SIENNA CANCER DIAGNOSTICS LIMITED
ABN 74 099 803 460

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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FINANCIAL REPORT

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,

Over the last year, Sienna has focussed primarily on completing our 300-patient clinical study (Proof of Concept (POC) Study) and partnering activities. The two activities are directly related. The stronger the performance of the Sienna test, as demonstrated in the current POC study, the more attractive the likely deal with a strong and active development partner. In this past year, Sienna:

- Commenced the 300-patient study, largely funded through a Commercialisation Australia grant. The study is due for completion at 4QCY2012.
- Concluded its Experienced Executive funding, also via Commercialisation Australia, which allowed us to accelerate partnering discussions with several global organisations.
- Enlisted two more clinical sites to support the POC study, ultimately involving about 15 urologists/pathologists in the Sienna study.
- Negotiated exclusive access to intellectual property (monoclonal antibodies) required for the new Sienna test.
- Met face-to-face with potential partners for further discussion of licensing terms.
- Appointed new Director, Mr. Carl Stubbings, with enormous experience in diagnostic test development and global sales.

Last year, we showed the potential of the re-formatted Sienna test using a small initial data set (about 50 bladder cancer samples) which was used to attract a number of potential development partners (see newsletter of 24 July 2012). Discussions with these groups continue under confidentiality agreements. Whilst there is no promise that any of these discussions with prospective partners will result in a licensing deal for Sienna, the Sienna Board believes there is clear potential that these negotiations may be successful. Such success would put us on the starting blocks for manufacturing and delivery of Sienna's first diagnostic test, in bladder cancer, in 2014 or earlier.

The year ahead is exciting and challenging in many ways. With six months of runway (cash in bank) and the task of raising $900,000 to support another six to eight months, the next financial year is shaping up to be a period of potentially great reward and new beginnings for Sienna. It is a year where both a licensing deal and an exit for Sienna shareholders may be possible. The current capital raising event is fully underwritten which demonstrates the level of confidence in the opportunity.

Financial accounts continue to reflect Sienna's longstanding culture of prudent spending, with monthly operating costs of $95,000. We received $212,000 from the federal R&D tax concession scheme, and grant funding of about $200,000 from two different Commercialisation Australia grants. Sienna was the first biotech in Victoria to receive such follow-on funding. Your Board has worked hard and successfully in FY12 to leverage shareholder funds and maximise non-dilutionary funding.

Our behalf of all Sienna Directors, we thank you for your ongoing support. We hope to see you at this year's Annual General Meeting (10am on November 23 at Graduate House, University of Melbourne) to share additional information and updates.

Sincerely,

Geoff Cumming
Chairman

Kerry Hegarty
Managing Director/CEO

DIRECTORS' REPORT

The Directors of Sienna Cancer Diagnostics Limited (Sienna or the Company) present their report for the financial year ended 30 June 2012.

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 (appointed 31/12/11)

Principal Activities

Sienna is in the business of developing novel *in-vitro* diagnostic (IVD) tests for the detection and monitoring of cancer. Sienna's primary efforts are in developing technology which measures for telomerase, an extraordinary protein characterising 85-90% of all cancers. The first product opportunity based on telomerase is aimed at monitoring of bladder cancer via tumour cells exfoliated from the bladder wall and excreted in urine. A 300-patient clinical study, largely funded by Commercialisation Australia, commenced in 2011/12, and on completion, is expected to be of significant interest to global development partners. In FY11, work and resources focused largely on laboratory-based activities, whilst in FY12, significant steps in partnering were realised. On the hope of completing a successful licensing deal in FY13, Sienna expects to move ahead on its second product opportunity in prostate cancer based on the same telomerase technology.

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 103 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 BMDi Tuta, both ASX-listed healthcare companies.

DIRECTORS' REPORT (CONTINUED)

Director	Background
K. A. Hegarty	BSc, MA, PhD joined Sienna as Managing Director/CEO in 2004. Kerry has nearly 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 building targeted team capacity.
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. He has recently been awarded 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 until recently was based in southern California, 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 Bipharma (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.
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 $1,187,574 increased by 25.9% in comparison with the previous year (2011; $943,624).

The net loss of the Group for the financial period was $1,741,770 (2011; $1,791,647). This result is after allowing for impairment, depreciation and amortisation expense of $1,029,601 (2011: $1,238,787) and the market value of options granted of $46,828 (2011:$Nil). The loss for the year excluding these non-cash amounts was $665,341 (2011: $552,860).

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 trends and capital requirements. There is no promise that Sienna technology will be adopted by the global market.

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.

DIRECTORS' REPORT (CONTINUED)

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.

Options

12,450,000 options over issued shares in the parent company were granted during the year under the terms and conditions contained in the Employee Share Option Scheme ("ESOP"). Options offered to Sienna Directors and staff are subject to a number of conditions which restrict both vesting and the exercising of the options.

Post year end, on 6th July 2012, an additional 250,000 options over issued shares in the parent company were granted under the terms and conditions contained in the ESOP.

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 2012, and the number attended by Directors were:

Director	Meetings of Directors
Geoff Cumming	9/9
Kerry Hegarty	9/9
David Neate	9/9
Donald Robertson	9/9
Carl Stubbings	4/4

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 FY12, the committees operating were:

- *Audit Committee*

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

- *Remuneration Committee*

  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 FY12, 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), Dr. Bill Hahn (Harvard University) and Dr. David Earp (Geron Corporation). Valuable advice was also sought during the year from Dr. Sacha Dopheide (Planet Innovation). In developing partnering strategies for the Sienna technology, we would also like to thank Richard Treagus and Merilyn Sleigh.

DIRECTORS' REPORT (CONTINUED)

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:

i. 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.

ii. 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 2012. 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 14th day of September 2012.

Geoff Cumming
Chairman

Walker Wayland NSW
Chartered Accountants

ABN 55 931 152 366

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55 Hunter Street
SYDNEY NSW 2000

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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 2012 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

Walker Wayland NSW

Chartered Accountants

Dated this 14th day September 2012

Richard Woods

Richard Woods

Partner

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
REVENUE FROM ORDINARY ACTIVITIES	3	475,405	390,764
EXPENSES			
Employee and contractor costs		(800,856)	(672,307)
Administration		(104,151)	(80,826)
Research and development		(234,993)	(135,296)
Insurance		(20,054)	(33,314)
Travel and meetings		(19,537)	(21,599)
Other expenses from ordinary activities		(7,983)	(282)
		(1,187,574)	(943,624)
Loss before impairment, depreciation and amortisation		(712,169)	(552,860)
Impairment of intangibles	4	(999,745)	(1,208,683)
Depreciation and amortisation	4	(29,856)	(30,104)
LOSS BEFORE INCOME TAX		(1,741,770)	(1,791,647)
Income tax expense	5	-	-
LOSS FOR THE YEAR		(1,741,770)	(1,791,647)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,741,770)	(1,791,647)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	2012 $	2011 $
CURRENT ASSETS			
Cash assets	7	806,093	1,436,078
Receivables	8	15,143	15,541
Other assets	9	4,000	-
TOTAL CURRENT ASSETS		825,236	1,451,619
NON-CURRENT ASSETS			
Intangibles	11	19,894	1,009,979
Property, plant and equipment	12	20,806	57,512
TOTAL NON-CURRENT ASSETS		40,700	1,067,491
TOTAL ASSETS		865,936	2,519,110
CURRENT LIABILITIES			
Payables	13	103,434	53,451
Provisions	14	28,113	36,328
TOTAL CURRENT LIABILITIES		131,547	89,779
TOTAL LIABILITIES		131,547	89,779
NET ASSETS		734,389	2,429,331
EQUITY			
Contributed equity	15	11,475,330	11,475,330
Reserves	16	177,228	130,400
Accumulated losses		(10,918,169)	(9,176,399)
TOTAL EQUITY		734,389	2,429,331

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Contributed Equity $	Reserves $	Accumulated Losses $	Total $
BALANCE AT 30 JUNE 2010		11,475,330	130,400	(7,384,752)	4,220,978
Loss attributable to members		-	-	(1,791,647)	(1,791,647)
BALANCE AT 30 JUNE 2011		11,475,330	130,400	(9,176,399)	2,429,331
Loss attributable to members		-	-	(1,741,770)	(1,741,770)
Options Issued		-	46,828	-	46,828
BALANCE AT 30 JUNE 2012		11,475,330	177,228	(10,918,169)	734,389

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities		421,084	330,090
Interest received		54,321	89,981
Payments to suppliers and employees		(1,094,958)	(967,197)
Net cash used in operating activities	24b	(619,553)	(547,126)
CASH FLOW FROM INVESTING ACTIVITIES			
Consideration on Sale of Plant Equipment		1,000	-
Purchase of intangibles		(9,660)	(10,236)
Purchase of plant and equipment		(1,772)	(32,539)
Net cash used in investing activities		(10,432)	(42,775)
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of partly paid shares		-	-
Net cash provided by financing activities		-	-
NET DECREASE IN CASH HELD		(629,985)	(589,901)
Cash and cash equivalent at beginning of financial year		1,436,078	2,025,979
CASH AND CASH EQUIVALENT AT END OF FINANCIAL YEAR	24a	806,093	1,436,078

The accompanying notes form part of these financial statements

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 14 September 2012 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. **Ongoing Viability**

The company has net assets of $734,389 (2011: $2,429,331), after allowing for the final impairment of the Geron licence of $999,745. The Directors of the Company have determined that the general purpose financial report should be prepared on a going concern basis.

The Directors also note that cash reserves at 30 June are reported as $806,093, some $650,000 less than estimated by the Directors and Management of the Company to be required to continue operations to 30 September 2013. To fund its medium to long term requirements, the Company has commenced a capital raising effort, which will be fully underwritten by several individuals, including directors, and is scheduled to conclude in late September. The underwritten amount is $900,000, which is sufficient to meet its 12-month requirements. On the assumption that these contracted underwritten amounts are fully accounted, either by way of new share issue or receipt of the underwritten balance, it is considered that the company can pay its debts as and when they fall due. Until the time that these balances are accounted for, there will remain a risk to the ongoing viability of the Company.

b. **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 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. **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.

d. **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.

e **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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. **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.

g. **Cash and Cash Equivalents**

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

h. **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.

i. **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.

j. **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.

k. **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 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l. **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.

m. **Comparative Figures**

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

n. **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 $999,745 (2011: $1,208,683) has been recognised in respect of intellectual property, including patents for the year ended 30 June 2012.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. **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.

p. **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.	2012 $	2011 $
ASSETS		
Current assets	805,196	1,431,579
Non current assets	40,740	1,067,531
TOTAL ASSETS	845,936	2,499,110
LIABILITIES		
Current liabilities	131,547	89,779
TOTAL LIABILITIES	131,547	89,779
EQUITY		
Contributed equity	11,475,330	11,475,330
Reserves	177,228	130,400
Accumulated losses	(10,938,169)	(9,196,399)
TOTAL EQUITY	714,389	2,409,331
STATEMENT OF COMPREHENSIVE INCOME		
Total loss	(1,741,770)	(1,791,647)
Total comprehensive income	(1,741,770)	(1,791,647)

Guarantees

The Parent Company has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities

At 30 June 2012, the Parent Company has contingent liabilities of $342,491 (2011: $219,866) relating to non-executive director fees and $50,000 (2011:$10,000) relating to managing director salary as disclosed in note 19.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 $	2011 $
NOTE 3: REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities:		
- Research and development tax concession	211,658	243,819
- Grants	199,226	52,364
- Other	10,200	4,600
	421,084	300,783
Other revenue from operating activities:		
- Interest: Other third parties	54,321	89,981
Total revenue from ordinary activities	475,405	390,764

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:

	2012 $	2011 $
Expenses:		
Rental expense on operating leases	24,621	17,865
Depreciation expense	29,856	30,104
Amortisation expense – intangibles	-	-
Impairment expense – intangibles	999,745	1,208,683
Loss on disposal of plant and equipment	7,622	-

NOTE 5: INCOME TAX RELATING TO ORDINARY ACTIVITIES

	2012 $	2011 $
a. Prima facie income tax benefit from ordinary activities after significant item and before income tax at 30% (2011: 30%)	(522,531)	(537,494)
Add tax effect of:		
Timing and permanent differences	-	-
	(522,531)	(537,494)
Deferred tax assets not brought to account	522,531	537,494
Income tax benefit attributable to loss from ordinary activities after significant item and before income tax	-	-

NOTE 6: AUDITORS' REMUNERATION

	2012 $	2011 $
Remuneration of the auditor of the parent entity for:		
- Auditing or reviewing the financial report	12,000	10,500
- Other services	-	-

NOTE 7: CASH ASSETS

	2012 $	2011 $
Cash on hand	460	232
Cash at bank	805,633	1,435,846
	806,093	1,436,078

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 8: RECEIVABLES	2012 $	2011 $
Other debtors	15,143	15,541

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 - Insurances	4,000	-

NOTE 10: CONTROLLED ENTITIES

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)* 2012	2011
Melbourne Diagnostic Pty Limited	Australia	100%	100%

** Percentage of voting power in proportion to ownership*

NOTE 11: INTANGIBLE ASSETS	2012 $	2011 $
Licences – at cost	116,491	116,491
Accumulated amortisation / impairment	(116,491)	(116,491)
	-	-
Patents – at cost	158,506	148,906
Accumulated amortisation / impairment	(138,672)	(138,672)
	19,894	10,234
Licence Agreement with Geron	-	2,768,525
Accumulated amortisation / impairment	-	(1,768,780)
	-	999,745
	19,894	1,009,979

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	-	-	10,234	-	999,975	1,009,979
Additions	-	-	9,660	-	-	9,660
Amortisation	-	-	-	-	-	-
Impairment losses	-	-	-	-	(999,745)	(999,745)
Balance at the end of the year	-	-	19,894	-	-	19,894

Impairment losses

The total impairment loss recognised in the consolidated statement of comprehensive income during the year amounted to $999,745 (2011: $1,208,683). The 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 12: PROPERTY, PLANT AND EQUIPMENT	**2012 $**	**2011 $**
Office equipment – at cost	47,179	45,407
Accumulated depreciation	(46,811)	(43,334)
	368	2,073
Research equipment – at cost	119,182	174,228
Accumulated depreciation	(98,744)	(118,789)
	20,438	55,439
	20,806	57,512

Movement in Carrying Amounts

	Office Equipment $	Research Equipment $	Total $
Balance at the beginning of the year	2,073	55,349	57,512
Additions	1,772	-	1,772
Disposals	-	(8,622)	(8,622)
Depreciation	(3,477)	(26,379)	(29,856)
Balance at the end of the year	368	20,438	20,806

NOTE 13: PAYABLES	**2012 $**	**2011 $**
Trade creditors, other creditors and accruals	103,434	53,451
NOTE 14: PROVISIONS		
Current		
Employee entitlements	28,113	36,328
NOTE 15: CONTRIBUTED EQUITY (NET)		
121,146,717 (2011:121,146,717) ordinary shares	11,475,330	11,475,330
	No.	**No.**
Ordinary shares	121,146,717	121,146,717
NOTE 16: RESERVES	**$**	**$**
Options reserve (refer note 21)	177,228	130,400

NOTE 17: EVENTS SUBSEQUENT TO REPORTING DATE

On 6th July 2012, 250,000 options were granted to an employee in accordance with the terms and conditions of the ESOP.

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 18: CAPITAL AND INVESTMENT COMMITMENTS

To the Directors' knowledge, the Group had no capital or investment commitments as at 30 June 2012 not otherwise disclosed in these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 19: CONTINGENT LIABILITY	2012 $	2011 $
Estimates of the potential financial effect of contingent liabilities that may become payable:		
Non-executive director fees:		
Non-executive Directors have agreed to defer payment of director fees for the period 1 July 2011 to 30 June 2012 until the first to occur of:		
The receipt of funds from the current capital raising; or		
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.	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
Managing Director Salary increase:		
The Managing Director has agreed to defer payment of her base salary increase that was due to commence on 1 April 2011 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.	50,000	10,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 20: 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 and C Stubbings (appointed 31 December 2011).

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

	2012 No.	2011 No.
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with related parties:		
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	17,972,686	17,972,686

ii. Related party option transactions

Refer to Note 21: Share Based Payments

NOTE 21: SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2012:

Name / Position	# Options	Exercise Price ($)	Granted Date	Status	Vested Date	Exercise Date / Period	Conditions	Note
MD / CEO	2,000,000	$0.20	14-Mar-08	Granted		31-Dec-12	Yes	1 & 4
	3,000,000	$0.20	14-Mar-08	Granted		48 Months After Exit to Shareholders	Yes	1 & 5
Various Employees under the Employee Share Option Scheme	4,083,340	$0.17	28-Oct-11	Granted	28-Oct-12	28-Oct-15	Yes	1,5 & 6
	4,083,330	$0.17	28-Oct-11	Granted	28-Oct-13	28-Oct-15	Yes	1,5 & 7
	4,083,330	$0.17	28-Oct-11	Granted	28-Oct-14	28-Oct-15	Yes	1,5 & 8
	66,668	$0.17	03-Feb-12	Granted	28-Oct-12	28-Oct-15	Yes	1,5 & 6
	66,666	$0.17	03-Feb-12	Granted	28-Oct-13	28-Oct-15	Yes	1,5 & 7
	66,666	$0.17	03-Feb-12	Granted	28-Oct-14	28-Oct-15	Yes	1,5 & 8
Capital Raising Agent	100,000	ASX Listing Price	28-Apr-05	Granted		36 Months After ASX Listing	Yes	2
George Morstyn Scientific Advisor	50,000	$0.30	03-Jun-06	Granted		60 Months After ASX Listing	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. Vesting to occur at the date of signing an agreement with an S&D partner.
5. Exercise basis: exit to shareholders includes IPO or other liquidity event, eg takeover, trade sale, scheme of arrangement or full/partial sale of Sienna.
6. Vesting basis: to be employed by Sienna 12 months from grant date.
7. Vesting basis: to be employed by Sienna 24 months from grant date.
8. Vesting basis: to be employed by Sienna 36 months from grant date

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 21: SHARE BASED PAYMENTS (continued)

	2012		2011		
	# Options	Weighted Average Exercise Price ($)	# Options	Weighted Average Exercise Price ($)	Notes
Employee / Advisor Related Options					
Outstanding at the beginning of the year	7,150,000	$0.180	7,150,000	$0.180	i
Granted	12,450,000	$0.170	-	-	
Forfeited	-	-	-	-	
Exercised	-	-	-	-	
Expired	(2,000,000)	($0.120)	-	-	
Outstanding at year-end	17,600,000	$0.180	7,150,000	$0.180	
Exercisable at year-end	-	-	2,000,000	$0.120	
TOTAL					
Outstanding at the beginning of the year	7,150,000	$0.180	7,150,000	$0.180	
Granted	12,450,000	$0.170	-	-	
Forfeited	-	-	-	-	
Exercised	-	-	-		
Expired	(2,000,000)	($0.120)	-		
Outstanding at year-end	17,600,000	$0.180	7,150,000	$0.180	
Exercisable at year-end	-	-	2,000,000	$0.120	

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 $177,228 (2011; $130,400). There were 12,450,000 granted during the year (2011: Nil).

Included under employees and contractor costs in the income statement is a debit of $46,828 (2011: $Nil). This relates, in full, to the fair value of options expected to vest on 28 Oct 2012. An additional $69,117 will be expensed in future years based on the probability of satisfying vesting conditions.

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
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%

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 2012

NOTE 22: 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	2012 $	2011 $
Financial Assets			
Cash assets	7	806,093	1,436,078
Receivables	8	15,143	15,541
		821,236	1,451,619
Financial Liabilities			
Payables	13	103,434	53,451

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 2012.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 22: FINANCIAL RISK MANAGEMENT (CONTINUED)

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Trade and other payables (excluding est. annual leave)	103,434	53,451	-	-	-	-	103,434	53,451
Total contractual outflows	103,434	53,451	-	-	-	-	103,434	53,451
Total expected outflows	103,434	53,451	-	-	-	-	103,434	53,451
Financial assets — cash flows realisable								
Cash assets	806,093	1,436,078	-	-	-	-	806,093	1,436,078
Receivables	15,143	15,541	-	-	-	-	15,143	15,541
Total anticipated inflows	821,236	1,451,619	-	-	-	-	821,236	1,451,619
Net (outflow)/inflow on financial instruments	717,802	1,398,168	-	-	-	-	717,802	1,398,168

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 23: SEGMENT REPORTING

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 24: CASH FLOW INFORMATION	2012 $	2011 $
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	460	232
Cash at bank	805,633	1,435,846
	806,093	1,436,078
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	(1,741,770)	(1,791,647)
Non-cash flows in loss from ordinary activities:		
- Loss on disposal of Plant and Equipment	7,622	-
- Depreciation and amortisation	29,856	30,104
- Impairment of intangibles	999,745	1,208,683
- Movement in options reserve	46,828	-
- Movement in provision for employee entitlements	(8,215)	4,317
Changes in assets and liabilities:		
- (Increase) decrease in trade and other debtors	398	(771)
- (Increase) decrease in prepayments	(4,000)	2,268
- Increase (decrease) in payables	49,983	(80)
Net cash used in operating activities	(619,553)	(547,126)

NOTE 25: KEY MANAGEMENT PERSONNEL COMPENSATION

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

Chief Executive Officer: 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
2012	$	$	$	$
Total compensation	10,306	502,259	77,203	589,768
2011				
Total compensation	-	334,732	61,774	396,506

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 24 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 2012 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.

G Cumming

Geoffrey J. Cumming
Chairman

Kerry Hegarty

Kerry A. Hegarty
Managing Director/CEO

Dated this 14th day September 2012

walker wayland

Walker Wayland NSW
Chartered Accountants

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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 2012, and the statement of 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.

Walker Wayland NSW
Chartered Accountants

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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 2012 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.

Significant Uncertainty Regarding Ongoing Viability

Without qualifying our audit opinion, we draw attention to Note 1(a) in the financial report which indicates the general purpose financial report has been prepared on a going concern basis and that the Company is dependent on the receipt of funds from the fully underwritten capital raising which is due to complete in September 2012 to support the short and medium term cash requirements and therefore meet its obligations over the next 12-months. Until the time that these balances are accounted for, there will remain a risk to the ongoing viability of the company.

Walker Wayland NSW

Walker Wayland NSW | **Richard Woods**

Chartered Accountants | **Partner**

Signed in Sydney on this 14th day of September 2012