fermiscan

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ASX ANNOUNCEMENT

18 March 2011

FERMISCAN HOLDINGS LIMITED
A.C.N.: 000 689 725

PRELIMINARY FINAL REPORT FOR YEAR ENDED 31 DECEMBER 2010

The company came out of administration on 11 June 2010 having not traded since the appointment of the Administrator on 18 November 2009 and since that time has put in place the necessary strategies to have the company requoted on the Australian Securities Exchange (ASX).

It has not traded during the period under review. The company has undertaken a number of capital raisings both during the period under review and subsequently so as to enable it to be requoted. It is expected that such requotation will occur in the short term.

The financial report complies with Australian Accounting Standards and the Corporations Act 2001 and has been prepared under the historical costs convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

The audit is currently in process for the year ended 31 December 2010 and as such these preliminary accounts have not been audited.

Should you have any queries, please contact the writer.

Yours faithfully

Robert Whitton
Chairman

Fermiscan Holdings Limited
Results for Announcement to the Market
For the Year Ended 31 December 2010

Financial results

	2010 ($)	2009 ($)	Movement %
Total revenue	**-**	**3,648,000**	-%
Net interest income	2,802	115,000	-97%
Depreciation and Lease Amortisation	-	58,000	-%
Net Loss attributable to shareholders of Fermiscan Holdings Limited (Administrator Appointed)	**(76,982)**	**(14,108,000)**	-99%

Dividends and Dividend Reinvestment Plan
There were no dividends paid in the last two years and no dividends are proposed.
The company does not operate a Dividend Reinvestment Plan.

	As at 31 December 2010	As at 31 December 2009
Net tangible asset backing - cents per share	**(0.15)**	**0.38**

An explanation of key items included in the figures reported above is provided in the notes to the accounts.

FERMISCAN HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended 31 December 2010

	Notes	Consolidated 2010 ($)	Consolidated 2009 ($)
Revenue from operations	3	-	3,648,000
Interest income	3	2,802	115,000
Research & development tax concession	3	-	1,006,000
Net assets and liabilities including cash transferred to administrator on liquidation of subsidiaries and execution of DOCA		329,922	-
Other income	3	-	145,000
Revenue		**332,724**	**4,914,000**
Employee and director benefits expense		87,624	5,744,000
Administration costs		89,897	218,000
Scientific & synchrotron operations		-	1,243,000
Impairment of patents and related expenses		10,439	663,000
Legal fees		67,450	1,509,000
Branding and marketing		-	175,000
Occupancy costs		17,994	595,000
Depreciation and amortisation	4	-	588,000
Due diligence		-	528,000
Consulting fees		-	589,000
Insurance		27,508	-
Loss on sale of the business of Sydney Breast Clinic		-	5,069,000
Other expenses		28,470	1,760,000
Listing and other statutory charges		17,259	-
Borrowing costs		4,100	-
Other professional expenses		58,965	-
Currency translation		-	26,000
Total expenses		409,706	18,707,000
Profit (loss) before Share based expense transactions		**(76,982)**	**(13,793,000)**
Share based expense transactions		-	315,000
Profit (loss) before income tax expense (income tax benefit)		**(76,982)**	**(14,108,000)**
Income tax expense (income tax benefit)	5	-	-
Profit (loss) attributable to the members of the parent		**(76,982)**	**(14,108,000)**
Other comprehensive income		-	-
Total comprehensive income		**(76,982)**	**(14,108,000)**

Earnings per share	Notes	2010 ($)	2009 ($)
Basic earnings (loss) – cents per share	15	(0.05)	(9.8)
Diluted earnings (loss) – cents per share	15	(0.05)	(9.8)

FERMISCAN HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Notes	Consolidated Entity	
		2010	2009
		($)	($)
CURRENT ASSETS			
Cash and cash equivalents		60,269	865,000
Receivables	6	21,153	664,000
Other	7	-	69,000
TOTAL CURRENT ASSETS		**81,422**	**1,598,000**
NON CURRENT ASSETS, CLASSIFIED AS HELD FOR SALE			
Property, plant and equipment	8	59,450	234,000
Intangible assets	9	-	250,000
TOTAL NON CURRENT ASSETS		**59,450**	**484,000**
TOTAL ASSETS		**140,872**	**2,082,000**
CURRENT LIABILITIES			
Payables and accruals	10	84,854	1,455,000
Borrowings	12	300,000	-
Provisions	11	-	76,000
TOTAL CURRENT LIABILITIES		**384,854**	**1,531,000**
NON-CURRENT LIABILITIES			
Payables	10	-	-
TOTAL NON-CURRENT LIABILITIES		-	-
TOTAL LIABILITIES		**384,854**	**1,531,000**
NET ASSETS (DEFICIENCY)		**(243,982)**	**551,000**
EQUITY			
Contributed equity	13	59,108,000	34,959,000
Reserves		-	1,400,000
Retained earnings (accumulated losses)		(59,351,982)	(35,808,000)
TOTAL EQUITY (DEFICIENCY)		**(243,982)**	**551,000**

FERMISCAN HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
For the Year Ended 31 December 2010

	Notes	Consolidated Entity	
		2010	2009
		($)	($)
Retained earnings (losses) at the beginning of the year		(59,275,000)	(24,820,000)
Net movement in share based expense reserve		-	3,120,000
Profit (loss) for the year		(76,982)	(14,108,000)
Retained earnings (losses) at the end of the year		**(59,351,982)**	**(35,808,000)**
Transactions with equity holders in their capacity as equity holders:			
Contributed equity at the beginning of the year		57,608,000	34,959,000
Issue of shares		100,000	-
Options expired		1,400,000	-
Fund raising costs		-	-
Contributed equity at the end of the year		**59,108,000**	**34,959,000**
Share based expense opening balance		**1,400,000**	4,205,000
Options granted during the year		-	315,000
Options exercised or expired during the year		(1,400,000)	(3,120,000)
Share based expense reserve at the end of the year		**-**	**1,400,000**
Total Equity at the end of the year attributable to members of the parent		**(243,982)**	**551,000**

FERMISCAN HOLDINGS LIMITED AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
For the Year Ended 31 December 2010

	Notes	Consolidated Entity 2010 ($)	2009 ($)
CASH FLOW FROM OPERATING ACTIVITIES			
Payments to suppliers, employees and transfers to administrator		(1,148,083)	(11,309,000)
Receipts from customers		-	3,648,000
Research & development tax concession		-	556,000
Interest received		2,802	115,000
Net cash provided by (used in) operating activities	14	**(1,145,281)**	**(6,990,000)**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property plant and equipment		(59,450)	(237,000)
Payments for intangible assets		-	(216,000)
Proceeds on sale of the business of Sydney Breast Clinic Pty Limited		-	730,000
b) physical non-current assets		-	75,000
Loans to other entities		-	(12,000)
Loans repaid by other entities		-	-
Net cash provided by (used in) investing activities		**(59,450)**	**340,000**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue		100,000	-
Proceeds from borrowings		300,000	-
Net cash provided by (used in) financing activities		**400,000**	**-**
Net increase (decrease) in cash and cash equivalents		(804,731)	(6,650,000)
Cash and cash equivalents at beginning of year		865,000	7,515,000
Cash and cash equivalents at end of the year		**60,269**	**865,000**

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 is a company limited by shares, incorporated and domiciled in Australia.

The financial report of Fermiscan Holdings Limited and controlled entities comply with Australian Accounting Standards. The financial statements comply with International Financial Reporting Standards (IFRS).

Going Concern

The financial report for the year ended 31 Decmber 2010 has been prepared on a going concern basis, which contemplates the consolidated entity, has the ability to pay its debts as and when they fall due.

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

In the consolidated financial statements up to and including 31 December 2009 when Fermiscan Holdings Limited acquired (as the legal parent) the Fermiscan Limited group of companies, the shareholders of Fermiscan Limited (the legal subsidiary) obtained 86.8% in the shares of Fermiscan Holdings Limited (at the time of re-listing on the 25th October 2006) and therefore control of the combined entity. Accordingly the transaction was accounted for as a reverse acquisition. This financial report disclosed the consolidated financial statements with the Fermiscan Holdings Limited acquisition of Fermiscan Limited accounted for as a reverse acquisition.

With Fermiscan Pty Limited being placed into liquidation, the financial statements as at 31 December 2010 have been prepared on the basis that Fermiscan Holdings Limited is the parent entity.

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:

	2010	**2009**
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) New Accounting standards and UIG interpretation

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 31 December 2010 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.

(n) Going Concern

As noted in the Directors Report, the ability of the consolidated entity to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability of the consolidated entity to secure additional funding through either the issue of further shares, convertible notes, debt or a combination. The group has commenced discussions with institutional and professional investors to secure additional equity funding.

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.

NOTE 3: REVENUE

	Notes	Consolidated Entity	
		2010 ($)	2009 ($)
Revenues from operations		-	3,648,000
Interest Income		2,802	115,000
Research & development tax concession		-	1,006,000
Other		-	145,000
		2,802	4,914,000

NOTE 4: PROFIT (LOSS) FROM OPERATIONS

Employee benefits expense	14,370	5,548,000
Superannuation	-	196,000
Depreciation of non-current assets		
- Plant and equipment	-	574,000
- Motor vehicles	-	14,000
Loss on disposal of property plant and equipment	-	187,000

NOTE 5: INCOME TAX

Profit (loss) before income tax	(76,982)	(14,108,000)
At the statutory income tax rate of 30% (2009: 30%)	(23,095)	(4,232,000)
Tax effect of amounts which are not deductible in calculating taxable income		
Share based payments	-	95,000
Tax losses and timing differences not recognised as future tax benefits	23,095	4,137,000
Income tax expense	-	-

NOTE 6: RECEIVABLES

	Notes	Consolidated Entity 2010 ($)	2009 ($)
CURRENT			
Trade and other receivables		21,153	664,000
Unsecured directors loan		-	107,000
Provision for impairment		-	(107,000)
		21,153	664,000

NOTE 7: OTHER CURRENT ASSETS

Prepayments	-	-
Unexpired interest charges	-	4,000
Other assets	-	65,000
	-	69,000

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

Plant & equipment		
On a liquidation basis	-	234,000
At cost	59,450	-
Accumulated depreciation	-	-
	59,450	-
Total property, plant and equipment	59,450	234,000

	Consolidated Entity	
	2010	2009
	($)	($)

(b) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

	2010 ($)	2009 ($)
Plant and equipment		
Carrying amount at beginning of year	234,000	2,286,000
Disposals including assets sold on disposal of Sydney Breast Clinic	-	(1,567,000)
Transferred to Administrator	(234,000)	-
Additions	59,450	237,000
Depreciation expense	-	(574,000)
Impairment	-	(148,000)
Net foreign currency movements arising from foreign operation	-	-
Carrying amount at end of year	59,450	234,000
Motor vehicles		
Carrying amount at beginning of year	-	254,000
Disposals	-	(240,000)
Additions	-	-
Depreciation expense	-	(14,000)
Impairment	-	-
Net foreign currency movements arising from foreign operation	-	-
Carrying amount at end of year	-	-

NOTE 9: INTANGIBLES

	2010 ($)	2009 ($)
Trademark and patents, at liquidation value	-	250,000
Goodwill on acquisition of Sydney Breast Clinic Pty Ltd	-	-
	-	250,000
Opening net book amount	250,000	5,365,000
Additions to Trademark and patents	-	216,000
Write off of Sydney Breast Clinic goodwill on the sale of the business	-	(4,668,000)
Impairment of patents or transfer to Administrator	(250,000)	(663,000)
Closing net book amount	-	250,000

NOTE 10: PAYABLES

CURRENT		Consolidated Entity	
		2010 ($)	2009 ($)
Trade payables		-	49,000
Other payables		-	1,372,000
Accruals		84,854	-
Hire purchase liabilities	19	-	34,000
		84,854	1,455,000
NON-CURRENT			
Hire purchase liabilities	19	-	-

NOTE 11: PROVISIONS

CURRENT			
Employee provisions		-	76,000

NOTE 12: BORROWINGS

CURRENT			
Convertible notes	19	300,000	-

Conversion to ordinary shares

(a) Upon the happening of the following events:

(i) the Company holding the 2009 AGM by 1 December 2010 and obtaining shareholder approval for the issue of the Note to the Noteholder; and

(ii) the issue by the Company of a Prospectus relating to the shares to be issued when the Note converts and a further issue of 100,000,000 shares at $0.01 to raise a further $1,000,000; and

(iii) ASX granting approval subject only to the usual conditions for the lifting of the trading suspension on the Company's securities by the ASX.

the Company must convert the Note to Ordinary Shares at $0.02 per ordinary share.

(b) Upon a conversion under clause 4(a) then the Company must issue to the Noteholder the number of Ordinary Shares determined in accordance with clause 4(c)

(c) The number of Ordinary Shares to be issued under clause 4(b) will be calculated by dividing the Face Value by the Issue Price.

(d) Each Ordinary Share issued upon conversion of the Note will be credited as fully paid and must rank equally with, and have all rights, benefits and obligations identical with existing Ordinary Shares.

NOTE 13: CONTRIBUTED EQUITY

	Consolidated Entity	
	2010 ($)	2009 ($)
(a) Issued and paid up capital		
Ordinary shares fully paid	59,108,000	34,959,000

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

(b) Movements in shares on issue

	Parent Entity 2010	
	Number of shares	($)
Beginning of the financial year	143,507,000	57,608,000
Issued during the year	10,000,000	100,000
Employee share option lapsed or expired	-	1,400,000
Deduct: Share issue costs	-	-
End of the financial year	153,507,000	59,108,000

(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

	2010 Number	Weighted average exercise price	2009 Number	Weighted average exercise price
Outstanding at beginning of year	22,500,000		66,992,000	
Granted during the year	-		2,900,000	31 cents
Exercised during the year	-		-	
Lapsed or expired during the year	(22,500,000)		(47,392,000)	
Outstanding at year end	-		22,500,000	

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

During the financial year, nil options (2009: 2,900,000 options) were granted.

NOTE 14: CASH FLOW INFORMATION

	Consolidated Entity 2010 ($)	Consolidated Entity 2009 ($)
Reconciliation of the net profit (loss) after tax to the net cash flows from operations:		
Net profit (loss)	(76,982)	(14,108,000)
Non-cash Items		
Depreciation and amortisation	-	588,000
Share based expense transaction	-	315,000
Loss on sale of the business of Sydney Breast Clinic and impairment of loans to and investments in subsidiary companies	-	5,069,000
Impairment of patents	-	663,000
Other	-	35,000
Changes in assets and liabilities		
Transfer of assets and liabilities to Administrator	(1,132,000)	-
(Increase)/decrease in receivables	(21,153)	387,000
(Increase)/decrease in other assets	-	(149,000)
Increase/(decrease) in trade, other creditors and accruals	84,854	620,000
Increase/(decrease) in employee entitlements	-	(410,000)
Net cash flow from (used in) operating activities	**(1,145,281)**	**(6,990,000)**

NOTE 15: EARNINGS PER SHARE

	2010 Number of shares ($)	2009 Number of shares ($)
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit (loss)	(76,982)	(14,108,000)
Earnings used in calculating basic and diluted earnings per share	(76,982)	(14,108,000)
Weighted average number of ordinary shares used in calculating basic earnings per share	148,507,000	143,507,000
Effect of dilutive securities:		
Share options	-	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	148,507,000	143,507,000

NOTE 16: COMMITMENTS AND CONTINGENCIES

	Consolidated Entity	
	2010 ($)	2009 ($)
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	-	-
– Later than one year and not later than five years	-	-
– Later than five years	-	-
– Aggregate lease expenditure contracted for at reporting date	-	-

Other Commitments

The company signed a Mandate Letter with Autus Capital Pty Limited on 1 September 2010 to project manage the fundraising for the company, identify key investors and prepare presentation for investor roadshows and provide initial and ongoing investor relations program, including introduction to professional PR consultants. The shareholders approved the issue of the maximum number of shares to be issued to Autus Capital Pty Limited of 150,000,000 at an issue price of $0.001.

NOTE 17: AUDITOR'S REMUNERATION

	Consolidated Entity	
	2010 ($)	2009 ($)
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	4,213	64,000
	4,213	64,000
Other Services		
Pitcher Partners		
Tax compliance, tax consulting and earlier years tax returns	-	108,000
Investigated accountants report	15,000	-
Due Diligence	-	53,000

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 2010	Percentage Owned 2009
Parent Entity:			
Fermiscan Holdings Limited	Australia		
Subsidiaries of Fermiscan Holdings Limited			
Fermiscan Pty Limited (i)	Australia	-%	100%
Fermiscan Australia Pty Ltd (i)	Australia	-%	100%
Fermiscan BCT Pty Ltd (i)	Australia	-%	100%
Fermiscan USA Inc (i)	USA	-%	100%
Fibrescan Pty Ltd (i)	Australia	-%	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 (i)	Australia	-%	100%
Fermiscan CBS Pty Limited (formerly Sydney Breast Clinic Pty Limited)	Australia	100%	100%

(i) In the process of liquidation at balance date

Fermiscan UK Pty Limited and Fermiscan Clinics Pty Limited were deregistered on 7 March 2011

(b) Compensation by category for Directors and nominated executives

	Consolidated Entity 2010 $	2009 $
Short-term employment benefits	73,256	1,936,163
Post-employment benefits	-	73,960
Other long-term benefits	-	-
Termination benefits	-	-
	73,256	2,010,123

' The $73,255 has not been paid to directors at balance date and is shown in accruals in note 10.

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 2010

	Opening balance 1 January 2010	Acquired	Disposed or retired as a director	Closing Balance 31 December 2010
Directors				
Dr Ronald Shnier	-	-	-	-
Mark Fordree	400,000	-	(400,000)	-
Ian Chalmers	400,000	-	-	400,000
Executives	-	-	-	-
Total	**800,000**	**-**	**(400,000)**	**400,000**

DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

Compensation Options: Granted, vested and exercised (consolidated)

	Number of Options held at 1 January 2010	Options issued during the year	Options expired during the year	Number of Options held at 31 December 2010
Directors				
Gary Garton	3,300,000	-	3,300,000	-
Dr Ronald Shnier	3,300,000	-	3,300,000	-
Dr Ronald Shnier	5,000,000	-	5,000,000	-
Total	11,600,000	-	11,600,000	-

The parent entities financial statements for the year ended 31 December 2010 are the same as the consolidated entities, accordingly, the have not been presented.

NOTE 19: 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 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**	
	2010 ($)	**2009 ($)**	**2010 ($)**	**2009 ($)**	**2010 ($)**	**2009 ($)**	**2010 ($)**	**2009 ($)**	**2010 ($)**	**2009 ($)**	**2010 ($)**	**2009 ($)**	**2010 %**	**2009 %**
(i) Financial assets														
Cash	60,269	865,000	-	-	-	-	-	-	-	-	60,269	865,000	2.0	2.0
Trade and other receivables	-	-	-	-	-	-	-	-	21,153	664,000	21,153	664,000	-	-
Unsecured loans	-	-	-	-	-	-	-	-	-	107,000	-	107,000	-	9.82
(ii) Financial liabilities														
Trade creditors	-	-	-	-	-	-	-	-	-	49,000	-	49,000	-	-
Other creditors	-	-	-	-	-	-	-	-	-	1,372,000	-	1,372,000	-	-
Convertible notes	-	-	300,000	-	-	-	-	-	-	-	300,000	-	8.0	-
Finance lease liability	-	-	-	34,000	-	-	-	-	-	-	-	34,000	-	7.80

NOTE 20: SUBSEQUENT EVENTS

10 February 2011- prospectus lodged with ASIC to issue to shareholders for a Non renounceable entitlement issue of 1 New Share for every 2 shares held at $0.01 each with a shortfall facility.

1 March 2011- the company placed 100,000,000 ordinary shares at 1 cent to raise $1,000,000 and issued 150,000,000 ordinary shares at 0.1 cent each to Autus Capital Pty Limited for services as lead manager totalling $150,000.

3 March 2011- the rights issued closed and the company received applications for 7,542,989 ordinary shares to raise $75,429.89. Under the shortfall facility the company received applications for 19,454,525 ordinary shares and received $194,545.25.

12 March 2011- the $300,000 convertible notes converted to 150,000,000 ordinary shares.

No other matters or circumstances have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.