

SIENNA CANCER DIAGNOSTICS LIMITED
ABN 74 099 803 460

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

CONTENTS

FINANCIAL REPORT

MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR	2
DIRECTORS' REPORT	3
AUDITORS' INDEPENDENCE DECLARATION	7
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
CONSOLIDATED STATEMENT OF CASH FLOW	10
NOTES TO THE FINANCIAL STATEMENTS	11
DIRECTORS' DECLARATION	27
AUDIT REPORT	28

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

MESSAGE FROM THE CHAIRMAN AND MANAGING DIRECTOR

Dr. Geoff Cumming and Dr. Kerry Hegarty

Dear Sienna Member,

This time last year, we forecasted the imminent completion of a 300-patient study which was to serve as an important tool in engaging strong and accomplished development partners for Sienna's bladder cancer diagnostic test. This strategy looks like succeeding. Now, more than ever, your Board feels tangible optimism at the prospect of launching its first cancer diagnostic test on the US market through the course of next year. Our work over the last financial year has largely been focused on creating a successful partnering deal which relies on both strong and reliable technical work and sound business development strategies. With these objectives in mind, we:

- Completed the 300-patient study on-time and within budget, leveraged significantly by non-dilutionary government funding.
- Completed and satisfied reporting requirements to the federal government in relation to a \$250,000 Proof of Concept grant through Commercialisation Australia.
- Applied for additional grant funding (\$800,000), also through Commercialisation Australia, to allow Sienna to move toward manufacturing, not simply rely on royalties.
- Maintained and built new clinical relations both in Australia and overseas (in the urology and broader pathology environment). More than 40 interviews with clinicians were completed to assess the practical opportunities of the Sienna test not just in bladder cancer, but in a range of other epithelial cancers, as we consider future product opportunities for the Sienna test.
- Attracted a number of prospective partners to the Sienna opportunity, with a view to fast-tracking launch of the Sienna test in a major urological pathology lab in 2014.
- Appointed new Director, Dr. David Earp, previously with Geron Corporation, who brings deep experience in deal making, intellectual property and strategy.

We also indicated last year that FY12-13 would be "exciting and challenging in many ways". Principally, this comment referred to the challenge of raising \$900,000 to support another 12 months of operations during a potentially extended period of negotiation with prospective partners. The raising was not only successful, but fully underwritten, as previously reported to our members. In addition to ensuring strength around the negotiation table, these funds have been especially important in maximising grant opportunities where matching funding is required. The leverage is significant for a company like Sienna, which has proven that a lot can be done with a little.

During the year, our shareholders have received regular updates through our quarterly newsletters. You may have sensed mounting confidence as Sienna has devised strategies to retain a greater proportion of the value it is creating, for instance by becoming a manufacturer of the key reagent used in the Sienna test. We have entered the starting blocks as a manufacturer and continue to build substantive relationships with clinicians, major pathology labs and prospective partners around the globe. On this platform, we believe the value of the company has grown considerably, albeit with no additional staff and a continued commitment by your Board to minimise expenditure (including deferral of Director Fees), when prudent for the health and longevity of the company.

On behalf of all Sienna Directors, we thank you for your ongoing support. We also wish to thank our small and committed staff (Fabio Turatti, Minesh Lalla, Petra Gran and Cathy Blyth) who have done an outstanding job in ensuring the Sienna opportunity moves forward with all possible speed and integrity. We hope to see you at this year's Annual General Meeting (10am on November 15 at Graduate House, University of Melbourne) to share additional information and updates.

Sincerely,


Geoff Cumming
Chairman


Kerry Hegarty
Managing Director/CEO

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

DIRECTORS' REPORT

The Directors of Sienna Cancer Diagnostics Limited (Sienna or the Company) present their report for the financial year ended 30 June 2013.

Directors

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

Geoff Cumming	Chairman
Kerry Hegarty	Managing Director
David Neate	Director
Donald Robertson	Director
Carl Stubbings	Director
David Earp	Director (appointed 1 December 2012)

Principal Activities

Sienna is in the business of developing novel *in-vitro* diagnostic (IVD) tests for the detection of cancer. Sienna's primary efforts are in developing technology which detects telomerase, an enzyme that is upregulated in 85-90% of all cancers. Our first product opportunity is a reagent that pathology laboratories can utilize to detect telomerase for monitoring and diagnosis of bladder cancer using tumour cells exfoliated from the bladder wall and excreted in urine. A 300-patient clinical study, largely funded by Commercialisation Australia, was completed in 2012/13, and has been used to canvas interest from global development partners. In FY13, the key areas of activity were related to: the large clinical study, partnering strategies and technology refinement on different instrument platforms used in pathology laboratories. In anticipation of concluding partnering negotiations in CY2013, it is possible that the Sienna test product could be on the US market in CY2014.

Corporate Information

Corporate Structure

Sienna, a company limited by shares, is incorporated and domiciled in Australia. Sienna has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

The registered office of Sienna is located at:

Deloitte Touche Tohmatsu
Level 9, 550 Bourke Street, Melbourne, VIC 3000

The principal place of business of Sienna is located at:

Bio21 Institute
30 Flemington Rd, University of Melbourne, VIC 3010
Phone: 03 9347 0622
www.siennadiagnostics.com.au

Sienna owns 100% of Melbourne Diagnostics Pty Ltd. The parent company, Sienna Cancer Diagnostics Limited is an unlisted public company with 110 shareholders.

Chairman and Company Secretary

Geoff Cumming serves as Chairman of Sienna, appointed on 9 June 2006.

Kerry Hegarty was appointed: Chief Executive Officer on 13 September 2004, Managing Director on 15 October 2004, and Company Secretary on 29 June 2005.

Director	Background
G.J. Cumming	BSc (Hons), BAppSc, MAICD, MBA, PhD, Chairman of Sienna, was appointed to the Sienna Board in 2006. Geoff has held senior roles in the global healthcare and biotechnology sector for more than 20 years. As Managing Director, Roche Diagnostic Systems (Oceania) Geoff transformed the loss-making entity the Swiss parent was intending to divest, into the fastest growing and most profitable affiliate in the Roche group. In his prior role as Managing Director/CEO of Biosceptre International Ltd, Geoff was successful in designing and securing key funding arrangements through a skilful range of capital raising initiatives, including large government grants, partnering and co-development deals. He is currently Managing Director/CEO of Anteo Diagnostics Ltd and non-executive Director of Medical Australia Ltd, both ASX-listed healthcare companies.

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

DIRECTORS' REPORT (CONTINUED)

Director	Background
K. A. Hegarty	BSc, MA, PhD joined Sienna as Managing Director/CEO in 2004. Kerry has more than 25 years' experience in management, technology development, sales and marketing in competitive international environments. Her background and experience have largely focused on developing high-technology services, identifying international opportunities and delivering on complex technical projects. Following receipt of her PhD at Columbia University (NYC) and a fellowship at the University of Melbourne, Kerry co-founded Geotrack International Pty Ltd, where novel university research was commercialised and delivered globally within the oil and gas sector. Since accepting the role of CEO at Sienna, Kerry has directed limited resources at defining precise commercial opportunities for Sienna's research and on creating global product opportunities.
D. W. Neate	BCom, is Sienna's largest shareholder and was appointed to the Board in 2005. David has extensive commercial expertise and experience in understanding and managing the needs of growing businesses. With a background in financial markets and commercial and residential property development, David owns and manages a successful and expanding business in the fashion import industry and a broad and diverse portfolio of international investments. He has a strong focus on corporate governance and accountability.
D. R. Robertson	MBBS, Grad Dip Diagnostic Radiology, FRANZCR, joined the Sienna Board in 2003. Donald brings extensive clinical experience to Sienna, with more than 30 years as a Consultant Radiologist in both the Private and Public Sector. Donald is Director of Interventional Radiology at Barwon Health at the Geelong Hospital and also conducts an active Private Practice in vascular intervention. His management experience includes CEO, Medical Imaging (East), St John of God Healthcare and Federal Councillor, Royal Australian and New Zealand College of Radiologists. Whilst Chairman of the Victorian Branch and Federal Councillor of the College, Donald chaired the Structural Review and Implementation Committee, overseeing renewal of the College's structure and operation. His work has been acknowledged through the award of Life Membership of the FRANZCR.
C.S. Stubbings	BSc, joined Sienna's Board of Directors in December 2011 at a time when the additional strategic advice in partnering and product development was well-suited to product opportunities for the Sienna test. Carl is an Australian, who was based in southern California for many years, where he served as Vice-President of Sales and Marketing for Focus Diagnostics, a subsidiary of Quest, one of world's largest pathology laboratories. In July 2012, Carl moved back to Australia and into a new position as Chief Business Officer for Benitec Bipharm (an ASX-listed biotechnology company). Carl is also well-known in Australia, having served in senior roles at Brisbane's Panbio, and later as Senior Vice President at Panbio Inc, where he was responsible for business development in the Americas and Europe.
D. J. Earp	J.D., Ph.D. joined the Sienna Board of Directors in December 2012. From 1999 until 2012, David served in various roles at Geron Corporation, including Chief Patent Counsel, Senior Vice President of business development, Chief Legal Officer and Senior Vice President of corporate transactions. He was a member of the executive management committee and participated in the development of product opportunities in oncology, nuclear transfer and human embryonic stem cells. From 2005 – 2010, David served as a board member of TA Therapeutics Ltd. (Hong Kong, PRC), a joint venture between Geron and the Biotechnology Research Corporation of Hong Kong University of Science and Technology. From 2005 – 2008 he was a board member of StART Licensing, Inc. of Austin, Texas, and upon the acquisition of StART by ViaGen Corporation, became a board member of ViaGen. He served as a ViaGen board member from 2008 until 2012, including as executive chairman from 2010 until the company was acquired by TransOva Genetics in 2012. David currently also serves on the boards of two early stage California biotechnology companies. David resides in the San Francisco bay area.
Secretary	Background
K. A. Hegarty	Kerry Hegarty has served as Sienna's Company Secretary since 29 June 2005.

Review of Operations

Operating results

The operating costs for the financial period of \$1,161,611 decreased by 2.2% in comparison with the previous year (2012; \$1,187,574).

The net loss of the Group for the financial period was \$745,368 (2012; \$1,741,770). This result is after allowing for impairment, depreciation and amortisation expense of \$17,546 (2012: \$1,029,601) and the market value of options granted of \$47,580 (2012: \$46,828). The loss for the year excluding these non-cash amounts was \$680,242 (2012: \$665,341).

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

Future Developments

At the date of this report Sienna does not foresee any unusual future event that may significantly impact on the Group's operations, results or state of affairs.

Sienna's intention to develop diagnostic products in the global market will always bear some considerable risk given the nature of technological development, changes in global healthcare and our ability to access capital to sustain operation. We cannot guarantee that Sienna technology will be adopted by pathology laboratories. Moreover there are significant changes underway in healthcare, particularly in the United States, and changes in reimbursement for diagnostics may impact our business opportunities.

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment has been made.

After Balance Date Events

Apart from matters referred to above as Future Developments, no matters or circumstance have arisen since the end of the financial year which are considered to significantly affect or may significantly affect the operations of the Company.

Environmental Issues

Sienna's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

Significant Changes in State of Affairs

Apart from matters referred to throughout the Directors' Report, there have been no significant changes in the state of affairs of the company. We were recently notified by our landlord that we will need to vacate our current premises in 2014, so we will need to identify suitable facilities to continue our operations. This may impact our operating costs and could also affect our operations during the period of relocation.

Options

During the year ended 30 June 2013, 12,000,005 options over issued shares in the parent company were granted during the year pursuant to the Information Memorandum associated with the September 2012 capital raising. Options offered to Sienna Directors and staff are subject to a number of conditions which restrict both vesting and the exercising of the options.

On 6th July 2012, 250,000 options over issued shares in the parent company were granted under the terms and conditions contained in the ESOP to an employee.

On 14 December 2012, 200,000 options over issued shares in the parent company were granted under the terms and conditions contained in the ESOP to a director.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares.

Meetings of Directors and Committee Meetings

The number of meetings of the Company's Board of Directors held during the 12-month period ended 30 June 2013, and the number attended by Directors were:

Director	Meetings of Directors
Geoff Cumming	10/10
Kerry Hegarty	10/10
David Neate	10/10
Donald Robertson	8/10
Carl Stubbings	10/10
David Earp	5/5

Corporate Governance

In line with good corporate governance, the Board continues to adhere to Company policies with regard to Values and Principles, Anti-Harassment (including Bullying), Equal Opportunity and Unlawful Discrimination, Electronic Communications, Employee/Director reimbursements and Travel and Subsistence.

The Board utilises the following committees to make recommendations on governance and strategic matters. The Audit and Remuneration Committees make recommendations to the Board, while the scientific and commercial advisors provide their views directly to Sienna management. During FY13, the committees operating were:

- *Audit Committee*
Chaired by David Neate and comprising Donald Robertson, Geoff Cumming, Carl Stubbings and Kerry Hegarty.
- *Remuneration Committee*

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

Chaired by Donald Robertson and comprising David Neate, Geoff Cumming and Carl Stubbings.

- *Scientific Advisory and Commercialisation Committees*
- Scientific Advisory Committee: Managed by Dr. Fabio Turatti, CSO, with the support of Dr. Kerry Hegarty, CEO. Scientific direction and strategy are decided by the Board, based on recommendations from Management. In FY13, technical advice was sought from: Dr. Scott Cohen and Dr. Roger Reddel (Children's Medical Research Institute, Sydney), Associate Prof. Anthony Landgren (Royal Melbourne Hospital Pathology), Dr. David Clouston (Focus Pathology), Dr. John Pedersen (TissuPath), Dr. Gerardine Mitchell (Austin Pathology) and Dr. Bill Hahn (Harvard University). Valuable advice was also sought during the year from Dr. Sacha Dopheide (Planet Innovation).

Indemnifying and insurance of Directors and other Officers

The Company has paid a premium for Directors' and Officers' Liability Insurance.

Under the Company's constitution:

- To the extent permitted by law and subject to the restrictions in sections 199A and 199B of the Corporations Act 2001, the Company indemnifies every person who is or has been an officer of the Company against any liability (other than for legal costs) incurred by that person as an officer of the Company.
- To the extent permitted by law and subject to the restrictions in sections 199A and 199B of the Corporations Act 2001, the Company indemnifies every person who is or has been an officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Company.

The Company has insured its Directors, Company Secretary and executive officers for the financial year ended 30 June 2013. Under the Company's Directors' and Officers' Liability Insurance Policy, the Company cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the Corporations Act 2001 to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

Proceedings on Behalf of the Company

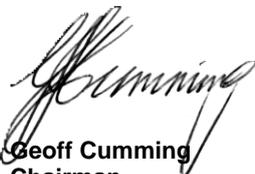
No person has applied for leave of court to bring proceedings on behalf of the Company to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under s307C of the *Corporations Act 2001* is set out on page 7.

None of Sienna's officers are former partners or directors of Sienna's auditor, Walker Wayland NSW Chartered Accountants.

This report is made in accordance with a resolution of the Directors and dated this 13th day of September 2013.


Geoff Cumming
Chairman

**AUDITORS' INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF SIENNA CANCER DIAGNOSTICS LIMITED**

We declare that, to the best of our knowledge and belief, during the year ended 30 June 2013 there have been:

- (i) no contraventions of the auditors' independence requirements as set out in the *Corporations Act 2001* in relation to the audit/review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Walker Wayland NSW
Chartered Accountants

Dated this 13th day of September 2013



Richard Woods
Partner

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
REVENUE FROM ORDINARY ACTIVITIES	3	433,789	475,405
EXPENSES			
Employee and contractor costs		(780,352)	(800,856)
Administration		(88,398)	(104,151)
Research and development		(242,971)	(234,993)
Insurance		(21,435)	(20,054)
Travel and meetings		(27,926)	(19,537)
Other expenses from ordinary activities		(529)	(7,983)
		<u>(1,161,611)</u>	<u>(1,187,574)</u>
Loss before impairment, depreciation and amortisation		(727,822)	(712,169)
Impairment of intangibles	4	-	(999,745)
Depreciation and amortisation	4	(17,546)	(29,856)
		<u>(745,368)</u>	<u>(1,741,770)</u>
LOSS BEFORE INCOME TAX		(745,368)	(1,741,770)
Income tax expense	5	-	-
		<u>(745,368)</u>	<u>(1,741,770)</u>
LOSS FOR THE YEAR		<u>(745,368)</u>	<u>(1,741,770)</u>
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(745,368)</u>	<u>(1,741,770)</u>

The accompanying notes form part of these financial statements

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	2013 \$	2012 \$
CURRENT ASSETS			
Cash assets	7	956,356	806,093
Receivables	8	38,119	15,143
Other assets	9	-	4,000
TOTAL CURRENT ASSETS		<u>994,475</u>	<u>825,236</u>
NON-CURRENT ASSETS			
Intangibles	11	19,894	19,894
Property, plant and equipment	12	4,574	20,806
TOTAL NON-CURRENT ASSETS		<u>24,468</u>	<u>40,700</u>
TOTAL ASSETS		<u>1,018,943</u>	<u>865,936</u>
CURRENT LIABILITIES			
Payables	13	85,753	103,436
Provisions	14	58,791	28,113
TOTAL CURRENT LIABILITIES		<u>144,544</u>	<u>131,549</u>
TOTAL LIABILITIES		<u>144,544</u>	<u>131,549</u>
NET ASSETS		<u>874,399</u>	<u>734,387</u>
EQUITY			
Contributed equity	15	12,313,130	11,475,330
Reserves	16	224,808	177,228
Accumulated losses		(11,663,539)	(10,918,171)
TOTAL EQUITY		<u>874,399</u>	<u>734,387</u>

The accompanying notes form part of these financial statements

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Note	Contributed Equity \$	Reserves \$	Accumulated Losses \$	Total \$
BALANCE AT 30 JUNE 2011		11,475,330	130,400	(9,176,401)	2,429,329
Loss attributable to members		-	-	(1,741,770)	(1,741,770)
Share based payments expense		-	46,828	-	46,828
BALANCE AT 30 JUNE 2012		11,475,330	177,228	(10,918,171)	734,387
Loss attributable to members		-	-	(745,368)	(745,368)
Share based payments expense		-	47,580	-	47,580
Shares issued (net of issue costs)		837,800	-	-	837,800
BALANCE AT 30 JUNE 2013		12,313,130	224,808	(11,663,539)	874,399

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities		449,019	421,084
Interest received		31,066	54,321
Payments to suppliers and employees		(1,156,307)	(1,094,958)
Net cash used in operating activities	22b	(676,222)	(619,553)
CASH FLOW FROM INVESTING ACTIVITIES			
Consideration on Sale of Plant Equipment		-	1,000
Purchase of intangibles		-	(9,660)
Purchase of plant and equipment		(1,315)	(1,772)
Net cash used in investing activities		(1,315)	(10,432)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		875,000	-
Payment of share issue costs		(47,200)	-
Net cash provided by financing activities		827,800	-
NET INCREASE / (DECREASE) IN CASH HELD		150,263	(629,985)
Cash and cash equivalent at beginning of financial year		806,093	1,436,078
CASH AND CASH EQUIVALENT AT END OF FINANCIAL YEAR	22a	956,356	806,093

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The consolidated financial statements and notes represent those of Sienna Cancer Diagnostics Limited and Controlled Entities (the 'Consolidated Group' or 'Group').

The separate financial statements of the parent entity, Sienna Cancer Diagnostics Limited have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001.

The financial statements were authorised for issue on 13 September 2013 by the Directors of the company.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report covers the economic entities of Sienna Cancer Diagnostics Limited and its controlled entities as an economic entity.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets, and financial liabilities.

Accounting Policies

a. Income Tax

The Group adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. **Revenue Recognition**

Revenue is recognised at the fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenue.

Interest Income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

c. **Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the statement of financial position.

Cash flow is included in the statement of cash flow on a gross basis. The GST components of cash flow arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority, are classified as operating cash flow.

d. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant & Equipment

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The carrying amount of plant and equipment is reviewed annually by Officers of the Group to ensure it is not in excess of the recoverable amount from those assets.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Items of property, plant and equipment, are depreciated over their estimated useful lives. The diminishing value method is used.

The depreciation rates for each class of asset are:

Class of Non Current Asset	Depreciation Rate
Office Furniture and Equipment	25% - 100% straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

These notes form part of the financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. **Impairment of Assets**

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

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

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

f. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and deposits held at call with banks.

g. **Investments**

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by Officers of the Group to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the underlying net assets of the investment. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

h. **Intangibles**

Licences

Licences are valued in the accounts at cost of acquisition. Licences have a finite life and are amortised over the period in which their benefits are expected to be realised.

Patents

Patents are recognised at cost of acquisition. Patents have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

The amortisable amount of patents is amortised on a straight line basis over the term of the patent commencing from the time the patent is registered.

i. **Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

j. **Employee Entitlements**

Provision is made for the Group's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

Equity-settled compensation

The Group operates a share-based compensation plan. This consists of an employee share option plan. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Financial Instruments

Recognition

Financial instruments are initially measured at cost on transaction date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

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

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

l. Comparative Figures

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

m. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates – Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

An impairment expense totaling \$NIL (2012: \$999,745) has been recognised in respect of intellectual property, including patents for the year ended 30 June 2013.

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Adoption of New and Revised Accounting Standards

During the current year, the Group has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has not impacted the financial statements.

o. New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretation that have mandatory application dates for the future reporting periods and which the company has decided not to early adopt. These standards detail numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.

NOTE 2: PARENT INFORMATION

STATEMENT OF FINANCIAL POSITION

The following information has been extracted from the books and records of the parent entity and has been prepared in accordance with Accounting Standards.

	2013	2012
	\$	\$
ASSETS		
Current assets	974,436	805,196
Non current assets	24,508	40,740
TOTAL ASSETS	998,944	845,936
LIABILITIES		
Current liabilities	144,544	131,550
TOTAL LIABILITIES	144,544	131,550
EQUITY		
Contributed equity	12,313,130	11,475,330
Reserves	224,808	177,228
Accumulated losses	(11,683,538)	(10,938,172)
TOTAL EQUITY	854,400	714,386

STATEMENT OF COMPREHENSIVE INCOME

Total loss	(745,366)	(1,741,770)
Total comprehensive income	(745,366)	(1,741,770)

Guarantees

The Parent Company has not entered into any guarantees in relation to its subsidiary.

Contingent liabilities

At 30 June 2013, the Parent Company has contingent liabilities of \$424,241 (2012: \$342,491) relating to non-executive director fees, \$90,000 (2012: \$50,000) relating to managing director salary and an incentive payout to the Chief Scientific Officer of \$20,000 (2012: NIL) as disclosed in note 17.

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$	2012 \$
NOTE 3: REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities:		
- Research and development tax concession	271,799	211,658
- Grants	125,773	199,226
- Other	5,151	10,200
	<u>402,723</u>	<u>421,084</u>
Other revenue from operating activities:		
- Interest: Other third parties	31,066	54,321
Total revenue from ordinary activities	<u>433,789</u>	<u>475,405</u>
NOTE 4: LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX BENEFIT		
Loss from ordinary activities before income tax benefit has been determined after charging the following items:		
Expenses:		
Rental expense on operating leases	24,846	24,621
	<u>17,546</u>	<u>29,856</u>
Depreciation expense		
	<u>-</u>	<u>-</u>
Amortisation expense – intangibles		
	<u>-</u>	<u>-</u>
Impairment expense – intangibles		
	<u>-</u>	<u>999,745</u>
Loss on disposal of plant and equipment		
	<u>-</u>	<u>7,622</u>
NOTE 5: INCOME TAX RELATING TO ORDINARY ACTIVITIES		
a. Prima facie income tax benefit from ordinary activities after significant item and before income tax at 30% (2012: 30%)	(223,610)	(522,531)
Add tax effect of:		
Timing and permanent differences	-	-
	<u>(223,610)</u>	<u>(522,531)</u>
Deferred tax assets not brought to account	223,610	522,531
	<u>223,610</u>	<u>522,531</u>
Income tax benefit attributable to loss from ordinary activities after significant item and before income tax	<u>-</u>	<u>-</u>
NOTE 6: AUDITORS' REMUNERATION		
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial report	12,000	12,000
- Other services	2,950	-
	<u>14,950</u>	<u>12,000</u>
NOTE 7: CASH ASSETS		
Cash on hand	387	460
Cash at bank	955,969	805,633
	<u>956,356</u>	<u>806,093</u>

These notes form part of the financial statements

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 8: RECEIVABLES	2013	2012
	\$	\$
Other debtors	38,119	15,143

Credit Risk – Other receivables

The Group does not have any material credit risk exposure to any single receivable or group of receivables. There are no balances within other receivables that contain assets that are impaired and are past due. It is expected these balances will be received when due.

NOTE 9: OTHER ASSETS

Prepayments	-	4,000
-------------	---	-------

NOTE 10: CONTROLLED ENTITIES

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)*	
		2013	2012
Melbourne Diagnostic Pty Limited	Australia	100%	100%

* Percentage of voting power in proportion to ownership

NOTE 11: INTANGIBLE ASSETS

	2013	2012
	\$	\$
Licences – at cost	116,491	116,491
Accumulated amortisation / impairment	(116,491)	(116,491)
	-	-
Patents – at cost	158,566	158,566
Accumulated amortisation / impairment	(138,672)	(138,672)
	19,894	19,894
Licence Agreement with Geron	-	-
Accumulated amortisation / impairment	-	-
	-	-
	19,894	19,894

Movement in Carrying Amounts

	Amplified Protein Luminescence	Patents Telomerase Biosensing Technology	Patents Other	LICR Licence	Geron Licence	Total
	\$	\$	\$	\$	\$	\$
Balance at the beginning of the year	-	-	19,894	-	-	19,894
Additions	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Balance at the end of the year	-	-	19,894	-	-	19,894

Impairment losses

The total impairment loss recognised in the consolidated statement of profit or loss and other comprehensive income during the year amounted to \$NIL (2012: \$999,745). The prior year impairment event was the identification of the diagnostic products which would receive ongoing development. Items of intellectual property which will not be used in these products have been impaired to \$nil carrying value.

Licence Agreement with Geron

Cost and accumulated amortisation/impairment maintained for comparative purposes.

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013 \$	2012 \$
NOTE 12: PROPERTY, PLANT AND EQUIPMENT		
Office equipment – at cost	48,494	47,179
Accumulated depreciation	(48,494)	(46,811)
	<u>-</u>	<u>368</u>
Research equipment – at cost	119,182	119,182
Accumulated depreciation	(114,608)	(98,744)
	<u>4,574</u>	<u>20,438</u>
	<u>4,574</u>	<u>20,806</u>

Movement in Carrying Amounts

	Office Equipment \$	Research Equipment \$	Total \$
Balance at the beginning of the year	368	20,438	20,806
Additions	1,315	-	1,315
Disposals	-	-	-
Depreciation	(1,683)	(15,864)	(17,547)
Balance at the end of the year	<u>-</u>	<u>4,574</u>	<u>4,574</u>

	2013 \$	2012 \$
NOTE 13: PAYABLES		
Trade creditors, other creditors and accruals	85,753	103,436

NOTE 14: PROVISIONS

Current		
Provision for annual leave	40,344	28,113
Provision for long service leave	18,447	-
	<u>58,791</u>	<u>28,113</u>

NOTE 15: CONTRIBUTED EQUITY (NET)

127,146,719 (2012: 121,146,717) ordinary shares	12,313,130	11,475,330
---	------------	------------

	No.	No.
Ordinary shares	127,146,719	121,146,717

	No.	\$
Movement in ordinary shares		
Balance at the beginning of the year	121,146,717	11,475,330
Shares issued in relation to the IM dated September 2012 at \$0.15 each	6,000,002	900,000
Less: share issue costs	-	(62,200)
	<u>127,146,719</u>	<u>12,313,130</u>

	\$	\$
NOTE 16: RESERVES		
Options reserve (refer note 19)	224,808	177,228

These notes form part of the financial statements

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	\$	\$
NOTE 17: CONTINGENT LIABILITY		
Estimates of the potential financial effect of contingent liabilities that may become payable:		
<i>Non-executive director fees:</i>		
Non-executive Directors have agreed to defer payment of outstanding director fees for the period: 1 July 2011 to 30 June 2013 until such time that the directors are of the view that the company should pay and authorize payment subject to sufficient cash flow availability and the ongoing viability of the business.		
	204,375	122,625
For director fees owing prior to 1 July 2011, Non-executive Directors have agreed to defer payment until the first to occur of:		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
The Company commences product sales with income derived either directly or as royalty payments; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
The Company cash-at-bank figure exceeds 3-year projections of expenditure; or		
There is a change in ownership of more than 50% of the issued shares of the Company, or other significant events.		
In the event that the above is not accomplished, they will release the Company from these obligations.	219,866	219,866
<i>Managing Director Salary increase:</i>		
The Managing Director has agreed to defer payment of her base salary increase (\$40,000 p.a.) that was due to commence on 1 April 2011 and ongoing until the first to occur of:		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
The Company commences product sales with income derived either directly or as royalty payments; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
The Company cash-at-bank figure exceeds 3-year projections of expenditure; or		
There is a change in ownership of more than 50% of the issued shares of the Company, or other significant events.		
In the event that the above is not accomplished, the MD will release the Company from these obligations.	90,000	50,000
<i>Incentive Payment to CSO</i>		
The Chief Scientific Officer (Fabio Turatti) is due to receive a \$20,000 benefit payment upon the Sienna product being commercialised.	20,000	-

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 18: RELATED PARTY TRANSACTIONS

Directors

The names of each person holding the position of director of Sienna Cancer Diagnostics Limited during the year are G J Cumming, K A Hegarty, D W Neate, D B Robertson, C Stubbings and D Earp (appointed 1 December 2012).

No director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year-end.

Directors' transactions with the Economic Entity

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

2013	2012
No.	No.

Transactions with related parties:

i. Share Transactions of Directors

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following number of shares

- ordinary shares	18,465,054	17,972,686
a) During the year ended 30 June 2013, the following underwriting fees were paid to directors in relation to the September 2012 capital raising:		
Kerry Hegarty	3,300	-
David Neate	6,600	-
Geoff Cumming	4,050	-
Carl Stubbings	750	-
Donald Robertson	1,500	-
	<u>16,200</u>	<u>-</u>

ii. Related party option transactions

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date the following number of options

- options over ordinary shares	15,884,736	14,700,000
--------------------------------	------------	------------

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 19: SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2013:

Name / Position	# Options	Exercise Price (\$)	Granted Date	Status	Vested Date	Exercise Date	Conditions	Note
MD / CEO	3,000,000	\$0.20	14-Mar-08	Granted		31-Dec-14	Yes	1 & 4
Various Employees under the Employee Share Option Scheme	3,816,672	\$0.17	28-Oct-11	Granted	28-Oct-12	28-Oct-15	Yes	1,4 & 5
	3,816,664	\$0.17	28-Oct-11	Granted	28-Oct-13	28-Oct-15	Yes	1,4 & 6
	3,816,664	\$0.17	28-Oct-11	Granted	28-Oct-14	28-Oct-15	Yes	1,4 & 7
	66,668	\$0.17	03-Feb-12	Granted	28-Oct-12	28-Oct-15	Yes	1,4 & 5
	66,666	\$0.17	03-Feb-12	Granted	28-Oct-13	28-Oct-15	Yes	1,4 & 6
	66,666	\$0.17	03-Feb-12	Granted	28-Oct-14	28-Oct-15	Yes	1,4 & 7
	83,334	\$0.17	06-Jul-12	Granted	28-Oct-12	28-Oct-15	Yes	1,4 & 5
	83,333	\$0.17	06-Jul-12	Granted	28-Oct-13	28-Oct-15	Yes	1,4 & 6
	83,333	\$0.17	06-Jul-12	Granted	28-Oct-14	28-Oct-15	Yes	1,4 & 7
	66,668	\$0.17	14-Dec-12	Granted	14-Dec-13	28-Oct-16	Yes	1,4 & 5
66,666	\$0.17	14-Dec-12	Granted	14-Dec-14	28-Oct-16	Yes	1,4 & 6	
66,666	\$0.17	14-Dec-12	Granted	14-Dec-15	28-Oct-16	Yes	1,4 & 7	
Sophisticated investors	5,224,554	\$0.15	23-Nov-12	Granted	23-Nov-12	21-Sep-14	Yes	8
	666,667	\$0.15	25-Jan-13	Granted	25-Jan-13	21-Sep-14	Yes	8
	6,108,784	\$0.15	03-May-13	Granted	03-May-13	21-Sep-14	Yes	8
Capital Raising Agent	100,000	ASX Listing Price	28-Apr-05	Granted		31-Dec-14	Yes	2
George Morstyn Scientific Advisor	50,000	\$0.30	03-Jun-06	Granted		31-Dec-14	Yes	3

Notes:

1. Issued under the terms of the Sienna Cancer Diagnostics Employee Share Options Program (ESOP).
2. Options to be vested upon Sienna Cancer Diagnostics Ltd being listed on the ASX, which has not occurred to date. The Exercise Price is equal to that of the price that Sienna Cancer Diagnostics lists on the ASX and is not currently quantifiable.
3. Options to be vested upon Sienna Cancer Diagnostics Ltd being listed on the ASX, which has not occurred to date.
4. Exercise basis: exit to shareholders includes IPO or other liquidity event, eg takeover, trade sale, scheme of arrangement or full/partial sale of Sienna.
5. Vesting basis: to be employed by Sienna 12 months from grant date.
6. Vesting basis: to be employed by Sienna 24 months from grant date.
7. Vesting basis: to be employed by Sienna 36 months from grant date
8. The board at its discretion can expedite the expiry date of the options in the case of the company being acquired to an expiry date being 30 days before the acquisition date.

All options granted are ordinary shares in Sienna Cancer Diagnostics Limited, which confer a right of one ordinary share for every option held.

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 19: SHARE BASED PAYMENTS (continued)

	2013		2012		Notes
	# Options	Weighted Average Exercise Price (\$)	# Options	Weighted Average Exercise Price (\$)	
Total Options					
Outstanding at the beginning of the year	17,600,000	\$0.18	7,150,000	\$0.180	i
Granted	12,450,005	\$0.15	12,450,000	\$0.170	
Forfeited	(800,000)	\$0.17	-	-	
Exercised	-	-	-	-	
Expired	(2,000,000)	(\$0.20)	(2,000,000)	(\$0.120)	
Outstanding at year-end	27,250,005	\$0.17	17,600,000	\$0.180	
Exercisable at year-end	12,000,005	\$0.15	-	-	

Notes:

- i. The Exercise Price of 100,000 of the Options granted prior to FY06 is equal to that of the price that Sienna Cancer Diagnostics lists on the ASX. As this price is not currently quantifiable, an indicative exercise price of \$0.30 has been utilised for the purpose of calculating the weighted average exercise price.

Options Reserve

The fair value of options is \$224,808 (2012; \$177,228). There were 450,000 granted during the year pursuant to the ESOP (2012: 12,450,000).

Included under employees and contractor costs in the income statement is a debit of \$47,580 (2012: \$46,828).

The Increase in value of the Option Reserve has been calculated by using a modified binomial option pricing model applying the following inputs:

Exercise price	\$0.17
Underlying share price	\$0.10 and \$0.15
Days to expiration	1,363 to 1,461
Days to vesting	266 to 1,096
Expected share price volatility	22.7%
Risk free interest rate	7.2% and 5%

We have used the historical volatility of the shares for a company listed on the ASX which operates in the same industry group as Sienna Cancer Diagnostics Limited (SCD) as a basis for determining expected share price volatility for SCD. However this may not eventuate.

Historical volatility is assumed to be indicative of future volatility which may not eventuate.

The life of the options is based on the contracted expiry date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 20: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2013 \$	2012 \$
Financial Assets			
Cash assets	7	956,356	806,093
Receivables	8	38,119	15,143
		994,475	821,236
Financial Liabilities			
Payables	13	85,753	103,436

Financial Risk Management Policies

The Board of Directors' ("BoD") are responsible for, among other issues, monitoring and managing financial risk exposures of the Group. The BoD monitors the Group's transactions and reviews the effectiveness of controls relating to credit risk, financial risk, and interest rate risk. Discussions on monitoring and managing financial risk exposures are held regularly by the BoD.

The BoD's overall risk management strategy seeks to ensure that the Group meets its financial targets, while minimising potential adverse effects of cash flow shortfalls.

The Group does not have any derivative instruments at 30 June 2013.

Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments is liquidity risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the association.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that members and counterparties to transactions are of sound credit worthiness.

Credit risk exposures

The Group is not exposed to any material credit risk.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- only investing surplus cash with major financial institutions; and

c. Market risk

(i) Interest rate risk

Exposure to interest rate risk arises on interest earned on cash equivalents only.

(ii) Price risk

The Group is not exposed to price risk.

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables (excluding est. annual leave)	85,753	103,436	-	-	-	-	85,753	103,436
Total contractual outflows	85,753	103,436	-	-	-	-	85,753	103,436
Total expected outflows	85,753	103,436	-	-	-	-	85,753	103,436
Financial assets — cash flows realisable								
Cash assets	956,356	806,093	-	-	-	-	956,356	806,093
Receivables	38,119	15,143	-	-	-	-	38,119	15,143
Total anticipated inflows	994,475	821,236	-	-	-	-	994,475	821,236
Net (outflow)/inflow on financial instruments	908,722	717,800	-	-	-	-	908,722	717,800

Financial assets pledged as collateral

No financial assets have been pledged as security for any financial liability.

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are equal to their carrying value in the statement of financial position.

The fair values have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables excludes amounts provided for / relating to annual leave which is not considered a financial instrument.

Sensitivity analysis

The BoD considers that there are no material market risks requiring sensitivity analysis to be performed.

NOTE 21: SEGMENT REPORTING

The Group operates predominantly in one business and geographical segment being the research and development of cancer diagnostics in Victoria, Australia.

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 22: CASH FLOW INFORMATION	2013	2012
	\$	\$
a. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash on hand	387	460
Cash at bank	955,969	805,633
	<u>956,356</u>	<u>806,093</u>
b. Reconciliation of cash flow from operating activities with loss from ordinary activities after income tax benefit		
Loss from ordinary activities after significant item and income tax	(745,368)	(1,741,770)
Non-cash flows in loss from ordinary activities:		
- Loss on disposal of Plant and Equipment	-	7,622
- Depreciation and amortisation	17,546	29,856
- Impairment of intangibles	-	999,745
- Movement in options reserve	47,580	46,828
- Movement in provision for employee entitlements	30,678	(8,215)
Changes in assets and liabilities:		
- Decrease in trade and other debtors	2,025	398
- Decrease / (increase) in prepayments	4,000	(4,000)
- (Decrease) / Increase in payables	(32,683)	49,983
Net cash used in operating activities	<u>(676,222)</u>	<u>(619,553)</u>

NOTE 23: KEY MANAGEMENT PERSONNEL COMPENSATION

The following responsible positions were key management personnel of the entity at any time during the reporting period:

Chairman: Geoff Cumming, Non-executive directors: David Neate, Carl Stubbing, Donald Robertson, David Earp.

Chief Executive Officer and Managing Director: Kerry Hegarty

Chief Scientific Officer: Fabio Turatti

Head of Business Development: Ian Macfarlane

Transactions with key management personnel

The key management personnel compensation included in employee expenses are as follows:

	Share-based payments	Short-term benefits	Post employment benefit	Total
2013	\$	\$	\$	\$
Total compensation	12,570	440,773	43,854	497,197
2012				
Total compensation	10,306	502,259	77,203	589,768

NOTE 24: EVENTS SUBSEQUENT TO REPORTING DATE

To the Directors' knowledge, with the exception of the above no events have occurred subsequent to reporting date, which have or are likely to have a material effect on the operations of the Group.

NOTE 25: CAPITAL AND INVESTMENT COMMITMENTS

To the Directors' knowledge, the Group had no capital or investment commitments as at 30 June 2013 not otherwise disclosed in these financial statements.

SIENNA CANCER DIAGNOSTICS LIMITED

A.B.N 74 099 803 460

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 26: COMPANY DETAILS

The registered office of the Company is:

Level 9, 550 Bourke Street, Melbourne, VIC, 3000

The principal place of business of the Company is:

Bio21 Institute, Building 404, 30 Flemington Road, University of Melbourne, VIC, 3010

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements and notes, as set out on pages 8 to 26 are in accordance with the Corporations Act 2001:
 - a. comply with Accounting Standards as detailed in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - b. give a true and fair view of the Company's financial position as at 30 June 2013 and of the performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Geoffrey J. Cumming
Chairman



Kerry A. Hegarty
Managing Director/CEO

Dated this 13th day of September 2013

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
SIENNA CANCER DIAGNOSTICS LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Sienna Cancer Diagnostics Limited ("the Company") which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entity it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Audit 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. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
SIENNA CANCER DIAGNOSTICS LIMITED**

Audit Opinion

In our opinion:

- a. The financial report of Sienna Cancer Diagnostics Limited and Sienna Cancer Diagnostics Limited and Controlled Entities 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 30 June 2013 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 financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



Walker Wayland NSW
Chartered Accountants



Richard Woods
Partner

Signed in Sydney on this 13th day of September 2013