managing director. All members had a sound understanding of the industry within which Fermiscan operates and are financially literate. The roles and responsibilities of.the committee were reviewed annually.

The Audit & Risk Committee met with the external auditor throughout the year and the auditor had a standing invitation to all Audit & Risk Committee meetings. The auditor reported directly to the Audit & Risk Committee and had unrestricted access to the Board. The auditor's main role is to provide independent assurance to shareholders that the financial statements are free from any material misstatement.

PRINCIPLE 5 - Make timely and balanced disclosure

Fermiscan recognises the importance of timely and accurate disclosure to its shareholders and the broader investment market and to meet its continuous disclosure obligations. The company is committed to ensuring that all investors have equal and timely access to material information regarding the company's financial position, performance, ownership and governance.

The board had a continuous disclosure policy designed to facilitate compliance with its obligations under the ASX Listing Rules.

PRINCIPLE 6 - Respect the rights of shareholders

Fermiscan understood the importance of effective communication with its shareholders and put in place a shareholder communications policy which encouraged and promoted effective communication with shareholders and participation at general meetings.

The external auditor is present at all General Meetings and is available to answer shareholder queries about how the audit is conducted and the preparation and content of the auditor's report.

PRINCIPLE 7 - Recognise and manage risk

The Board overseed the management of the group's risks through Board and management committees. Fermiscan executives are responsible for risk and internal control and the risk management systems.

The Board reviewed and approved the risk management framework and set key risk parameters for the major risk areas. The Board evaluated the effectiveness of risk management strategies and internal control processes with guidance from the Audit & Risk Committee

Risks were managed through an oversight structure and an internal control framework that includes:

- continual risk identification, assessment and control processes,
- policies and procedures on risk and compliance;
- appropriate risk and compliance committee structures at board and management levels;
- assigning appropriate delegations of authority;
- recruiting skilled, professional staff;
- maintaining information systems which provide relevant, timely and accurate information on risks and controls; and
- independent assurance on risk framework and internal controls through audit.

The Fermiscan Audit & Risk Committee reviewed reports and agreed action and ensured that planned audit activities are aligned to business risks.

The Board received assurance from the managing director and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8 - Remunerate fairly and responsibly

The Remuneration & Nomination Committee assisted the Board in discharging its responsibilities to shareholders in the area of fair and responsible remuneration. In summary, the committee monitored and reviewed the remuneration policies and practices, ensuring they were fair, formalised and transparent. The Committee acted for the Board in the processes relating to director nomination.

The committee comprised an independent non-executive chairman, an independent director and the managing director. The roles and responsibilities of the committee were reviewed annually.

Executive performance criteria were clearly defined; time constrained and based on the achievement of a balance of short and long-term corporate goals. The executive remuneration approach was to reward performance and provide an appropriately competitive salary to attract and retain quality executives.

The Board reviewed the performance and set the remuneration for the managing director after receiving recommendations from the Remuneration & Nomination Committee. The managing director's review involved assessing performance against established criteria.

Employment arrangements for the direct reports to the managing director (including appointment, termination, performance reviews, and incentive arrangements) were subject to consultation with the Remuneration & Nomination Committee as required.

Board remuneration is set by the Board after taking independent, external advice from an organisation specialising in remuneration matters. Directors fees are disclosed in the Remuneration Report included in the Annual Report.

ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

Principle 1 - Lay solid foundations for management and oversight	*Compliant*
Recommendation 1.1 Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	√
Recommendation 1.2 Disclose the process for evaluating the performance of senior executives.	√
Recommendation 1.3 Provide the information indicated in the Guide to reporting on Principle 1.	√
Principle 2 - Structure the board to add value	
Recommendation 2.1 A majority of the board should be independent directors.	√
Recommendation 2.2 The chairman should be an independent director.	√
Recommendation 2.3 The roles of chairman and chief executive officer should not be exercised by the same individual.	√
Recommendation 2.4 The board should establish a nomination committee.	√
Recommendation 2.5 Disclose the process for evaluating the performance of the board, its committees and individual directors.	√
Recommendation 2.6 Provide the information indicated in the Guide to reporting on Principle 2.	√
Principle 3 - Promote ethical and responsible decision making	
Recommendation 3.1 Establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take account of their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	√
Recommendation 3.2 Establish a policy concerning trading in company securities by directors, officers and employees and disclose the policy or a summary of that policy.	√
Recommendation 3.3 Provide the information indicated in the Guide to reporting on Principle 3.	√

Principle 4 - Safeguard integrity in financial reporting	Compliant
Recommendation 4.1 The Board should establish an Audit Committee	√
Recommendation 4.2 The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board; and • has at least three members.	√ *The managing director is a member of the audit committee*
Recommendation 4.3 The audit committee should have a formal charter.	√
Recommendation 4.4 Provide the information indicated in Guide to reporting on Principle 4.	√
Principle 5 - Make timely and balanced disclosure	
Recommendation 5.1 Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclosure those policies or a summary of those policies.	√
Recommendation 5.2 Provide the information indicated in the Guide to reporting on Principle 5.	√
Principle 6 - Respect the rights of shareholders	
Recommendation 6.1 Design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	√
Recommendation 6.2 Provide the information indicated in the Guide to reporting on principle 6.	√
Principle 7 - Recognise and manage risk	
Recommendation 7.1 Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	√
Recommendation 7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	√
Recommendation 7.3 The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	√
Recommendation 7.4 Provide the information indicated in the Guide to reporting on Principle 7.	√

Principle 8 - Remunerate fairly and responsibly

Recommendation 8.1 The Board should establish a remuneration committee.	√
Recommendation 8.2. Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	√
Recommendation 8.3 Provide the information indicated in the Guide to reporting on Principle 8.	√

FERMISCAN HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2009

	Notes	Consolidated Entity 2009 ($'000)	Consolidated Entity 2008 ($'000)	Parent Entity 2009 ($'000)	Parent Entity 2008 ($'000)
Receipts from customers		3,648	2,720	-	-
Interest income		115	1,027	93	984
Research & development tax concession		1,006	-	1,006	-
Other income		145	-	2	-
Revenue	3	**4,914**	**3,747**	**1,101**	984
Employee benefits expense		5,744	5,743	121	163
Administration costs		218	797	7	-
Scientific & synchrotron operations		1,243	4,094	210	-
Impairment of patents		663	-	-	-
Legal fees		1,509	396	1,475	267
Branding and marketing		175	376	-	-
Occupancy costs		595	484	-	-
Depreciation and amortisation	4	588	440	-	-
Due diligence		528	-	528	-
Consulting fees		589	301	-	-
Loss on sale of the business of Sydney Breast Clinic		5,069	-	-	-
Provision for diminution of loans		-	-	26,763	-
Provision for diminution of investments		-	-	32,017	-
Other expenses		1,760	802	329	183
Currency translation		26	(529)	543	(644)
Total expenses		18,707	12,904	61,993	(31)
Profit (loss) before Share based expense transactions		**(13,793)**	(9,157)	**(60,892)**	1,015
Share based expense transactions		315	87	315	87
Profit (loss) before income tax expense (income tax benefit)		**(14,108)**	(9,244)	**(61,207)**	928
Income tax expense (income tax benefit)	5	-	-	-	-
Profit (loss) attributable to the members of the parent		**(14,108)**	(9,244)	**(61,207)**	928
Other comprehensive income		-	-	-	-
Total comprehensive income		(14,108)	(9,244)	(61,207)	928

Earnings per share		
Basic earnings (loss) – cents per share	(9.8)	(6.4)
Diluted earnings (loss) – cents per share	(9.8)	(6.4)

FERMISCAN HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Notes	Consolidated Entity		Parent Entity	
		2009 ($'000)	2008 ($'000)	2009 ($'000)	2008 ($'000)
CURRENT ASSETS					
Cash and cash equivalents		865	7,515	455	6,821
Receivables	6	664	277	356	13
Amount owing by controlled entities	18	-	-	-	21,824
Other	7	69	219	-	-
TOTAL CURRENT ASSETS		**1,598**	**8,011**	**811**	**28,658**
NON CURRENT ASSETS, CLASSIFIED AS HELD FOR SALE					
Investment in subsidiaries	8	-	-	-	32,017
Property, plant and equipment	9	234	2,540	-	-
Intangible assets	10	250	5,365	-	-
TOTAL NON CURRENT ASSETS		**484**	**7,905**	**-**	**32,017**
TOTAL ASSETS		**2,082**	**15,916**	**811**	**60,675**
CURRENT LIABILITIES					
Payables	11	1,455	1,010	1,078	50
Provisions	12	76	486	-	-
TOTAL CURRENT LIABILITIES		**1,531**	**1,496**	**1,078**	**50**
NON-CURRENT LIABILITIES					
Payables	11	-	76	-	-
TOTAL NON-CURRENT LIABILITIES		**-**	**76**	**-**	**-**
TOTAL LIABILITIES		**1,531**	**1,572**	**1,078**	**50**
NET ASSETS		**551**	**14,344**	**(267)**	**60,625**
EQUITY					
Contributed equity	13	34,959	34,959	57,608	57,608
Reserves		1,400	4,205	1,400	4,205
Retained earnings (accumulated losses)		(35,808)	(24,820)	(59,275)	(1,188)
TOTAL EQUITY		**551**	**14,344**	**(267)**	**60,625**

FERMISCAN HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2009

	Notes	Consolidated Entity 2009 ($'000)	Consolidated Entity 2008 ($'000)	Parent Entity 2009 ($'000)	Parent Entity 2008 ($'000)
Retained earnings (losses) at the beginning of the year		(24,820)	(15,576)	**(1,188)**	(2,116)
Net movement in share based expense reserve		3,120	-	3,120	-
Profit (loss) for the year		(14,108)	(9,244)	(61,207)	928
Retained earnings (losses) at the end of the year		**(35,808)**	**(24,820)**	**(59,275)**	**(1,188)**
Transactions with equity holders in their capacity as equity holders:					
Contributed equity at the beginning of the year		34,959	34,928	57,608	57,577
Contributions received by Fermiscan Holdings Limited		-	45	-	45
Reversal of share based expense reserve on the exercised of options by employees		-	10	-	10
Fund raising costs		-	(24)	-	(24)
Contributed equity at the end of the year		**34,959**	**34,959**	**57,608**	**57,608**
Share based expense opening balance		**4,205**	3,569	4,205	3,569
Granted during the year		315	636	315	636
Exercised or expired during the year		(3,120)	-	(3,120)	-
Share based expense reserve at the end of the year		**1,400**	**4,205**	**1,400**	**4,205**
Total Equity at the end of the year attributable to members of the parent		**551**	**14,344**	**(267)**	**60,625**

FERMISCAN HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2009

	Notes	Consolidated Entity 2009 ($'000')	Consolidated Entity 2008 ($'000')	Parent Entity 2009 ($'000')	Parent Entity 2008 ($'000')
CASH FLOW FROM OPERATING ACTIVITIES					
Payments to suppliers and employees		(11,309)	(12,098)	(2,435)	(564)
Receipts from customers		3,648	2,720	-	-
Research & development tax concession		556	-	-	-
Interest received		115	1,027	93	984
Net cash provided by (used in) operating activities	14	(6,990)	(8,351)	(2,342)	420
CASH FLOW FROM INVESTING ACTIVITIES					
Payments for property plant and equipment		(237)	(207)	-	-
Payments for intangible assets		(216)	(113)	-	-
Payment for acquisition of shares in Sydney Breast Clinic Pty Limited		-	(3,521)	-	-
Proceeds from disposal of:					
a) business					
Proceeds on sale of the business of Sydney Breast Clinic Pty Limited		730	-	730	-
b) physical non-current assets		75	-	-	-
Loans to controlled entities		-	-	(4,754)	(14,145)
Loans to other entities		(12)	(100)	-	-
Loans repaid by other entities		-	1,000	-	1,000
Net cash provided by (used in) investing activities		**340**	**(2,941)**	**(4,024)**	**(13,145)**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from share issue after costs of issue		-	45	-	45
Loan repayments to other entities		-	(2,210)	-	-
Net cash provided by (used in) financing activities		-	(2,165)	-	45
Net increase (decrease) in cash and cash equivalents		(6,650)	(13,457)	(6,366)	(12,680)
Cash and cash equivalents at beginning of year		7,515	20,972	6,821	19,501
Cash and cash equivalents at end of the year		**865**	**7,515**	**455**	**6,821**

Fermiscan Holdings Limited and Controlled Entities
Notes to the Financial Statements
For the year ended 31 December 2009

NOTE 1: BASIS OF PREPARATION

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Fermiscan Holdings Limited, the legal parent, is a company limited by shares, incorporated and domiciled in Australia.

The company has changed its basis of accounting subsequent to balance date to a liquidation basis whereby assets as of balance date are presented at estimated releasable values and liabilities at estimated settlement amounts. The financial report for the year ended 31 December 2008 was prepared on a going concern basis.

The directors do not consider that the company and group are a going concern on the basis that the creditors resolved on 16 February 2010 that the company execute a Deed of Company Arrangement ("DOCA"). This DOCA was executed by the company and the Administrator on 8 March 2010. On 2 June 2010 the creditors of the company resolved to vary the DOCA, such varied DOCA was executed by the company and the Administrator on 11 June 2011. The DOCA payment required by the company was funded by a capital raising of $100,000 with 10,000,000 shares being issued at 1 cent. The amended DOCA included all assets of the company being contributed to a Creditors Trust for the benefit of the company's creditors. As a result of the effectuation of the DOCA the company currently has no assets or liabilities.

The directors have applied the requirements of paragraph 25 of AASB 101-Presentation of Financial Statements which states that "When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern." In adopting the liquidation basis, the directors have modified the measurement basis for the following assets and liabilities from that required under the relevant Australian Accounting Standard:

(1) Patents
(2) Property, plant and equipment
(3) Financial Assets and Liabilities including loans and investments to controlled entities

The financial report of Fermiscan Holdings Limited and controlled entities, and Fermiscan Holdings Limited as an individual parent entity comply with Australian Accounting Standards. The financial statements comply with International Financial Reporting Standards (IFRS).

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Summary of the significant accounting policies:

(a) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Fermiscan Holdings Limited controlled from time to time during the year and at balance date. Details of the controlled entities are contained in Note 18. The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

(b) Revenue recognition

Government grants received that relate to specific assets or expenses are deferred and recognised as income in the same period as the asset is consumed or when the associated expenses are incurred.

Other government grants are recognised as income when received.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

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

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities.

(d) Property, plant and equipment

Cost and valuation

Property, plant and equipment are stated at cost less depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed for impairment annually by directors for events or changes in circumstances that indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income.

Depreciation

The depreciable amounts of fixed assets are depreciated on a straight-line basis over their estimated useful lives 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 useful lives for each class of assets are:

	2009	2008
Plant and equipment:	*2.5 to 5 years*	*2.5 to 5 years*
Motor vehicles:	*5 years*	*5 years*

(e) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases

Leases of fixed assets, where substantially all of the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to entities within the consolidated entity are classified as finance leases. Finance leases are capitalised, recording at the inception of the lease an asset and liability equal to the present value of the minimum lease payments, and disclosed as plant and equipment under lease.

Leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Lease payments are allocated between interest expense and reduction of the lease liability. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the Statement of Comprehensive Income.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Operating leases

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

(f) Intangibles

Trademark and patents

Trademark and patents are recognised at cost and are amortised over their estimated useful lives, which range from 5 to 20 years, once commercial production is commenced. Trademarks and patents are carried at cost less accumulated amortisation and any impairment losses.

Research and development

Expenditure on research activities is recognised as an expense when incurred.

Expenditure on development activities is capitalised only when it is expected that future benefits will exceed the deferred costs. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using a straight-line method to allocate the cost over a period (not exceeding three years), during which the related benefits are expected to be realised, once commercial production is commenced. Other development expenditure is recognised as an expense when incurred.

(g) Impairment of assets

Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicates that the carrying amount of the asset may be impaired.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(h) Income tax

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognized for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The parent entity and its controlled entities intend to form an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group also intends to enter into a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(i) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Share based expense transactions

The company operates an employee share option plan. In addition Directors and employees were granted options during the year. The amount expensed in the Statement of Comprehensive Income is determined by reference to the fair value of the options at the grant date.

Superannuation

Contributions are made by the Group to employee superannuation funds which provide accumulated benefits to employees.

(j) Financial instruments

Classification

The group classifies its financial instruments in the following categories: loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Held-to-maturity investments

Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. They are measured at amortised cost using the effective interest rate method.

Loans and receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Investments in subsidiaries not included in the above categories are reflected at cost less impairment of value.

(k) Foreign currencies

Functional and presentation currency

The financial statements of each group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

Transactions and balances

Fermiscan Holdings Limited and its subsidiaries presently transact in foreign currencies. Transactions in foreign currencies of entities within the consolidated entity are translated into the functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year. Resulting exchange differences arising on settlement or re-statement would be recognised as revenues and expenses for the financial year.

(l) Investments

Investments are initially recorded at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as available for sale, are measured at fair value.

(m) Rounding of amounts

The company has applied the relief available under ASIC Class order 98/100, accordingly amounts in financial statements have been rounded off to the nearest $1,000.

(n) New Accounting standards and UIG interpretation

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 December 2009 reporting periods. The Group's assessment of the impact of these new standards and interpretations is that there is not expected to be any material effect on the Group in future reporting periods.

Accounting Standards not previously applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- The adoption of separate income statement/single statement approach to the presentation of the Statement of Comprehensive Income; and
- Other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group is the board of directors.

NOTE 2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are based on past performance and management's expectation for the future.

Critical accounting estimates and assumptions

The group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions that have had a significant risk of causing a material adjustment to the carrying value of assets and liabilities has been impacted by the adoption of the liquidation basis of accounting and the value of patents, property, plant and equipment and other financial assets and liabilities. The other estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below:

Income tax

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Valuation of expense based payments:

Equity settled share based payments are adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions, and behavioural considerations.

NOTE 3: REVENUE

	Notes	Consolidated Entity 2009 ($'000)	Consolidated Entity 2008 ($'000)	Parent Entity 2009 ($'000)	Parent Entity 2008 ($'000)
Revenues from operations		3,648	2,720	-	-
Interest Income		115	1,027	93	984
Research & development tax concession		1,006	-	1,006	-
Other		145	-	2	-
		4,914	3,747	1,101	984

NOTE 4: PROFIT (LOSS) FROM OPERATIONS

Loss from operations before income tax has been determined after the following specific expenses

	Consolidated Entity 2009	Consolidated Entity 2008	Parent Entity 2009	Parent Entity 2008
Employee benefits expense	5,548	5,530	121	163
Superannuation	196	213	-	-
Research and development	-	844	-	-
Depreciation of non-current assets				
- Plant and equipment	574	408	-	-
- Motor vehicles	14	32	-	-
Loss on disposal of property plant and equipment	187	-	-	-

NOTE 5: INCOME TAX

The prima facie tax, using tax rates applicable in the country of operation on profit differs from the income tax provided in the financial statements as follows:

	Consolidated Entity 2009	Consolidated Entity 2008	Parent Entity 2009	Parent Entity 2008
Profit (loss) before income tax	(14,108)	(9,244)	(61,207)	928
At the statutory income tax rate of 30% (2008: 30%)	(4,232)	(2,773)	(18,362)	278
Tax effect of amounts which are not deductible in calculating taxable income				
Share based payments	95	87	95	87
Tax losses and timing differences not recognised as future tax benefits	4,137	2,686	18,267	(365)
Income tax expense	-	-	-	-

NOTE 6: RECEIVABLES

	Notes	Consolidated Entity 2009 ($'000)	Consolidated Entity 2008 ($'000)	Parent Entity 2009 ($'000)	Parent Entity 2008 ($'000)
CURRENT					
Trade and other receivables		664	177	356	13
Unsecured directors loan		107	100	-	-
Provision for impairment		(107)	-	-	-
		664	277	356	13

NOTE 7: OTHER CURRENT ASSETS

Prepayments	-	121	-	-
Unexpired interest charges	4	15	-	-
Other assets	65	83	-	-
	69	219	-	-

NOTE 8: INVESTMENT IN SUBSIDARIES

NON-CURRENT

(a) Investments at cost comprise:				
Unlisted shares – investment in controlled entities	-	-	32,107	32,017
Provision for impairment	-	-	(32,107)	-
	-	-	-	32,017

NOTE 9: PROPERTY, PLANT AND EQUIPMENT- CLASSIFIED AS HELD FOR SALE

Plant & equipment				
On a liquidation basis	234	-		
At cost	-	3,152	-	-
Accumulated depreciation	-	(866)	-	-
	-	2,286	-	-
Motor vehicles				
At cost	-	344	-	-
Accumulated depreciation	-	(90)	-	-
	-	254	-	-
Total property, plant and equipment	234	2,540	-	-

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	($'000)	($'000)	($'000)	($'000)
(b) Reconciliations				
Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.				
Plant and equipment				
Carrying amount at beginning of year	2,286	381	-	-
Disposals including assets sold on disposal of Sydney Breast Clinic	(1,567)	-	-	-
Additions	237	2,313	-	-
Depreciation expense	(574)	(408)	-	-
Impairment	(148)	-	-	-
Net foreign currency movements arising from foreign operation	-	-	-	-
Carrying amount at end of year	234	2,286	-	-
Motor vehicles				
Carrying amount at beginning of year	254	274	-	-
Disposals	(240)	-	-	-
Additions	-	-	-	-
Depreciation expense	(14)	(32)	-	-
Impairment	-	-	-	-
Net foreign currency movements arising from foreign operation	-	12	-	-
Carrying amount at end of year	-	254	-	-

NOTE 10: INTANGIBLES- CLASSIFIED AS HELD FOR SALE

Trademark and patents, at cost	-	697	-	-
Trademark and patents, at liquidation value	250	-		
Goodwill on acquisition of Sydney Breast Clinic Pty Ltd	-	4,668	-	-
	250	5,365	-	-
Opening net book amount	5,365	583	-	-
Additions to Trademark and patents	216	4,782	-	-
Write off of Sydney Breast Clinic goodwill on the sale of the business	(4,668)	-	-	-
Impairment of patents	(663)	-	-	-
Closing net book amount	250	5,365	-	-

Trademark and patents are stated at cost. No change in value has been made at this stage because directors are not aware of the sale price which was achieved by the administrators. The sale price may be more or less than cos Intangibles assets are classified as held for sale.

The appointment of Giles Woodgate on 18 November 2009 as Administrator of Fermiscan Holdings Limited (Administrator Appointed) has been referred to in the opening statement of this report and at NOTE 1(a). These references should be read as part of this note.

In respect of certain controlled entities, namely Fermiscan Pty Limited, Fermiscan Australia Pty Limited and Fibersca Pty Limited creditors resolved at the reconvened second creditors meeting on 16 February 2010 that each compar be wound up. Fermiscan Australia Pty Limited owns most of the intangibles.

NOTE 11: PAYABLES

CURRENT		Consolidated Entity		Parent Entity	
		2009 ($'000)	**2008 ($'000)**	**2009 ($'000)**	**2008 ($'000)**
Trade payables		49	139	1,078	-
Other payables		1,372	782	-	50
Hire purchase liabilities	20	34	89	-	-
		1,455	1,010	1,078	50
NON-CURRENT					
Hire purchase liabilities	20	-	76	-	-

NOTE 12: PROVISIONS

CURRENT				
Employee entitlements	76	486	-	-

Employee provisions of $111,000 were transferred as part of the Sydney Breast Clinic disposal.

NOTE 13: CONTRIBUTED EQUITY

(a) Issued and paid up capital				
Ordinary shares fully paid	34,959	34,959	57,608	57,608

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Movements in shares on issue	Legal Parent Entity		Legal Parent Entity	
	2009		2008	
	Number of shares ('000)	($'000)	Number of shares ('000)	($'000)
Beginning of the financial year	143,507	57,608	143,507	57,577
Issued during the year	-	-	-	45
Employee share option exercised	-	-	-	10
Deduct: Share issue costs	-	-	-	(24)
End of the financial year	143,507	57,608	143,507	57,608

(c) Share Options

Employee share option plan

The company offered employee participation in the Employee share option plan as a long-term incentive and as part of the remuneration arrangements. The amount expensed in the Statement of comprehensive income is determined by reference to the fair value of the options at the grant date.

(d) Share Options- movements

	2009 Number	Weighted average exercise price	2008 Number	Weighted average exercise price
Outstanding at beginning of year	66,992,000		59,692,000	
Granted during the year	2,900,000	31 cents	7,300,000	40 cents
Exercised during the year	-		-	
Lapsed or expired during the year	(47,392,000)		-	
Outstanding at year end	22,500,000		66,992,000	

(e) Issuances, repurchases, and repayments of debt and equity securities

During the financial year, 2,900,000 options (2008: 7,300,000 options) were granted. The option exercise prices were 32 cents (2,000,000 options) and 30 cents (900,000 options). The options vest over two years and expire in three years from the grant date. No options have been granted since the end of the financial year. Fermiscan Holdings Limited shares were suspended from official quotation on 28 October 2009. Fermiscan Holdings Limited shares last traded at $0.03 on 26 October 2009.

Other than the above, there were no issues, repurchases and repayments of debt securities or equity securities in the half year.

NOTE 14: CASH FLOW INFORMATION

	Consolidated Entity 2009 ($'000)	Consolidated Entity 2008 ($'000)	Parent Entity 2009 ($'000)	Parent Entity 2008 ($'000)
Reconciliation of the net profit (loss) after tax to the net cash flows from operations:				
Net profit (loss)	(14,108)	(9,244)	(61,207)	928
Non-cash Items				
Depreciation and amortisation	588	440	-	-
Share based expense transaction	315	87	315	87
Loss on sale of the business of Sydney Breast Clinic and impairment of loans to and investments in subsidiary companies	5,069	-	-	-
Write off of investment and Inter company loan accounts	-	-	58,518	-
Currency translation	-	-	-	(644)
Impairment of patents	663	-	-	-
Other	35	-	(1,076)	-
Changes in assets and liabilities				
(Increase)/decrease in receivables	387	1,151	80	46
(Increase)/decrease in other assets	(149)	(104)	-	-
Increase/(decrease) in trade and other creditors	620	(995)	1,028	3
Increase/(decrease) in employee entitlements	(410)	314	-	-
Net cash flow from (used in) operating activities	**(6,990)**	**(8,351)**	**(2,342)**	**420**

The cash balances of the group of $865,000 and the company of $455,000 are restricted as the Administrator has control of the funds. The funds are to be used in satisfying the settlement of debts of the group and the company.

NOTE 15: EARNINGS PER SHARE

	2009 Number of shares ($'000)	2008 Number of shares ('$000)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit (loss)	(14,108)	(9,244)
Earnings used in calculating basic and diluted earnings per share	(14,108)	(9,244)
Weighted average number of ordinary shares used in calculating basic earnings per share	143,507	143,507
Effect of dilutive securities:	-	-
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	143,507	143,507

NOTE 16: COMMITMENTS AND CONTINGENCIES

	Consolidated Entity		Parent Entity	
	2009 ($'000)	2008 ($'000)	2009 ($'000)	2008 ($'000)
Lease expenditure commitments				
Operating leases (non-cancellable):				
(a) Operating leases related to office premises with an original lease term of three years, with an option to extend for a further three years and equipment rentals for 5 years				
(b) Minimum lease payments				
– Not later than one year	-	612	-	-
– Later than one year and not later than five years	-	1,296	-	-
– Later than five years	-	-	-	-
– Aggregate lease expenditure contracted for at reporting date	-	1,908	-	-

NOTE 17: AUDITOR'S REMUNERATION

	Consolidated Entity		Parent Entity	
	2009	2008	2009	2008
	($'000)	($'000)	($'000)	($'000)
Amounts received or due and receivable for:				
An audit or review of the financial report of the entity and any other entity in the consolidated entity				
Pitcher Partners	64	77	22	-
	64	77	22	-
Other Services				
Pitcher Partners				
Tax compliance, tax consulting and earlier years tax returns	106	127	90	53
Due Diligence	53	-	53	-

NOTE 18: RELATED PARTY DISCLOSURES

(a) The consolidated financial statements include the financial statements of Fermiscan Holdings Limited and its controlled entities listed below:

	Country of Incorporation	Percentage Owned	
		2009	2008
Parent Entity:			
Fermiscan Holdings Limited	Australia		
Subsidiaries of Fermiscan Holdings Limited			
Fermiscan Pty Limited *	Australia	100%	100%
Fermiscan Australia Pty Ltd *	Australia	100%	100%
Fermiscan BCT Pty Ltd	Australia	100%	100%
Fermiscan USA Inc	USA	100%	100%
Fibrescan Pty Ltd *	Australia	100%	100%
Fermiscan Italy Pty Limited	Australia	100%	100%
Fermiscan UK Pty Limited	Australia	100%	100%
Fermiscan Japan Pty Limited	Australia	100%	-
Fermiscan Clinics Pty Limited	Australia	100%	100%
Fermiscan CBS Pty Limited (formerly Sydney Breast Clinic Pty Limited)	Australia	100%	100%

* Administrator appointed 18 November 2009 and placed into liquidation 16 February 2010

(b) The following provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Wholly-owned group transactions

Fermiscan Pty Limited has acted as the principal operating company for the group, incurring most of the day to day expenses. Fermiscan Australia Limited has acted as the principal patent holder. Fermiscan USA incurred costs which were charged to Fermiscan Pty Limited at cost.

Transactions with executives
Fermiscan Holdings Limited former General Counsel, Richard Toltz, is a consultant to Piper Alderman, the Company's solicitors, who were paid for legal services provided to the Company at normal commercial rates. Richard Toltz acquired a motor vehicle from the company for $40,636. A loan to Mr David Young was fully provided for as disclosed in Note 6.

Amounts due from controlled entities of $26,763,000 (2008- $21,428,000) have been fully provided for on an impairment basis.

NOTE 19: SEGMENT INFORMATION

Prior to the administrator being appointed, the consolidated entity operated in two business segments being the commercialisation of a non-invasive diagnostic test for the detection of breast cancer (Fermiscan) and as a provider of diagnostic services for women with symptoms of breast disease (Sydney Breast Clinic). The consolidated entity operated predominately in Australia during the year.

The business of Sydney Breast Clinic was sold in October 2009 for $1,000,000 less a final adjustment amount of $270,000. The Fermiscan business was discontinued prior to the appointment of the administrator. Both businesses are now discontinued and there are no employees or business activities.

The following reports provide information in relation to both the business segments which existed during the year and the businesses which were discontinued towards the end of the year.

	Business segments				Eliminations and Corporate		Consolidated Entity	
	SBC		Fermiscan					
	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue								
Sales to customers outside the consolidated entity	3,648	2,720	-	-	-	-	3,648	2,720
Other revenue	-	-	1,266	1,027	-	-	1,266	1,027
Total segment revenue	3,648	2,720	1,266	1,027	-	-	4,914	3,747
Total consolidated revenue	3,648	2,720	1,266	1,027	-	-	4,914	3,747
Results								
Segment result	(830)	(508)	(7,681)	(8,736)	(5,597)*	-	(14,108)	(9,244)
Unallocated expenses	-	-	-	-	-	-	-	-
Consolidated entity profit (loss) from ordinary activities before income tax expense	(830)	(508)	(7,681)	(8,736)	(5,597)	-	(14,108)	(9,244)
Income tax expense	-	-	-	-	-	-	-	-
Consolidated entity profit (loss) from ordinary activities after income tax expense	(830)	(508)	(7,681)	(8,736)	(5,597)	-	(14,108)	(9,244)
Net profit (loss)	(830)	(508)	(7,681)	(8,736)	(5,597)	-	(14,108)	(9,244)

*relates to loss on sale of Sydney Breast Clinic business and due diligence costs on acquisition of businesses

	Business segments				Eliminations and Corporate		Consolidated Entity	
	SBC		Fermiscan					
	2009	2008	2009	2008	2009	2008	2009	2008
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets								
Segment assets	-	2,098	2,082	13,818	-	-	2,082	15,916
Unallocated assets	-	-	-	-	-	-	-	-
Total assets	-	2,098	2,082	13,818	-	-	2,082	15,916
Liabilities								
Segment liabilities	-	3,193	1,531	889	-	(2,510)	1,531	1,572
Non - allocated liabilities	-	-	-	-	-	-	-	-
Total liabilities	-	3,193	1,531	889	-	(2,510)	1,531	1,572
Other segment information								
Acquisition of non-current segment assets	-	12	277	308	-	-	277	320
Depreciation and amortisation of segment assets	412	286	176	154	-	-	588	440
Other non-cash expenses								
• Loss on disposal or write down of assets	-	-	335	-	-	-	335	-
• Loss on sale of the business of Sydney Breast Clinic	-	-	-	-	5,069	-	5,069	-
• Impairment of patents	-	-	663	-	-	-	663	

NOTE 20: FINANCIAL INSTRUMENTS

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The group's overall risk management program addresses the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group has not used derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge risk exposures. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates, foreign exchange and other price risks.

Risk management is carried out by the Managing Director and the Chief Financial Officer under policies approved by the Audit & Risk committee and the board. The Board provides directions for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) *Market risk*

Foreign exchange risk.

The group operates internationally and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency.

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from funds on deposit. Surplus cash has been invested in term deposits and cash management accounts.

(b) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, to meet the ongoing expenditure requirements whilst the group is in start up phase. Management and the board monitor rolling forecasts of the Group's liquidity on the basis of expected cash flow.

(c) *Fair value estimation*

The fair value of financial assets and financial liabilities is estimated for recognition and measurement and for disclosure purposes. The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(d) *Credit risk exposures*

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 of those assets, net of any provisions for doubtful debts of those assets, as disclosed in Balance Sheet and Notes to the Financial Statements.

The group has no derivative financial instruments or forward exchange contracts.

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

(e) *Interest rate risk*

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Over 1 to 5 years		More than 5 years		Non-interest bearing		Total carrying amount as per Balance Sheet		Weighted average Effective interest rate	
	2009 ($'000')	2008 ($'000')	2009 ($'000')	2008 ($'000')	2009 ($'000')	2008 ($'000')	2009 ($'000')	2008 ($'000')	2009 ($'000')	2008 ($'000')	2009 ($'000')	2008 ($'000')	2009 %	2008 %
(i) Financial assets														
Cash	865	1,436	-	-	-	-	-	-	-	-	865	1,436	2.0	1.45
Term deposit	-	6,079	-	-	-	-	-	-	-	-	-	6,079	-	4.25
Trade and other receivables	-	-	-	-	-	-	-	-	650	177	650	177	-	-
Secured loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unsecured loans	-	-	-	100	-	-	-	-	14	-	14	100	9.82	9.82
(ii) Financial liabilities														
Trade creditors	-	-	-	-	-	-	-	-	49	139	49	139	-	-
Other creditors	-	-	-	-	-	-	-	-	1,372	782	1,372	782	-	-
Finance lease liability	-	-	34	89	-	76	-	-	34	-	-	165	7.80	7.80

NOTE 21: SUBSEQUENT EVENTS

Fermiscan Holdings Ltd was placed into Voluntary Administration on 18 November 2009 and subsequently creditors resolved on 16 February 2010 that the company execute a Deed of Company Arrangement ("DOCA"). This DOCA was executed by the company and the Administrator on 8 March 2010. The purpose of the DOCA was to provide an opportunity to restructure the company.

The controlled entities being Fermiscan Pty Limited, Fermiscan Australia Pty Limited and Fibrescan Pty Limited were also placed into Voluntary Administration on 18 November 2009, creditors of these entities resolved to place them in liquidation on 16 February 2010.

On 2 June 2010 creditors of the company resolved to vary the DOCA, such varied DOCA was executed by the company and the Administrator on 11 June 2011. The DOCA payment required by the company was funded by a capital raising of $100,000 with 10,000,000 shares being issued at 1 cent. The amended DOCA included all assets of the company being contributed to a Creditors Trust for the benefit of the company's creditors. As a result of the effectuation of the DOCA the company currently has no assets or liabilities.

The DOCA was wholly effectuated on 11 June 2010 and the company was at this date returned to the control of its directors.

FERMISCAN HOLDINGS LIMITED

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2009

The directors declare that the financial statements and notes are in accordance with the *Corporations Act 2001*, and:

(a) Comply with applicable Accounting Standards as they apply on a liquidation basis, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and

(b) Give a true and fair view of the financial position of the company and consolidated entity as at 31 December 2009 and of their performance as represented by the results of their operations and its cash flows, for the year ended on that date.

In the directors' opinion they are unable, based on the information available at the present time, to conclude that the company will be able to pay its debts as and when they become payable and therefore the directors have presented these financial statements on a liquidation basis.

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

Director

Sydney

Date 16 September 2010

OTHER ASX INFORMATION

The Financial Report for the year ended 31 December 2009 differs materially from the unaudited ASX Appendix 4E as follows:

Statement of Comprehensive Income

	Appendix 4E	**Financial Report**	**Variance**	**Explanation**
	$000	**$000**	**$000**	
Expenses from ordinary activities	18,044	18,707	(663)	(1)
Loss attributable to members of the parent	(13,445)	(14,108)	(663)	(1)
Earnings per share	(9.4)	(9.8)	(0.4)	(1)
Intangible assets	913	250	(663)	(1)

	$000
(1) Impairment of intangibles	663

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**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
FERMISCAN HOLDINGS LIMITED
AND CONTROLLED ENTITIES**

We have audited the accompanying financial report of Fermiscan Holdings Limited and controlled entities. The financial report comprises the Statement of Financial Position as at 31 December 2009, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the director's 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.

Director's Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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*, provided to the directors of Fermiscan Holdings Limited on 16 September 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

Basis of Qualified Opinion

As disclosed in Note 1 to the financial statements, the financial statements have been prepared on the liquidation basis whereby assets as of balance date are presented at estimated realisable values and liabilities at estimated settlement amounts. The director's have concluded that the company and the group are not a going concern on the basis outlined in Note 1. Accordingly this situation indicates that the existence of a material uncertainty that may cast doubt on the company's and the group's ability to continue as a going concern and therefore, the company and the group may be unable to realise their assets and discharge their liabilities in the normal course of business and at the values stated in the financial statements.

Auditor's Opinion

In our opinion, except for the matter referred to in the Basis of Qualified Opinion paragraph: -

(a) the financial report of Fermiscan Holdings Limited is in accordance with the *Corporations Act 2001,* including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Fermiscan Holdings Limited and its controlled entities for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001.*

Mark Godlewski

MARK GODLEWSKI

21 September 2010

Pitcher Partners

PITCHER PARTNERS

Sydney