

STARPHARMA POOLED DEVELOPMENT LIMITED

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Starpharma Pooled Development Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2002.

This interim financial report should be read in conjunction with the annual financial report for the period ended 30 June 2002.

Directors

The following persons were directors of Starpharma Pooled Development Limited ("the Company") during the whole of the half-year and up to the date of this report:

R J D Oliver
P M Colman
R Dobinson
L Gorr
P J Jenkins
J W Raff

Review of Operations

The Company is a Pooled Development Fund with four wholly-owned subsidiary companies - Angiostar Ltd, Preclin Pty Ltd, Starpharma Ltd, Viralstar Ltd and a fifth subsidiary - Dendritic Nanotechnologies Ltd (DNT).

Press Releases

The following press releases were released during the half-year period:

10 July 2002: Starpharma completes U.S. Nanotech Venture

Starpharma Pooled Development Limited announced completion of the establishment of Dendritic Nanotechnologies Limited (DNT).

6 August 2002: Starpharma appoints Head Chemist

Appointment of Dr Guy Krippner as Head Chemist of Starpharma Ltd

25 October 2002: Starpharma gains PDF approval for roll-over of DNT into US entity

28 October 2002 Starpharma subsidiary major beneficiary of US\$3.5 Million US Defense allocation

20 November 2002 Starpharma awarded its third US nanotechnology patent

21 November 2002 Starpharma subsidiary appoints Chief Executive Officer

DNT appoints Charles Burke, PhD, as founding Chief Executive Officer.

19 December 2002 Starpharma delays the timing of its application to the FDA for human trials on vaginal microbicide.

Starpharma Limited - dendrimer nanotechnologies for drugs against major diseases

The Company's 100% controlled entity Starpharma Limited, ("Starpharma") continues to work on the development and commercialisation of dendrimer compounds as drugs against diseases including:

- HIV
- Herpes
- Cancer (tumour related)
- Respiratory diseases, and
- Toxin-related illnesses.

Starpharma is a world leader in dendrimer research and development for pharmaceutical applications, and has a dominant intellectual property position in this area.

Starpharma's lead project is directed towards achieving regulatory approval of dendrimer-based drugs. A submission to the US Food and Drug Administration (FDA) was anticipated by the end of December 2002, which would have enabled clinical trials of the vaginal microbicide candidate SPL7013 to commence in early 2003. Studies assessing HIV infectivity in Macaque monkeys (the closest animal model to humans) showed promising results, but confounding results from a separate study using rabbits led to a decision to delay the submission to the FDA until these latter results could be fully explained. Starpharma has implemented steps to resolve these contradictory trial results and to enable the IND submission to proceed through the FDA.

This is the first time that a defined, dendrimer-based nanostructure has been taken through the US FDA regulatory system. Consequently the task of obtaining regulatory approval has been both complex and time consuming. The benefit of undertaking the submission has been that Starpharma has developed in-house analytical and regulatory skills that will enable it to seek FDA approval for other products in future. This will assist Starpharma in licensing negotiations for other pharmaceutical applications of dendrimers.

Dendrimer nanotechnology is recognised internationally as having applications in a variety of significant, unmet medical needs (including sexually transmitted diseases and biological warfare protection). Because of this recognition, Starpharma has continued to receive significant international support which has significantly lowered the cost of its development programs. This support has been provided without the loss of ownership of intellectual property that would normally accompany the licensing of, and/or collaborative work on the technology. Most of Starpharma's directly funded pharmaceutical R&D activities are carried out in Australia, which further reduces the Company's cash burn rate.

There have been major international developments which have commercial implications for both of the Company's core technology areas.

The first major international licensing transaction for polyvalent technology occurred with the recent alliance announced by Theravance Inc and GlaxoSmithKline. This alliance has been formed to develop and commercialise polyvalent compounds for the treatment of respiratory diseases. It involved an upfront payment of US\$50 million, and milestone payments of up to US\$495million. Theravance will also receive double-digit royalties on product sales. This is the first commercial transaction to illustrate the potential value of polyvalent technology to the pharmaceutical industry.

The US Food & Drug Administration is placing considerable emphasis on the purity of nanostructures and is developing regulatory guidelines which are similar to those already in place for traditional, small-molecule drugs. Starpharma is accumulating considerable knowledge on the pharmacology and toxicity profiles of nanostructures as drugs. Starpharma's dendrimer expertise is at the forefront of producing pure, accurately-defined structures. The Company's ability to use the combination of polyvalence and defined structure will enable the creation of new, highly-effective products which are able to be registered as human pharmaceuticals.

Dendritic Nanotechnologies Limited

At the date of this report the Company owned 55% of the issued shares in Dendritic Nanotechnologies Limited (DNT), an Australian-based company with US-based operations. DNT is facilitating the commercialisation of dendrimer nanotechnology across a broad range of life-science and non-life science applications, including photonics and electronics. DNT is already selling dendrimers through an international chemical distributor (Sigma-Aldrich). Dendrimers are also sold directly to nanoscience research centres around the world. Enquiries are being received by DNT from a range of corporations and institutions for applications of the technology, including:

- New generation batteries
- Video screens
- Activated films, and
- Micro chip technology.

Starpharma is working in partnership with DNT on drug delivery applications and has already commenced animal trials. DNT will be a major beneficiary of a US\$3.5million grant from the US Defense Department to establish DNT and Central Michigan University as a Center of Dendrimer Nanotechnology. Further grant funding opportunities are being pursued.

The Company funded the establishment of DNT by an equity subscription, capped at a maximum of US\$2.18m over a period of three years. DNT will be converted to a US corporation during March 2003, and at that time the balance of the partly paid shares held by the Company will be remitted to DNT. Following conversion of the company to a US entity, Starpharma PDL will have a 49.99% equity position in DNT Inc.

After payment of the balance of the partly paid shares there will be no further payments to DNT from the Company. The Company expects grant funding and sales revenue to minimise the need for the introduction of any significant equity capital into DNT. The Company was successful in obtaining approval from the Pooled Development Fund Board to retain its equity position in DNT after its conversion to a US entity.

Starpharma retains the commercialisation rights over pharmaceutical applications from DNT's intellectual property. By establishing DNT, Starpharma has raised its profile in the scientific and investment communities in the US. As a US Corporation, DNT Inc. is eligible for grant funding from the US government, and has strong prospects for Defense Department funding.

Summary

The Company has established a significant US presence. Starpharma's position as a world leader in development of a new generation of drugs based on polyvalent dendrimer nanotechnology is being recognised internationally. The Company is now focused on converting this recognition into meaningful licensing opportunities. The Board also recognises the implications of the current economic climate, and has acted to conserve cash resources by reducing in-house expenditure and by aggressively seeking external funding for the Company's major development programs. The revised budget indicates that there are sufficient cash reserves to continue to operate a significant research and development program until at least the end of June 2005, without factoring in the receipt of any new grants or any form of partnership income.

Starpharma's SPL7013 compound, formulated as a vaginal microbicide, continues to be our leading product in development. The Company believes there are good prospects for attracting external funding to support further development of the program, including clinical trials. The widespread use of vaginal microbicides represents the most effective potential strategy for the prevention of HIV and other sexually transmitted diseases.

Operating Loss

For the half-year ended 31 December 2002 the consolidated entity incurred an operating loss after income tax of \$4,077,000 (31 December 2001: \$4,013,000).

Significant Changes in The State Of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the economic entity that occurred during the half-year under review not otherwise disclosed in this report or in the financial statements.

Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and the financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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



John W Raff
Director

12th March 2003
Melbourne

STARPHARMA POOLED DEVELOPMENT LIMITED

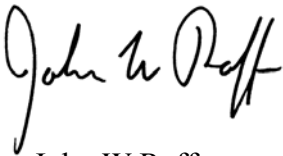
DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out in the attached Appendix 4B – Half yearly/preliminary final report:

- (a) comply with Accounting Standards, the Corporations Act 2001 and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2002 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Starpharma Pooled Development Ltd 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.



John W Raff
Director

12th March 2003
Melbourne

Appendix 4B

Half yearly/~~preliminary~~ final report

Introduced 30/6/2002.

Name of entity

Starpharma Pooled Development Limited

ABN or equivalent company reference Half yearly (tick) Preliminary final (tick) Half year/~~financial year~~ ended ('current period')

20 078 532 180 31 December 2002

For announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Revenues from ordinary activities (<i>item 1.1</i>)	up/down	5%	to	694
Profit (loss) from ordinary activities after tax attributable to members (<i>item 1.22</i>)	up/down	2%	to	(4,077)
Profit (loss) from extraordinary items after tax attributable to members (<i>item 2.5(d)</i>)	gain (loss) of	-	-	
Net profit (loss) for the period attributable to members (<i>item 1.11</i>)	up/down	2%	to	(4,077)
Dividends (distributions)				
	Amount per security			Franked amount per security
Final dividend (<i>Preliminary final report only - item 15.4</i>)	Nil ¢			Nil ¢
Interim dividend (<i>Half yearly report only - item 15.6</i>)	Nil ¢			Nil ¢
Previous corresponding period (<i>Preliminary final report - item 15.5; half yearly report - item 15.7</i>)	Nil ¢			Nil ¢
†Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (<i>see item 15.2</i>)				
<div style="border: 1px solid black; padding: 5px; display: inline-block;">Not Applicable</div>				
Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

If this is a half yearly report it is to be read in conjunction with the most recent annual financial report.

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial performance

		Current period - \$A'000	Previous corresponding period - \$A'000
1.1	Revenues from ordinary activities (<i>see items 1.23 -1.25</i>)	694	731
1.2	Expenses from ordinary activities (<i>see items 1.26 & 1.27</i>)	(5,202)	(4,744)
1.3	Borrowing costs	-	-
1.4	Share of net profits (losses) of associates and joint venture entities (<i>see item 16.7</i>)		
1.5	Profit (loss) from ordinary activities before tax	(4,508)	(4,013)
1.6	Income tax on ordinary activities (<i>see note 4</i>)		
1.7	Profit (loss) from ordinary activities after tax	(4,508)	(4,013)
1.8	Profit (loss) from extraordinary items after tax (<i>see item 2.5</i>)		
1.9	Net profit (loss)	(4,508)	(4,013)
1.10	Net profit (loss) attributable to outside ⁺ equity interests	431	-
1.11	Net profit (loss) for the period attributable to members	(4,077)	(4,013)
Non-owner transaction changes in equity			
1.12	Increase (decrease) in revaluation reserves		
1.13	Net exchange differences recognised in equity		
1.14	Other revenue, expense and initial adjustments recognised directly in equity (attach details)		
1.15	Initial adjustments from UIG transitional provisions		
1.16	Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15)		
1.17	Total changes in equity not resulting from transactions with owners as owners	(4,077)	(4,013)
Earnings per security (EPS)		Current period	Previous corresponding Period
1.18	Basic EPS	(\$0.046)	(\$0.045)
1.19	Diluted EPS	(\$0.046)	not materially different

+ See chapter 19 for defined terms.

Notes to the condensed consolidated statement of financial performance

Profit (loss) from ordinary activities attributable to members

	Current period - \$A'000	Previous corresponding period - \$A'000
1.20 Profit (loss) from ordinary activities after tax (<i>item 1.7</i>)	(4,508)	(4,013)
1.21 Less (plus) outside ⁺ equity interests	431	-
1.22 Profit (loss) from ordinary activities after tax, attributable to members	(4,077)	(4,013)

Revenue and expenses from ordinary activities

(*see note 15*)

	Current period - \$A'000	Previous corresponding period - \$A'000
1.23 Revenue from sales or services		
1.24 Interest revenue	326	536
1.25 Other relevant revenue		
- Government Grants	354	195
- Profit On Sale Of Fixed Assets	14	
	<u>694</u>	<u>731</u>
1.26 Details of relevant expenses		
- Administration Expenses	(1,565)	(1,496)
- Occupancy Expenses	(34)	(5)
- Research & Development Expenses	(3,353)	(3,165)
- Other Expenses	(250)	(78)
	<u>(5,202)</u>	<u>(4,744)</u>
1.27 Depreciation and amortisation excluding amortisation of intangibles (<i>see item 2.3</i>)	239	65
Capitalised outlays		
1.28 Interest costs capitalised in asset values	-	-
1.29 Outlays capitalised in intangibles (unless arising from an ⁺ acquisition of a business)	-	-

+ See chapter 19 for defined terms.

Consolidated retained profits

	Current period - \$A'000	Previous corresponding period - \$A'000
1.30 Retained profits (accumulated losses) at the beginning of the financial period	(16,024)	(8,118)
1.31 Net profit (loss) attributable to members (<i>item 1.11</i>)	(4,077)	(4,013)
1.32 Net transfers from (to) reserves (<i>details if material</i>)		
1.33 Net effect of changes in accounting policies		
1.34 Dividends and other equity distributions paid or payable		
1.35 Retained profits (accumulated losses) at end of financial period	(20,101)	(12,131)

Intangible and extraordinary items

		<i>Consolidated - current period</i>			
		Before tax \$A'000	Related tax \$A'000	Related outside +equity interests \$A'000	Amount (after tax) attributable to members \$A'000
		(a)	(b)	(c)	(d)
2.1	Amortisation of goodwill				
2.2	Amortisation of other intangibles				
2.3	Total amortisation of intangibles				
2.4	Extraordinary items (details)				
2.5	Total extraordinary items				

Comparison of half year profits

(Preliminary final report only)

	Current year - \$A'000	Previous year - \$A'000
3.1 Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the <i>1st</i> half year (item 1.22 in the half yearly report)		
3.2 Consolidated profit (loss) from ordinary activities after tax attributable to members for the <i>2nd</i> half year		

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial position		At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000
Current assets				
4.1	Cash	11,268	17,434	21,168
4.2	Receivables	153	150	62
4.3	Investments			
4.4	Inventories			
4.5	Tax assets			
4.6	Other (provide details if material)	103	253	13
4.7	Total current assets	11,524	17,837	21,243
Non-current assets				
4.8	Receivables			
4.9	Investments (equity accounted)			
4.10	Other investments			
4.11	Inventories			
4.12	Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)			
4.13	Development properties (+mining entities)			
4.14	Other property, plant and equipment (net)	1,988	948	438
4.15	Intangibles (net)			
4.16	Tax assets			
4.17	Other (provide details if material)	77	74	
4.18	Total non-current assets	2,065	1,022	438
4.19	Total assets	13,589	18,859	21,681
Current liabilities				
4.20	Payables	461	1,243	672
4.21	Interest bearing liabilities			
4.22	Tax liabilities			
4.23	Provisions exc. tax liabilities	200	178	106
4.24	Other (provide details if material)	170	171	
4.25	Total current liabilities	831	1,592	778
Non-current liabilities				
4.26	Payables			
4.27	Interest bearing liabilities			
4.28	Tax liabilities			
4.29	Provisions exc. tax liabilities			
4.30	Other (provide details if material)			
4.31	Total non-current liabilities			

+ See chapter 19 for defined terms.

Condensed consolidated statement of financial position continued

4.32	Total liabilities	831	1,592	778
4.33	Net assets	12,758	17,267	20,903
	Equity			
4.34	Capital/contributed equity	33,034	33,034	33,034
4.35	Reserves			
4.36	Retained profits (accumulated losses)	(20,101)	(16,024)	(12,131)
4.37	Equity attributable to members of the parent entity	12,933	17,010	20,903
4.38	Outside ⁺ equity interests in controlled entities	(175)	257	-
4.39	Total equity	12,758	17,267	20,903
4.40	Preference capital included as part of 4.37	-	-	-

Notes to the condensed consolidated statement of financial position

Exploration and evaluation expenditure capitalised

(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)

	Current period \$A'000	Previous corresponding period - \$A'000
5.1	Opening balance	
5.2	Expenditure incurred during current period	
5.3	Expenditure written off during current period	
5.4	Acquisitions, disposals, revaluation increments, etc.	
5.5	Expenditure transferred to Development Properties	
5.6	Closing balance as shown in the consolidated balance sheet (item 4.12)	

Development properties

(To be completed only by entities with mining interests if amounts are material)

	Current period \$A'000	Previous corresponding period - \$A'000
6.1	Opening balance	
6.2	Expenditure incurred during current period	

+ See chapter 19 for defined terms.

6.3 Expenditure transferred from exploration and evaluation		
6.4 Expenditure written off during current period		
6.5 Acquisitions, disposals, revaluation increments, etc.		
6.6 Expenditure transferred to mine properties		
6.7 Closing balance as shown in the consolidated balance sheet (item 4.13)		

Condensed consolidated statement of cash flows

	Current period \$A'000	Previous corresponding period - \$A'000
Cash flows related to operating activities		
7.1 Receipts from customers	323	440
7.2 Payments to suppliers and employees	(5,401)	(4,940)
7.3 Dividends received from associates		
7.4 Other dividends received		
7.5 Interest and other items of similar nature received	409	523
7.6 Interest and other costs of finance paid		
7.7 Income taxes paid		
7.8 Other – GST Recovered		
7.9 Net operating cash flows	(4,669)	(3,977)
Cash flows related to investing activities		
7.10 Payment for purchases of property, plant and equipment	(1,470)	(267)
7.11 Proceeds from sale of property, plant and equipment	(27)	
7.12 Payment for purchases of equity investments		
7.13 Proceeds from sale of equity investments		
7.14 Loans to other entities		
7.15 Loans repaid by other entities		
7.16 Other (provide details if material)		
7.17 Net investing cash flows	(1,443)	(267)
Cash flows related to financing activities		
7.18 Proceeds from issues of ⁺ securities (shares, options, etc.)	-	-
7.19 Proceeds from borrowings		
7.20 Repayment of borrowings		
7.21 Dividends paid		

+ See chapter 19 for defined terms.

7.22	Other (provide details if material)		
	(i) Issue Costs	-	-
	(ii) Repayment of over subscriptions	-	-
	(iii) Issue Costs refunded	-	-
7.23	Net financing cash flows	-	-
7.24	Net increase (decrease) in cash held	(6,166)	(4,244)
7.25	Cash at beginning of period <i>(see Reconciliation of cash)</i>	17,434	25,412
7.26	Exchange rate adjustments to item 7.25.		
7.27	Cash at end of period <i>(see Reconciliation of cash)</i>	11,268	21,168

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. *(If an amount is quantified, show comparative amount.)*

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Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current period \$A'000	Previous corresponding period - \$A'000
8.1 Cash on hand and at bank	1,075	2,698
8.2 Deposits at call	10,193	18,470
8.3 Bank overdraft		
8.4 Other (provide details)		
8.5 Total cash at end of period (item 7.27)	11,268	21,168

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding Period
9.1 Profit before tax / revenue Consolidated profit (loss) from ordinary activities before tax <i>(item 1.5)</i> as a percentage of revenue <i>(item 1.1)</i>	(649.56%)	(548.97%)
9.2 Profit after tax / ⁺equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members <i>(item 1.11)</i> as a percentage of equity (similarly attributable) at the end of the period <i>(item 4.37)</i>	(31.52%)	(19.20%)

+ See chapter 19 for defined terms.

Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

The loss used as the numerator in calculating basic EPS is \$4,077,000 as per Item 1.11 .

The weighted average number of ordinary shares of the entity used as the denominator in calculating diluted EPS is 89,600,000. The difference between this amount and the denominator in calculating the basic EPS of 88,900,000 is made up of:

<u>Description</u>	<u>Quantity</u>	<u>Exercise Price</u>	<u>Expiry</u>
- Employee Share Options	260,000	93.75 ¢	31/12/05
- Employee Share Options	240,000	93.75 ¢	11/04/07
- Issue to Consultants	200,000	93.75 ¢	30/06/07

There were no converted, lapsed or cancelled potential ordinary shares included in the calculation of diluted EPS.

There were no potential ordinary shares that were not dilutive and therefore not used in the calculation of dilutive EPS.

There were no conversions to, calling of, nor subscription for, ordinary shares occurring between the reporting date and the time of completion of the financial report.

There were no issues of potential ordinary shares occurring between the reporting date and the time of completion of the financial report.

NTA backing

(see note 7)

11.1 Net tangible asset backing per ⁺ordinary security

Current period	Previous corresponding Period
\$0.145	\$0.23

Discontinuing Operations

(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of *AASB 1029: Interim Financial Reporting*, or, the details of discontinuing operations they have disclosed in their accounts in accordance with *AASB 1042: Discontinuing Operations* (see note 17).)

12.1 Discontinuing Operations

+ See chapter 19 for defined terms.

Control gained over entities having material effect

13.1 Name of entity (or group of entities)	
13.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was ⁺ acquired	
13.3 Date from which such profit has been calculated	
13.4 Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	

Loss of control of entities having material effect

14.1 Name of entity (or group of entities)	
14.2 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	\$
14.3 Date to which the profit (loss) in item 14.2 has been calculated	
14.4 Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	\$
14.5 Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$

Dividends (in the case of a trust, distributions)

15.1 Date the dividend (distribution) is payable	
15.2 ⁺ Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if ⁺ securities are not ⁺ CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if ⁺ securities are ⁺ CHESS approved)	
15.3 If it is a final dividend, has it been declared? <i>(Preliminary final report only)</i>	

⁺ See chapter 19 for defined terms.

Amount per security

		Amount per security	Franked amount per security at % tax (see note 4)	Amount per security of foreign source dividend
15.4	<i>(Preliminary final report only)</i> Final dividend: Current year	Nil¢	Nil¢	Nil¢
	Previous year	Nil¢	Nil¢	Nil¢
15.6	<i>(Half yearly and preliminary final reports)</i> Interim dividend: Current year	Nil¢	Nil¢	Nil¢
	Previous year	Nil¢	Nil¢	Nil¢

Total dividend (distribution) per security (interim plus final)

(Preliminary final report only)

	Current year	Previous year
15.8 +Ordinary securities	¢	¢
15.9 Preference +securities	¢	¢

Half yearly report - interim dividend (distribution) on all securities or Preliminary final report - final dividend (distribution) on all securities

	Current period \$A'000	Previous corresponding period - \$A'000
15.10 +Ordinary securities <i>(each class separately)</i>	Nil	Nil
15.11 Preference +securities <i>(each class separately)</i>	Nil	Nil
15.12 Other equity instruments <i>(each class separately)</i>	Nil	Nil
15.13 Total	Nil	Nil

The +dividend or distribution plans shown below are in operation.

The last date(s) for receipt of election notices for the +dividend or distribution plans

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

+ See chapter 19 for defined terms.

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	Current period \$A'000	Previous corresponding period - \$A'000
16.1 Profit (loss) from ordinary activities before tax		
16.2 Income tax on ordinary activities		
16.3 Profit (loss) from ordinary activities after tax		
16.4 Extraordinary items net of tax		
16.5 Net profit (loss)		
16.6 Adjustments		
16.7 Share of net profit (loss) of associates and joint venture entities		

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)*

<i>Name of entity</i>	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss) (<i>item 1.9</i>)	
	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period - \$A'000
17.1 Equity accounted associates and joint venture entities				
17.2 Total				
17.3 Other material interests				
17.4 Total				

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current period

(Description must include rate of interest and any redemption or conversion rights together with prices and dates)

Category of ⁺ securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1 Preference ⁺securities (description)				
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions				
18.3 ⁺Ordinary securities	88,900,000	88,900,000	N/A	N/A
18.4 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks				
18.5 ⁺Convertible debt securities (description and conversion factor)				
18.6 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted				
18.7 Options (description and conversion factor)			<i>Exercise Price</i>	<i>Expiry date (if any)</i>
- Employee Share Options	260,000	Nil	93.75¢	31/12/05
- Employee Share Options	240,000	Nil	93.75¢	11/04/07
- Issue to Consultants	200,000	Nil	93.75¢	30/06/07
18.8 Issued during current period				
18.9 Exercised during current period	Nil	Nil		
18.10 Expired during current period	2,400,000	Nil	93.75¢	

+ See chapter 19 for defined terms.

18.11 Debentures <i>(description)</i>		
18.12 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted		
18.13 Unsecured notes <i>(description)</i>		
18.14 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted		

* Still subject to formal acceptance.

Segment reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's ⁺accounts should be reported separately and attached to this report.)

Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by *AASB 1029: Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

Basis of financial report preparation

19.1 *If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Interim Financial Reporting. It should be read in conjunction with the last ⁺annual report and any announcements to the market made by the entity during the period. The financial statements in this report are "condensed financial statements" as defined in AASB 1029: Interim Financial Reporting. This report does not include all the notes of the type normally included in an annual financial report. [Delete if preliminary final report.]*

19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Refer Attachment B.

19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

Nil.

⁺ See chapter 19 for defined terms.

19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

Not Applicable.

19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

Nil.

19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

Nil

Additional disclosure for trusts

20.1 Number of units held by the management company or responsible entity or their related parties.

20.2 A statement of the fees and commissions payable to the management company or responsible entity.
Identify:

- initial service charges
- management fees
- other fees

+ See chapter 19 for defined terms.

Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place

Date

Time

Approximate date the + annual report will be available

Compliance statement

- 1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

Identify other standards used

None

- 2 This report, and the +accounts upon which the report is based (if separate), use the same accounting policies.

- 3 This report does give a true and fair view of the matters disclosed (see note 2).

- 4 This report is based on +accounts to which one of the following applies.

(Tick one)

The +accounts have been audited.

The +accounts have been subject to review.

The +accounts are in the process of being audited or subject to review.

The +accounts have *not* yet been audited or reviewed.

- 5 If the audit report or review by the auditor is not attached, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*Half yearly report only - the audit report or review by the auditor must be attached to this report if this report is to satisfy the requirements of the Corporations Act.*)

- 6 The entity has/~~does not have~~* (*delete one*) a formally constituted audit committee.

Sign here:  Date: 7 March 2003.....

(Director/Company Secretary)

Print name: Ben Rogers.....

Notes

+ See chapter 19 for defined terms.

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. Entities are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.
2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.
3. **Condensed consolidated statement of financial performance**
 - Item 1.1 The definition of "revenue" and an explanation of "ordinary activities" are set out in *AASB 1004: Revenue*, and *AASB 1018: Statement of Financial Performance*.
 - Item 1.6 This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax).
4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franked amount per security at % tax" for items 15.4 to 15.7.
5. **Condensed consolidated statement of financial position**

Format The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029: Interim Financial Reporting*, and *AASB 1040: Statement of Financial Position*. Also, banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last ⁺annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.
6. **Condensed consolidated statement of cash flows** For definitions of "cash" and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the

+ See chapter 19 for defined terms.

presentation adopted must meet the requirements of *AASB 1026*. ⁺Mining exploration entities may use the form of cash flow statement in Appendix 5B.

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ⁺ordinary securities (ie, all liabilities, preference shares, outside ⁺equity interests etc). ⁺Mining entities are *not* required to state a net tangible asset backing per ⁺ordinary security.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the ⁺accounts. Details must include the contribution for each gain or loss that increased or decreased the entity's consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.
9. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. If an entity reports exact figures, the \$A'000 headings must be amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, and the \$A'000 headings must be amended.
10. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 1018* or *AASB 1029 Interim Financial Reporting* as appropriate and are the unadjusted figures from the latest annual or half year report as appropriate. However, if an adjustment has been made in accordance with an accounting standard or other reason or if there is a lack of comparability, a note explaining the position should be attached. For the statement of financial performance, *AASB 1029 Interim Financial Reporting* requires information on a year to date basis in addition to the current interim period. Normally an Appendix 4B to which *AASB 1029 Interim Financial Reporting* applies would be for the half year and consequently the information in the current period is also the year to date. If an Appendix 4B Half yearly version is produced for an additional interim period (eg because of a change of reporting period), the entity must provide the year to date information and comparatives required by *AASB 1029 Interim Financial Reporting*. This should be in the form of a multi-column version of the consolidated statement of financial performance as an attachment to the additional Appendix 4B.
11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the ⁺ASIC under the Corporations Act must also be given to ASX. For example, a director's report and declaration, if lodged with the ⁺ASIC, must be given to ASX.
12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.
13. **Corporations Act financial statements** This report may be able to be used by an entity required to comply with the Corporations Act as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.
14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.

⁺ See chapter 19 for defined terms.

- 15 Details of expenses** *AASB 1018* requires disclosure of expenses from ordinary activities according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by ASX. *AASB ED 105* clarifies that the disclosures required by *AASB 1018* must be either *all* according to nature or *all* according to function. Entities must disclose details of expenses using the layout (by nature or function) employed in their ⁺accounts.

The information in lines 1.23 to 1.27 may be provided in an attachment to Appendix 4B.

Relevant Items *AASB 1018* requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is *relevant* in explaining the financial performance of the reporting entity. The term “relevance” is defined in *AASB 1018*. There is an equivalent requirement in *AASB 1029: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by ASX.

- 16 Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to “000” must be changed to the reporting value.

- 17. Discontinuing operations**

Half yearly report

All entities must provide the information required in paragraph 12 for half years beginning on or after 1 July 2001.

Preliminary final report

Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by paragraph 7.5 (g) of *AASB 1029: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their ⁺accounts in accordance with *AASB 1042 Discontinuing Operations*.

In any case the information may be provided as an attachment to this Appendix 4B.

- 18. Format**

This form is a Word document but an entity can re-format the document into Excel or similar applications for submission to the Companies Announcements Office in ASX.

⁺ See chapter 19 for defined terms.

ATTACHMENT A: SEGMENT INFORMATION

The consolidated entity operates in the following business segments:

- Virology – development and commercialisation of dendrimers for prevention and treatment of virus diseases, particularly sexually transmitted diseases.
- Angiogenesis – development and commercialisation of dendrimers that inhibit angiogenesis.
- Other Pharmaceuticals – development of dendrimers with novel pharmaceutical activity.
- Dendritic Nanotechnologies Limited – development and commercialisation of dendrimers and dendritic polymer compounds with applications including pharmaceutical, drug delivery and other potential applications across a broad range of industry sectors.

Although the consolidated entity's business segments are managed from Australia, they operate in two main geographical locations – Australia and United States of America. Dendritic Nanotechnologies Limited has its operations in the USA and all other operations of the consolidated entity operate in Australia.

Primary Basis – Business Segments	Virology	Angiogenesis	Other Pharmaceuticals	Dendritic Nanotechnologies Limited	Unallocated	Consolidated Total
REVENUE						
External Revenue	134,700	219,265	-	53	340,419	694,437
Total Segment Revenue	134,700	219,265	-	53	340,419	694,437
SEGMENT RESULT						
Profit/(Loss) from Ordinary Activities before Income Tax	(1,149,390)	(713,848)	(622,537)	(1,282,137)	(739,895)	(4,507,807)
DEPRECIATION & AMORTISATION						
Depreciation	78,996	78,996	19,749	41,774	19,749	239,266
LIABILITIES						
Total Segment Liabilities	-	170,000	-	40,390	619,493	829,883
ASSETS						
Total Segment Assets	863,606	863,606	215,901	440,711	11,205,134	13,588,958
SEGMENT ASSETS ACQUIRED DURING THE REPORTING PERIOD						
Property, Plant & Equipment*	475,610	475,610	136,319	90,550	136,319	1,314,408

**The difference between this figure and that appearing in the cash flow statement at item 7.1 is largely attributable to goods and service tax applicable to Australian acquisitions.*

SEGMENT INFORMATION (continued)

Secondary Basis – Geographic Segments	AUSTRALIA	USA	CONSOLIDATED TOTAL
REVENUE			
External Revenue	694,384	53	694,437
SEGMENT RESULT			
Profit/(Loss) from Ordinary Activities before Income Tax	(3,225,670)	(1,282,137)	(4,507,807)
ASSETS			
Total Segment Assets	13,148,247	440,711	13,588,958
SEGMENT ASSETS ACQUIRED DURING THE REPORTING PERIOD			
Property, Plant & Equipment	1,223,858	90,550	1,314,408

Comparison Against Previous Corresponding Period

The consolidated entity did not disclose segment information in the ASX Appendix 4B statement for the Half Year Ended 31 December 2001 in a format comparable to that reflected above and it is impracticable to re-format the 31 December 2001 disclosures into a comparable format. For comparative purposes, additional segment disclosure has been prepared for the Half Year Ended 31 December 2002 in a format to facilitate a comparison to that reflected in the Half Year Report for the Half Year Ended 31 December 2001.

Half Year Ended 31 December 2002

The consolidated entity operates in one industry segment being the pharmaceutical research and development industry and in two geographic segments, namely Australia and the United States of America. As at and for the half year ended 31 December 2002, the American operations contributed a loss of \$1,282,137 to the consolidated loss, had \$53 revenue and \$440,711 of the group's total assets of \$13,588,958. The Australian operations contributed a loss of \$3,225,670 to the consolidated loss, had \$694,384 in revenue and \$13,148,247 of the group's total assets.

Half Year Ended 31 December 2001

The consolidated entity operates in one industry segment being the pharmaceutical research and development industry and in two geographic segments, namely Australia and the United States of America. As at and for the half year ended 31 December 2001, the American operations contributed a loss of \$268,000 to the consolidated loss, had \$0 revenue and \$429,000 of the group's total assets of \$21,681,000. The Australian operations contributed a loss of \$3,745,000 to the consolidated loss, had \$731,000 in revenue and \$21,252,000 of the group's total assets.

+ See chapter 19 for defined terms.

Independent review report to the members of Starpharma Pooled Development Limited

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report (defined below) is not presented in accordance with:

- the Corporations Act 2001 in Australia, including giving a true and fair view of the financial position of the Starpharma Pooled Development Limited Group (defined below) as at 31 December 2002 and of its performance for the half-year ended on that date
- Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia, the Corporations Regulations 2001 and ASX Listing Rules relating to half yearly financial reports.

This statement must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content

The preparation of the financial report for the half-year ended 31 December 2002 is the responsibility of the directors of Starpharma Pooled Development Limited. It includes the financial statements for the Starpharma Pooled Development Limited Group (the Group), which incorporates Starpharma Pooled Development Limited (the Company) and the entities it controlled during the half-year ended 31 December 2002.

The financial report comprises the attached half yearly report in the form of Appendix 4B of the Australian Stock Exchange (ASX) Listing Rules and the directors' declaration thereon for the half year ended 31 December 2002, excluding:

- a. material factors affecting the revenues and expenses of the consolidated entity for the current period as referred to on page 14 and set out in Attachment B; and
- b. the compliance statement on page 16.

The auditor's role and work

We conducted an independent review of the financial report in order for the Company to lodge the financial report with the Australian Securities & Investments Commission and the ASX.

Our role was to conduct the review in accordance with Australian Auditing Standards applicable to review engagements. Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

This review was performed in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly a view in accordance with the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia, the Corporations Regulations 2001 and ASX Listing Rules relating to half yearly financial reports which is consistent with our understanding of the Group's financial position, and its performance as represented by the results of its operations and cash flows.

The review procedures performed were limited primarily to:

- inquiries of Group personnel of certain internal controls, transactions and individual items
- analytical procedures applied to financial data.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

Independence

As auditor, we are required to be independent of the Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

In addition to our statutory audit and review work, we were engaged to undertake other services for the Group. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers

PricewaterhouseCoopers

John Yeoman

John Yeoman
Partner

Melbourne
12 March 2003