Starpharma Holdings Limited

ABN 20 078 532 180

Appendix 4E: Preliminary Financial Report
Year ended 30 June 2013

Lodged with the ASX under Listing Rule 4.3A
Previous corresponding period: Year ended 30 June 2012

Results for announcement to the market

				$'000
Revenue from continuing operations *(Appendix 4E item 2.1)*	Down	11%	to	**$2,429**
Loss from continuing operations after tax attributable to members *(Appendix 4E item 2.2)*	Down *(decrease)*	62%	to	**$5,229**
Loss for the period attributable to members *(Appendix 4E item 2.3)*	Down *(decrease)*	62%	To	**$5,229**

Dividends *(Appendix 4E items 2.4 and 2.5)*

No dividends have been paid or declared by the entity since the beginning of the current reporting period. No dividends were paid for the previous corresponding period. No record date for determining entitlements to dividends has been declared.

Explanation of Revenue *(Appendix 4E item 2.6)*

Total revenue for the year was $2,429,000. Revenue consists predominately of royalty, licensing and research revenue from commercial partners of $840,000 (2012: $881,000) and interest income on cash invested of $1,569,000 (2012: $1,819,000).

For further details, refer to the Annual Report which follows this announcement.

Explanation of Loss *(Appendix 4E item 2.6)*

The reported loss after tax of $5,229,000 is after fully expensing all research and development expenditure and patenting costs in the current year. A contra research and development expense of $8,704,000 has been recorded for research and development activities eligible under the Australian Government's R&D Tax Incentive program. Of the total, $4,071,000 related to 2012 expenditure not previously booked due to the uncertainty of its eligibility. Subsequent to the 2012 results, Starpharma received an advance finding from AusIndustry that covers certain overseas activities.

For further details, refer to the Annual Report which follows this announcement.

Financial Statements *(Appendix 4E items 3, 4, 5, 6 and 10)*

Refer to the Annual Report which follows this announcement.

Retained Earnings / Accumulated Losses *(Appendix 4E item 8)*

Refer to note 16 in the Annual Report which follows this announcement.

NTA Backing *(Appendix 4E item 9)*

Net tangible asset backing per ordinary share at 30 June 2013 is $0.13 (2012: $0.14).

Other Significant Information *(Appendix 4E item 12)*

Refer to the Annual Report which follows this announcement.

Commentary on Results *(Appendix 4E item 14)*

Refer to the Annual Report which follows this announcement, including the Operating and Financial Review in the Directors' Report.

Audit *(Appendix 4E item 15 to 17)*

The audit of the financial statements and notes has been completed and the Auditors' Report to members is contained in the Annual Report which follows this announcement. The above NTA backing calculation is considered a non-IFRS value and has not been audited or reviewed in accordance with Australian Accounting Standards.

Appendix 4E items 7, 8, 11, and 13 are not applicable

ASX ANNOUNCEMENT

Starpharma annual report and full year financial results

Melbourne, Australia; 26 August 2013 – Starpharma Holdings Ltd (ASX:SPL; OTCQX:SPHRY) today released its annual report and financial results for the year ended 30 June 2013.

Financial Results

- Net cash burn for the year $9.0M[1]
- Cash position at end of the year $33.8M
- Reported loss $5.2M

Operational Highlights

VivaGel®
- Phase 2 clinical trial completed for prevention of recurrent BV
- Phase 3 BV treatment clinical trials completed
- VivaGel® active ingredient shows potential as novel treatment for viral conjunctivitis

Drug Delivery
- Dendrimer-enhanced version of docetaxel superior across multiple cancer types
- Dendrimer-enhanced version of docetaxel demonstrates targeted tumour delivery
- Signing of agreement with AstraZeneca for cancer drug candidates
- Dendrimer formulation improves anticancer efficacy in lung metastasis model
- New patents strengthen and expand drug delivery platform

Agrochemicals
- New agrochemical partnership with Makhteshim Agan
- New formulations demonstrate further improvement in crop protection

Corporate
- Receipt of $5.4M R&D tax incentive payment
- Starpharma named “Company of the Year” in Janssen 2012 Industry Excellence Awards

Commenting on the results, Starpharma CEO Dr. Jackie Fairley said: “The 2013 financial year has been a period of important progress across the three focus areas of our business: VivaGel®, drug delivery, and agrochemicals. The company has closed the year in a strong financial position and with a number of important clinical and business milestones anticipated in the coming months.”

Net cash outflows from operating and investing activities for the year were $10.0 million (2012: $9.9 million), with cash reserves at 30 June 2013 of $33.8 million (2012: $42.8 million). The net loss after tax was $5.2 million (2012: $13.7 million), with the significant reduction due to additional R&D tax incentives recognised in the year.

During the year Starpharma reported positive Phase 2 trial results for VivaGel® for prevention of recurrent bacterial vaginosis (R-BV) supporting its progression into Phase 3, in parallel with advancement of activities for a symptomatic relief product, and the VivaGel® coated condom. The Company also reported key advances in its dendrimer-docetaxel development in preparation for human trials later this year, as well as new partnerships with AstraZeneca for oncology and in agrochemicals with Makhteshim Agan.

[1] Net cash burn is considered a non-IFRS value and has not been audited in accordance with Australian Accounting Standards. Net cash burn is calculated by the movement in cash and cash equivalents from 30 June 2012 to 30 June 2013.

ABOUT STARPHARMA

Starpharma Holdings Limited (ASX:SPL, OTCQX:SPHRY), located in Melbourne Australia, is an ASX 300 company and is a world leader in the development of dendrimer products for pharmaceutical, life science and other applications.

Starpharma's underlying technology is built around dendrimers – a type of synthetic nanoscale polymer that is highly regular in size and structure and well suited to pharmaceutical uses. Starpharma has three core development programs: VivaGel® portfolio, drug delivery, and agrochemicals with the Company developing a number of products internally and others via commercial partnerships.

Starpharma's lead product is VivaGel® (SPL7013 Gel), a gel-based formulation of a proprietary dendrimer. VivaGel® is under clinical development for the treatment and prevention of bacterial vaginosis (BV) and also as a vaginal microbicide to prevent the transmission of sexually transmitted infections including HIV and genital herpes. Starpharma has also signed separate licence agreements with Ansell Limited (ASX:ANN) and Okamoto Industries Inc (Tokyo Stock Exchange) to market a value-added, VivaGel®-coated condom. Ansell manufactures and sells leading condom brands worldwide, including Lifestyles®, ZERO® and SKYN®. Okamoto is the market leader for condoms sold in Japan, the world's second largest condom market.

In the wider pharmaceutical and life science fields, Starpharma has both partnered and internal programs in Drug Delivery. Drug Delivery partners include GSK, Lilly and AstraZeneca. In its internal program Starpharma has announced significant tumour-targeting results in its docetaxel (Taxotere®) program, with animal studies showing its dendrimer-enhanced version of docetaxel to have significantly superior anti-cancer effects across a range of important cancer types including breast, prostate, lung and ovarian tumour, when compared to Taxotere® (docetaxel).

In agrochemicals Starpharma has a series of partnerships with leading industry players including Nufarm (ASX:NUF) and Makhteshim Agan as well as internal programs including an enhanced version of glyphosate (the active ingredient in Roundup®).

FOR FURTHER INFORMATION

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Forward Looking Statements
This document contains certain forward-looking statements, relating to Starpharma's business, which can be identified by the use of forward-looking terminology such as "promising", "plans", "anticipated", "will", "project", "believe", "forecast", "expected", "estimated", "targeting", "aiming", "set to", "potential", "seeking to", "goal", "could

provide", "intends", "is being developed", "could be", "on track", or similar expressions, or by express or implied discussions regarding potential filings or marketing approvals, or potential future sales of product candidates. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no assurance that any existing or future regulatory filings will satisfy the FDA's and other authorities' requirements regarding any one or more product candidates nor can there be any assurance that such product candidates will be approved by any authorities for sale in any market or that they will reach any particular level of sales. In particular, management's expectations regarding the approval and commercialization of the product candidates could be affected by, among other things, unexpected trial results, including additional analysis of existing data, and new data; unexpected regulatory actions or delays, or government regulation generally; our ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing pressures; and additional factors that involve significant risks and uncertainties about our products, product candidates, financial results and business prospects. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. Starpharma is providing this information as of the date of this document and does not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or developments or otherwise.

ANNUAL REPORT 2013

starpharma

Maria Christou,
Senior Materials
Scientist

CONTENTS

Developing dendrimer products for pharmaceutical, life science and other applications

starpharma

VIVAGEL® (SPL7013)

Phase 2 prevention of recurrent BV infection clinical trial completed
Positive results support progression into a pivotal phase 3 clinical program for the prevention of recurrence of bacterial vaginosis (BV) indication. There are no approved therapies for preventing recurrent BV.

Phase 3 BV treatment clinical trials completed
VivaGel® showed excellent symptomatic relief and confirmed the activity of VivaGel® in BV. Although the results did not reach the FDA's required endpoint of 2-3 weeks post cessation of product to support a treatment indication, they strongly support the progression of the commercially more significant BV prevention of recurrence indication as well as support the alternative claim strategies being pursued.

VivaGel® active ingredient shows potential as novel treatment for viral conjunctivitis
Pre-clinical studies demonstrated the potent anti-viral effect of SPL7013 against important strains of adenovirus which cause most cases of viral conjunctivitis, a common eye complaint for which there is no cure.

DRUG DELIVERY

Dendrimer-enhanced version of docetaxel superior across multiple cancer types
In pre-clinical studies the dendrimer-docetaxel formulation demonstrated superior anti-cancer effects across the common cancer types of breast, prostate, lung and ovarian tumours, compared to Taxotere® (docetaxel) alone.

Dendrimer-enhanced version of Taxotere® demonstrates targeted tumour delivery
Starpharma's docetaxel formulation resulted in levels of the cancer drug docetaxel in tumour tissue more than 40 times greater than levels seen with Taxotere® and a significantly extended duration of action.

DRUG DELIVERY

Signs cancer drug agreement with AstraZeneca
Global pharmaceutical company AstraZeneca signs agreement to undertake studies using Starpharma's proprietary oncology dendrimer molecules.

Dendrimer formulation improves anticancer efficacy in lung metastasis model
Dendrimer-based formulation of doxorubicin was substantially more efficacious than the drug alone in treating secondary tumours of breast cancer in the lung.

New patents strengthen and expand drug delivery platform
Additional patents in the US and China provide "composition of matter" and other broad protection for Starpharma's dendrimers in drug delivery applications.

AGROCHEMICAL

Makhteshim Agan agrochemical collaboration
Starpharma's Priostar® dendrimer technology to be applied to novel crop protection formulations across Makhteshim Agan's extensive product portfolio.

New formulations demonstrate further improvement in crop protection
Studies of enhanced glyphosate reformulations showed improved rain-fastness and efficacy.

CORPORATE

Receipt of first R&D tax incentive payment
Starpharma received $5.4 million under the R&D Tax Incentive Program, relating to eligible Australian and overseas R&D activities from the 2011/12 financial year.

Starpharma named "Company of the Year"
Starpharma was awarded the top honour at the Janssen 2012 Industry Excellence Awards during AusBiotech, Australia's leading biotechnology industry conference.

Dear Shareholders,

On behalf of the board of Starpharma, I am pleased to present the annual report for 2012-13.

It has been a year of progress with important achievements made across the Company's product portfolio including a number of key clinical research outcomes. The Company continues to oversee a broad and maturing product portfolio, based on our dendrimer platform technology, and is approaching commercialisation on a number of fronts.

With three late-stage clinical trials due for completion, the year was a defining period for VivaGel®. The results from the two pivotal phase 3 clinical studies, assessing VivaGel® for a treatment indication in bacterial vaginosis (BV), were both surprising and disappointing in not achieving the primary efficacy endpoint required by the FDA. However, the results did confirm the efficacy of VivaGel® in BV and showed the product provided excellent symptomatic relief for sufferers of BV. The Company continues to investigate approaches to take advantage of these results, whilst advancing the larger commercial opportunity of VivaGel® as a preventive for recurrent BV following the positive phase 2 clinical trial results. The recurrent BV market is an area of high unmet medical need, is estimated to be worth more than $US1 billion globally, and represents an opportunity for VivaGel® to be the first-in-class product. Starpharma is progressing with the pivotal phase 3 clinical trial program for this indication with priority.

These events underscore the importance of Starpharma's strategy of a platform technology that supports a diverse and robust portfolio of products and across multiple industries.

Starpharma's partnered and internal programs made important progress during the year with dendrimer developments offering great potential in applications that support a next generation of pharmaceuticals and agrochemicals. The Company showed its dendrimer formulation of lead oncology drug, docetaxel is highly targeted, has lower toxicity and may be employed as more effective therapies across multiple common cancers. It was also pleasing to add another global pharmaceutical company in AstraZeneca, and leading crop protection company, Makhteshim Agan, to Starpharma's list of partners.

Shareholders can also be assured expenditure and cash continues to be prudently managed, while continuing to advance the multiple opportunities. The net cash burn of $9 million, assisted by the receipt of $5.4 million from R&D tax incentives, is modest given the numerous and substantial activities completed in the year. Starpharma's cash reserves remain strong at $33.8 million at the end of the financial year.

I would again like to express appreciation to all shareholders for their ongoing support and confidence. The uniformly positive outlook for Starpharma from healthcare analysts is encouraging for the year ahead.

Finally, I would like to thank fellow board members, including our CEO, Dr Jackie Fairley, her executive management team and all Starpharma employees. Being the inaugural winner of the Australian biotechnology industry's Janssen 2012 Company of the Year award is a fitting recognition of your achievements at Starpharma.

Yours sincerely,

Peter T Bartels, *AO*
Starpharma Chairman

Left:
Jackie Fairley, CEO

I am pleased to provide this report detailing Starpharma's activities during the 2012-13 financial year, and also our plans for the future. It has been a year of important progress across the three focus areas of our business: VivaGel®, drug delivery and agrochemicals.

VivaGel® portfolio

Bacterial vaginosis (BV)

A number of key clinical milestones were reached across the VivaGel® portfolio during the year, with three late-stage clinical trials completed in bacterial vaginosis (BV).

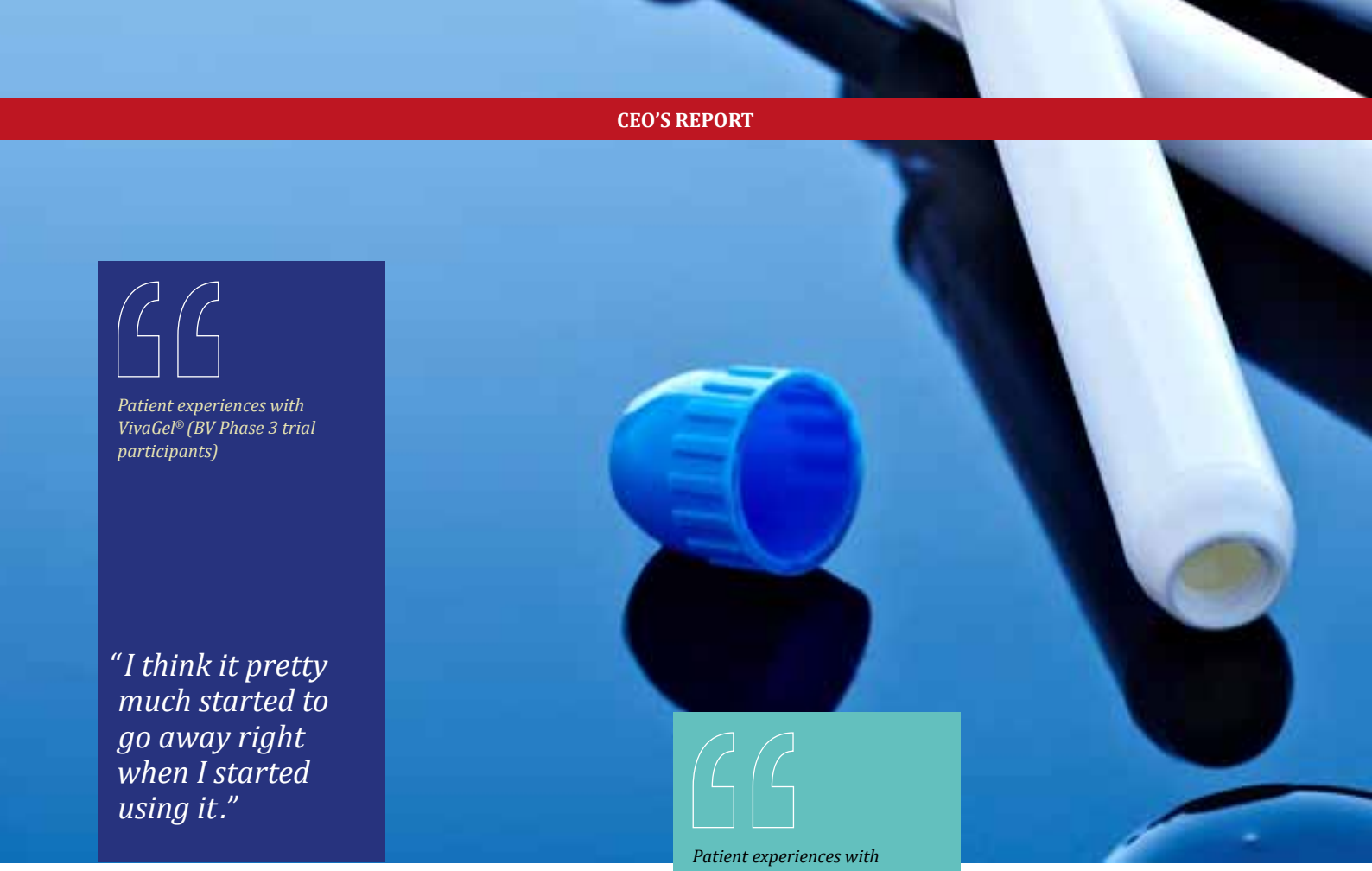
Two phase 3 trials reported in November conclusively demonstrated the ability of VivaGel® to provide rapid and lasting relief from the symptoms associated with BV following 7 days of therapy. Although the FDA required endpoint of clinical cure at 2-3 weeks post cessation of treatment was not met, investigations are ongoing to determine the regulatory approval pathway for the product for symptomatic relief of BV.

Given the clear-cut efficacy shown for VivaGel® at the EOT (end of treatment) time point, the excellent and sustained symptomatic relief reported by women using VivaGel®, and its superior acceptability profile, the company is actively exploring alternative claim strategies such as symptomatic relief, and also other regulatory jurisdictions. Dialogue continues with clinical experts, regulatory agencies and partners regarding these strategies. Based on initial feedback it seems likely that there are a number of markets outside the USA where existing clinical data could support an approval and commercial interest in that product concept has been confirmed by potential partners.

The phase 3 study results provided clear evidence that use of VivaGel® was associated with resolution of BV symptoms and normalization of the abnormal vaginal microflora characteristic of BV. Apart from the potential for claim strategies such as symptomatic relief rather than treatment, these effects also clearly support the use of VivaGel® as a chronic therapy for prevention of recurrent BV. A subsequent phase 2 study demonstrated that VivaGel® did indeed reduce the risk of recurrent BV(R-BV), and delayed time to first recurrence. More than 80% of women using VivaGel® remained BV-free at the end of the study, representing a clinically significant reduced risk of experiencing BV of up to 56% compared with placebo.

Professor George Kinghorn, OBE, Clinical Director at NIHR Clinical Research Network, Department of Genitourinary Medicine, Royal Hallamshire and Sheffield Teaching Hospitals in the UK.

"As a clinician, I am very encouraged by the (phase 2 trial R-BV indication) data for 1% VivaGel®. In this group of women, almost all would have been expected to experience recurrent BV during the study. However, more than 80% of VivaGel® users remained BV free at 16 weeks. Given there are no other approved products for recurrent BV, I see this finding as highly promising – both for the management of women with this often difficult chronic condition and for recurrent BV sufferers."



Patient experiences with VivaGel® (BV Phase 3 trial participants)

"I think it pretty much started to go away right when I started using it."

Patient experiences with VivaGel® (BV Phase 3 trial participants)

"I thought it was effective because within the first day I noticed a change already. It was, like, gone almost overnight."

Patient experiences with VivaGel® (BV Phase 3 trial participants)

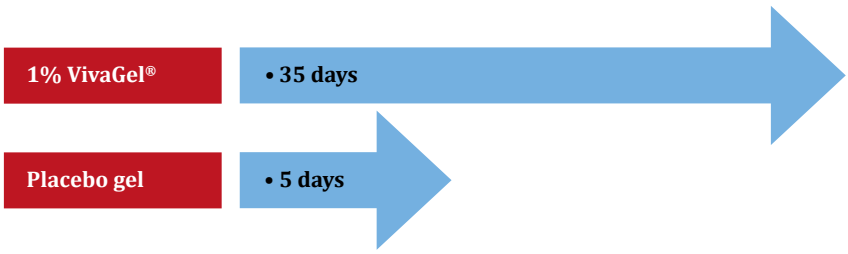
"The next day I noticed a huge difference."

Bacterial vaginosis (BV) continued

The market value for prevention of recurrent BV is estimated at more than US$1 billion globally and no alternative approved therapies exist to manage this problematic condition. BV is the most common vaginal infection worldwide, and 50-60% of women with BV experience recurrence within 6 months. BV is particularly prevalent in the US, where it affects an estimated one-third of the adult female population. The condition causes unpleasant discharge and malodour, which can have a significant social impact for many women. In addition, BV is associated with pelvic inflammatory disease, infertility and miscarriage and has also been associated with increased risk of transmission and acquisition of sexually transmitted infections, including HIV.

The data collected across the three trials clearly demonstrate the high potential of VivaGel® as a novel therapy for the ongoing management of BV and it remains the focus of the company to pursue the R-BV market with high priority, given its highly attractive commercial features.

Time to the first case of R-BV in clinical patients



Consumer opinion of the VivaGel®-coated condom from recent market research

"I have rated this product a five (out of five) as this is a major breakthrough in the condom market, and for world health..."

Peter Carroll, President and General Manager – Sexual Wellness Global Business Unit, Ansell Limited

"Ansell has partnered with Starpharma to validate a process of coating an Ansell condom with unique VivaGel®. This ground breaking technology has been shown in lab trials to deactivate many viruses that cause STI's. The dendrimer technology perfected by Starpharma over many years is supported by millions of dollars of clinical trials, and Ansell is fortunate enough to be the partner to help bring the resulting condom product to market. Regulatory review processes are already underway for this product with plans to commercialise this world-leading condom technology in the near future."

The VivaGel®-coated Condom

The VivaGel®-coated condom product is currently under regulatory review ahead of market launch with partners Ansell and Okamoto. A range of pre-launch activities have occurred in the year with our partners, including consumer research, product positioning, package design, and manufacturing validation.

The VivaGel®-condom coating product has been licensed to Ansell and Okamoto, providing Starpharma with access to the US$1.1 billion global branded condom market with these leading condom companies. Both Ansell and Okamoto hold strong market positions in their respective markets and their success has been founded on a strong focus on innovation. Consumer research confirms strong interest in a condom that can inactivate STIs.

Ansell is ranked number two globally for condom sales, marketing leading brands including Lifestyles®, ZERO® and the SKYN® brand. It has a leading market position in the rapidly expanding Asia Pacific and South American markets and in Australia with around 70% market share.

Okamoto is Japan's leading marketer of condoms with over 60% share of the Japanese condom market – the second largest global condom market estimated to be in the order of US$500 million.

Other VivaGel® Applications

During the year Starpharma also identified the active in VivaGel® – SPL7013 – as having potential as a novel therapeutic for viral conjunctivitis, a common eye complaint for which there is no cure and with an estimated market of $US700 million.

In pre-clinical studies SPL7013 has demonstrated the potent anti-viral effect against important strains of adenovirus, which cause most cases of viral conjunctivitis. Work is already underway to develop an SPL7013-containing ocular formulation to support activities and ongoing dialogue with potential commercial partners.

Current treatments for viral conjunctivitis are focused on symptom relief, and the patient can remain infectious and symptomatic for several weeks. Currently, curative treatments exist only for conjunctivitis with a bacterial cause.

The appeal of the opportunity is enhanced by the advanced stage of development of SPL7013 in VivaGel®, with the existing body of data reducing development costs and expediting timelines, thus improving the attractiveness for commercial partners.

Drug Delivery Portfolio

Starpharma made further important advances across its drug delivery program during the period with the results underlining the high potential of dendrimer applications in drug delivery – across a spectrum of disease areas, including oncology where Starpharma's own programs are focused.

Additional drug delivery patents with broad claims were obtained in the key US and Chinese markets, including commercially attractive "composition of matter" protection. These patents have significantly broadened and expanded Starpharma's intellectual property portfolio in drug delivery technology.

Dendrimer-Docetaxel program

Pre-clinical studies completed during the period continued to expand the array of important performance gains attributed to a dendrimer version of the anti-cancer drug, docetaxel, Starpharma's internal lead drug delivery candidate that the Company is progressing to human trials later in 2013.

In October, the Company released findings which showed major improvement in the ability of its dendrimer-docetaxel product to target tumours compared with docetaxel alone. Treatment with the dendrimer-docetaxel formulation resulted in levels of the cancer drug detected in cancer tissue around 40 times greater than for Taxotere®, the marketed docetaxel formulation. The improved tumour targeting of Starpharma's dendrimer-docetaxel nanoparticle adds to a list of other known performance advantages. These include improved efficacy in a breast cancer model, extended half-life of the drug and improving the drug's solubility allowing the removal of toxic excipients.

In December, Starpharma released further results of efficacy in animal studies which demonstrated that in addition to the earlier breast cancer results, the dendrimer-enhanced version of docetaxel significantly outperformed the leading drug Taxotere® in a range of important cancers including ovarian, lung and prostate.

Docetaxel is a leading chemotherapy drug used to treat a wide range of cancers including breast, lung and prostate. It is marketed by Sanofi Aventis as Taxotere® and generated sales in excess of US$3 billion in 2010. Sanofi's patents relating to Taxotere® have lapsed in many markets, enabling the development of this improved dendrimer-docetaxel product. Starpharma's improved formulation is the subject of new patents filed offering coverage of its propriety version of this important drug to the year 2032.

Partnered pharmaceutical programs

Starpharma's partnered drug-delivery program continues to run in parallel with the internal program, and includes a growing number of leading pharmaceutical companies including GSK and Lilly.

In September, another major pharmaceutical company was added to this list with AstraZeneca signing an agreement allowing it to test certain propriety oncology molecules based on Starpharma's dendrimer technology.

Starpharma now has partnered with around half of the top ten global pharmaceutical companies, with our partners applying dendrimers as a means to improve delivery of small molecule and protein-based pharmaceuticals. These arrangements and results are subject to confidentiality provisions, but the relationships are progressing positively.

Docetaxel is a leading chemotherapy drug used to treat a wide range of cancers including breast, lung and prostate. It is marketed by Sanofi Aventis as Taxotere® and generated sales in excess of US$3 billion in 2010.

Dr Sammi Tsegay,
Research Scientist

Other Drug Delivery Programs

Starpharma is also examining additional ways in which dendrimers can be used to improve the targeted delivery of drugs – using dendrimers as structures to which antibodies (acting as targeting agents) are attached along with existing small molecule cytotoxic (cell-killing) drugs to produce a powerful therapy against cancers. These antibody drug conjugates represent a very active and exciting area of cancer therapy.

In March, additional positive results were announced of a study examining a dendrimer formulation of the anti-cancer drug doxorubicin and its ability to combat the secondary tumours of breast cancer in the lungs. In this study the dendrimer-doxorubicin delivered via the airways showed substantially greater effect in preventing secondary tumours in the lung than drug alone via the standard route of administration. This widens the possibilities on how cancer treatments maybe delivered to the lungs, historically a challenging area to treat, and opens up an interesting opportunity for the potential use of dendrimers for the delivery via the lung.

Agrochemicals and crop protection

Internal and partnered agrochemical programs completed during the period continued to underscore the commercial potential of Starpharma's Priostar® dendrimer applications in this field. A number of new partnership agreements were signed during the year including a major new partner welcomed in March, with Makhteshim Agan signing an agreement that will see Priostar® dendrimer technology applied to novel crop protection formulations across its extensive product portfolio.

Makhteshim Agan is the world's leading manufacturer and distributor of branded off-patent crop and non-crop protection products, with global sales last year of US$2.83 billion. Makhteshim Agan serves farmers in 120 countries and operates in Australia as Farmoz. This agreement is a major development for the agrochemical program, in terms of the scope of application of the Company's Priostar® dendrimer technology and the potential addressable market for dendrimer-based products. Starpharma now has partnerships with around half of the top 10 global agrochemical companies.

Starpharma's internal agrochemical program includes a number of generic actives including an enhanced reformulation of the best-selling herbicide glyphosate – more commonly known as Roundup®- which has annual sales in excess of US$5 billion. In October, the Company announced the results of internal studies showing improved efficacy and rain-fastness from a dendrimer-glyphosate formulation. The dendrimer-glyphosate formulation demonstrated a substantial improvement in rain-fastness compared to Roundup® alone.

Priostar dendrimers have also shown potential to underpin novel crop protection products and applications via a number of improvements including:

- Improved herbicidal activity;
- Solubility enhancement for more concentrated formulations to reduce transport costs and harmful solvent residues; and
- Modification of soil penetration properties.

Many crop protection products contain high levels – up to 70% – of hydrocarbon solvents. Typically growers and regulators prefer formulations without these solvents, which are toxic to handle, highly flammable and expensive to transport and leave a residue when sprayed on crops. A reduction in these solvents would be welcome from social, environmental and economic perspectives, and regulators are increasingly working with agrochemical companies to address these issues.

Starpharma now has partnerships with around half of the top 10 global agrochemical companies.

Dr Pauline Stanislawski,
Senior Research Scientist

Overview of financial result

The key metric of net cash outflows from operations was $9.8 million for the year ended 30 June 2013. This result includes the $5.4 million R&D tax incentive refund received by Starpharma in the March quarter. Cash reserves at 30 June 2013 were $33.8 million.

Starpharma reported a net loss after tax of $5.2 million, a reduction from the prior year from $13.7 million significantly due to the additional R&D tax incentive refund recognised in the year.

Financial Summary	Year Ended 30 June	
	2013 $M	2012 $M
Royalty, customer and licence revenue	0.8	0.9
Grant income	-	0.2
Interest revenue	1.6	1.8
Total revenue & income	2.4	2.9
Expenditure	(6.7)	(16.6)
Net loss after tax	(5.2)	(13.7)
Net operating and investing cash outflows	(10.0)	(9.9)
Net proceeds from issue of shares	0.9	33.7
Cash and cash equivalents at the end of year	33.8	42.8

Outlook

This is an exciting time for Starpharma. The Company is planning to soon take its dendrimer-docetaxel product into the clinic. The Company is also progressing VivaGel® to pivotal phase 3 trials for the prevention of recurrent BV indication, the largest potential market for BV. Regulatory reviews for the VivaGel®-coated condom are underway with many pre-launch activities complete. Starpharma will also continue to expand the extensive partnered programs, which include many of the top 10 global pharmaceutical and agrochemical companies. These and other developments are expected to support increasing shareholder value in the future.

Jackie Fairley
Chief Executive Officer

Starpharma is a world leader in the development of dendrimer products for pharmaceutical, life science and other applications, and aims to create value through the commercialisation of its proprietary products. In striving for this objective, Starpharma acknowledges its role within society and believes its success will deliver long term positive benefits to all stakeholders. Starpharma's corporate governance principles and code of conduct set the framework for how the company, management and employees are expected to conduct themselves: always ethically and responsibly.

Our People

The employees of Starpharma are critical for achieving business success. To ensure Starpharma remains a safe, healthy, and attractive workplace for our employees, Starpharma has established workplace policies and practices. Policies assist to ensure employees have engaging and satisfying roles and receive periodic assessments and feedback on performance. Policies provide for ongoing training and career development, and are intended to ensure a balanced work and home life. Starpharma's Code of Conduct reflects the core values of the company and sets out standards of behaviour in matters including equal employment opportunity and best practice in recruitment. Starpharma also has a Health and Wellbeing policy to support employees in maintaining or adopting healthy lifestyles, recognising that employee physical and mental health has a positive impact on the individuals and culture of the organisation.

Employees are rewarded for their performance, dedication, and contribution to the results of Starpharma. Employees are recruited into and retained in positions based on merit. A balance of skills, expertise and opinion, as well as diversity are viewed as important cultural elements within the collegiate team environment. The Board has adopted a Diversity Policy to provide a framework for Starpharma to achieve a number of diversity objectives, with an initial focus on gender.

Employee equity participation schemes are used to provide the opportunity for all staff to share in the business success of the company and to assist in aligning the objectives of employees with those of shareholders.

Occupational health and safety is considered every employee's responsibility, and a safe working culture is promoted and encouraged. There is an active committee structure to eliminate, reduce or mitigate risks associated with Starpharma's activities. Occupational Health & Safety Committee members represent all sections of the workplace including management and employees.

Our Partners

Starpharma has established important business and scientific partnerships with leading global companies, international medical research organisations and key governmental and non-governmental departments and institutions. These relationships offer critical analysis of research concepts from world experts in their field and provide the pathway for products to enter the market and change daily lives.

The Community

The very nature of Starpharma products affords the opportunity of changing lives for the better. Through innovative research and development, Starpharma is creating products for needs which are currently unmet, either within the public health, medical, life sciences or other markets.

All of Starpharma's pharmaceutical products and clinical research activities comply with strict regulatory and ethical approval processes. These include the FDA in the United States and other regulatory bodies as applicable.

The Environment

The broad application of Starpharma's dendrimer research extends into projects that may assist the environment. Research in the field of agrochemicals may improve existing products and reduce the negative impact of current practices on the environment. More effective chemical formulations for agrochemicals could reduce the frequency of application and potentially improve the environmental profile of such products.

In conducting its research and operations Starpharma has documented procedures and processes in place to ensure that all waste products (albeit relatively minor in volume) are disposed of strictly in accordance with relevant environment regulations.

DIRECTORS' REPORT

Your directors have pleasure in presenting this report on the consolidated entity (referred to hereafter as the group) consisting of Starpharma Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2013.

Directors

The following persons were directors of Starpharma Holdings Limited ("the company") during the whole of the financial year and up to the date of this report:

P T Bartels (Chairman)	P J Jenkins (Deputy Chairman)	J K Fairley (Chief Executive Officer)
R A Hazleton	Z Peach	P R Turvey

R Dobinson was a director from the beginning of the financial year until his resignation on 28 November 2012.

Information on Directors

Peter T Bartels, *AO*, FAISM, FRSA
Independent non-executive director
Chairman
Member of remuneration & nomination committee
Member of audit & risk committee

Independent non-executive director and Chairman for ten years. Mr Bartels has considerable experience in the pharmaceutical industry; while working for Abbott Laboratories he was responsible for the introduction of a wide range of industrial, agricultural, veterinary and human pharmaceuticals into the Australian market. He was a director of Drug Houses of Australia and was managing director of DHA Pharmaceuticals. He has been a major player in corporate Australia, having held the positions of CEO and Managing Director of both Coles Myer Ltd and Fosters Brewing Company Ltd. He is a past Chairman of the Australian Sports Commission, the Australian Institute of Sport, the Commonwealth Heads of Government Committee for Sport and the Royal Women's and Royal Children's Hospitals. Peter is presently Chair of the Dean's external Advisory Council, for the Faculty of Medicine, Dentistry and Health Sciences at The University of Melbourne.

Other current directorships of listed entities: None
Former directorships of listed entities in last 3 years: None

332,930 ordinary shares in Starpharma Holdings Limited

Peter J Jenkins MB, BS (Melb), FRACP
Independent Non-executive director
Deputy Chairman
Chairman of remuneration & nomination committee

Consultant physician and gastroenterologist. Holds clinical and research positions with the Alfred Hospital and has held clinical research positions with the Baker Medical Research Centre. Former judge of the Australian Technology Awards. Executive Director of AusBio Ltd, an unlisted public biotechnology company.

Other current directorships of listed entities: Nil
Former directorships of listed entities in last 3 years: None

1,537,462 ordinary shares in Starpharma Holdings Limited

Jacinth (Jackie) K Fairley BSc, BVSc (Hons), MBA
Executive director
Chief Executive Officer

Dr Fairley was appointed Chief Executive Officer of Starpharma on 1 July 2006 after serving in the role of Chief Operating Officer from July 2005. As CEO and a Director of the Board, Jackie's responsibilities include involvement in setting strategic direction, oversight of operations and financing activities for the group. She also plays an active role in driving key commercial negotiations and development programs and corporate activity. Jackie has more than 20 years' experience in the pharmaceutical and biotechnology industries working in business development and senior management roles with companies including CSL and Faulding (now Hospira). Former CEO of Cerylid Biosciences, Jackie also spent 5 years as a Vice President for Faulding's injectable division and 5 years with CSL in various executive roles. She holds first class honours degrees in Science and Veterinary Science, and has an MBA from the Melbourne Business School (MBS) where she was the recipient of the Clemenger Medal. In 2010, Jackie was appointed to the board of directors of MBS.

Other current directorships of listed entities: None
Former directorships of listed entities in last 3 years: None

1,824,197 ordinary shares in Starpharma Holdings Limited
960,000 employee performance rights

Richard A Hazleton BSChE, MSChE, HonDrEngr, HonDrCommSci
Independent Non-executive director
Member of audit & risk committee

Independent non-executive director since 1 December 2006. Former chairman of US-based global corporation Dow Corning. Joined Dow Corning in 1965 and held numerous positions in engineering, manufacturing and finance, both in the US and Europe, before becoming Chief Executive Officer of the company in 1993, and Chairman of the Board of Directors and CEO in 1994. Retired from Dow Corning in 2001. Chairman of Dendritic Nanotechnologies Inc (DNT) from 2004 until Starpharma's acquisition of the company in October 2006. Has served on the Boards of the American Chemistry Council and the Chemical Bank and Trust Company (Midland, MI, USA) as well as several non-profit social service agencies in Michigan and Belgium.

Other current directorships of listed entities: None
Former directorships of listed entities in last 3 years: None

157,616 ordinary shares in Starpharma Holdings Limited

Zita Peach BSc
Independent Non-executive director
Member of remuneration & nomination committee

Ms Peach has more than 20 years of commercial experience in the pharmaceutical industry, particularly in marketing and business development, working for major industry players such as CSL Limited and Merck Sharp & Dohme (MSD), the Australian subsidiary of Merck Inc. She is currently the Managing Director and Executive Vice President, South Asia Pacific for Fresenius Kabi Australia, a leader in infusion therapy and clinical nutrition. Until recently Ms Peach was Vice President/Director, Business Development R&D for CSL, a position she held for ten years. Ms Peach is a Non-Executive Director of the ASX-listed Vision Eye Institute Limited.

Other current directorships of listed entities: Vision Eye Institute Limited
Former directorships of listed entities in last 3 years: None

3,000 ordinary shares in Starpharma Holdings Limited

Ross Dobinson B Bus (Acc)
Independent Non-executive director until 28 November 2012

Merchant banker with a background in investment banking and stockbroking. Has acted as corporate director for two leading stockbrokers, and was an executive director of the NAB's corporate advisory subsidiary. Later headed the Corporate Advisory Division of Dresdner Australia Ltd. Managing Director of TSL Group Ltd, a corporate advisory company specialising in establishing and advising life sciences companies. Also a director of a number of unlisted companies.

Other current directorships of listed entities: Executive Chairman of Acrux Ltd since 1 July 2012, previously non-executive director (director since 2000; Chairman since 31 January 2006)
Former directorships of listed entities in last 3 years: Executive Chairman of Hexima Limited (delisted 17 June 2011) since 21 July 2010

Nil ordinary shares in Starpharma Holdings Limited

Peter R Turvey BA/LLB, MAICD
Independent Non-executive director
Chairman of audit & risk committee

Mr Turvey is the former Executive Vice President Licensing and Company Secretary of global specialty biopharmaceutical company CSL Limited having retired in 2011. He is currently a Principal of Foursight Associates Pty Ltd and a director of the industry organisation AusBiotech Limited. After completing an Arts/Law degree at the Australian National University, he joined Biotechnology Australia, then Australia's largest biotechnology company, as Manager of Intellectual Property and Company Secretary. He joined CSL in 1992 as its first in-house Corporate Counsel and was appointed Company Secretary in 1998. He played a key role in the transformation of CSL from a government owned enterprise, through ASX listing in 1994, to a global plasma and biopharmaceutical company. He also had responsibility for the protection and licensing of CSL's intellectual property and for risk management within CSL, which included management of the internal audit function, reporting to the Audit & Risk Management Committee of the Board as well as being the Chairman of the Corporate Risk Management Committee.

Other current directorships of listed entities: Allied Healthcare Group
Former directorships of listed entities in last 3 years: None

47,000 ordinary shares in Starpharma Holdings Limited

Company Secretary

The Company Secretary is Mr Ben Rogers. He was a member of Starpharma's start-up/IPO management team and has been Company Secretary since February 1998, with responsibilities that included the role of Chief Financial Officer until 31 December 2008. Mr Rogers has extensive experience in finance, corporate governance and HR management with CSIRO research laboratories and Co-operative Research Centres.

Principal Activities

The principal activities of the group consist of research, development and commercialisation of dendrimer products for pharmaceutical, life-science and other applications. Activities within the group are directed towards the development of precisely defined nano-scale materials, with a particular focus on the development of its topical vaginal microbicide VivaGel® for the treatment and prevention of bacterial vaginosis, as a condom coating and for prevention of genital herpes and HIV, and the application of dendrimers to drug delivery and other life science applications. More broadly, through partners the group is exploring dendrimer opportunities in materials science with applications in areas such as cosmetics, agrochemicals, and coatings.

Result

The financial report for the financial years ended 30 June 2013 and 30 June 2012, and the results herein, have been prepared in accordance with Australian Accounting Standards.

The consolidated loss after income tax attributable to ordinary owners for the financial year ended 30 June 2013 was $5,229,000 (2012: $13,658,000). The net operating and investing cash outflows for the year were $9,951,000 (2012: $9,903,000), with a cash balance at 30 June 2013 of $33,840,000 (June 2012: $42,812,000).

Dividends and distributions

No dividends were paid or declared during the period and no dividends are recommended in respect to the financial year ended 30 June 2013 (2012: Nil).

Review of Operations

Key highlights for the year include:

- Completion of 3 late-stage clinical trials for VivaGel® as a novel Bacterial Vaginosis (BV) therapy (one Phase 2 and two Phase 3);
- Positive Phase 2 trial results for VivaGel® for prevention of recurrent BV (R-BV) supporting its progression into Phase 3;
- Completion of a number of key activities for the VivaGel® condom coating in collaboration with partners Okamoto and Ansell to facilitate launch following requisite approvals;
- Key development advances in Starpharma's dendrimer-docetaxel nanoparticle formulation in preparation for human trials;
- Progress with key partnerships in drug delivery, including a new agreement signed with AstraZeneca for oncology;
- Established new agrochemicals partnerships with crop protection companies for dendrimer applications within their crop protection portfolio;
- Identification of potential for SPL7013, the active in VivaGel® as a novel treatment for viral conjunctivitis;
- Dendrimer nanoparticles showed efficacy in a lung metastasis model;
- Approval by AusIndustry for certain overseas R&D activities to be eligible under the R&D tax incentive scheme; and
- Starpharma was awarded the AusBiotech's 2012 Australian Company of the Year at the Janssen 2012 Industry Excellence Awards.

There were two key clinical results in the year:
In November 2012, Starpharma announced the results of its two phase 3 studies of 1% SPL7013 Gel (VivaGel®) for the treatment of bacterial vaginosis (BV). Both studies showed that VivaGel® achieved statistically significant Clinical Cure and resolution of patient-reported symptoms of BV at the End of Treatment visit (EOT, 2-5 days post treatment). However, the primary endpoint of Clinical Cure 2-3 weeks after the cessation of treatment (Test of Cure, TOC visit) was not met. A new drug application (NDA) for VivaGel® for the treatment of BV was not filed with the FDA at that time due to the lack of statistical significance at TOC, although other claim strategies (e.g. symptomatic relief) and other regulatory jurisdictions are being explored.

In April 2013, Starpharma announced the positive results of its exploratory Phase 2 study of VivaGel® for the prevention of recurrent bacterial vaginosis (R-BV). The results showed a reduced overall risk of R-BV during the study in patients using 1% VivaGel® and time to first recurrence was delayed compared with placebo. The results demonstrated the ability of VivaGel® to inhibit BV recurrence, as was suggested by results of earlier clinical trials, and they provide strong support for the advancement to Phase 3 clinical trials of VivaGel® for the prevention of R-BV. The Phase 2 study also showed high levels of user satisfaction, in line with earlier clinical trials of VivaGel®. In this study 79% of users of 1% VivaGel® were either satisfied, very satisfied or extremely satisfied with the product's effectiveness and overall satisfaction. Planning and feasibility is now underway for conduct of the Phase 3 clinical program.

A number of important developments also occurred within the drug delivery and agrochemical programs during the year. New top-tier partners including Astra Zeneca and Makhteshim Agan signed up with Starpharma, while internal studies demonstrated an expanding array of high potential applications for dendrimers in drug delivery, and additional key patents were granted in US and China.

The collaboration with Astra Zeneca gives that company rights to test certain proprietary Starpharma oncology compounds based on Starpharma's dendrimer technology.

Makhteshim Agan, a leading manufacturer and distributor worldwide of crop-protection solutions, will assess Starpharma's Priostar® dendrimers for potential application in novel crop protection formulations across its extensive product portfolio.

In the Company's internal drug delivery program, animal studies have continued to expand the array of important performance gains attributed to a dendrimer version of the anti-cancer drug docetaxel, the company's lead drug delivery candidate which will advance to first human trials later in 2013.

Matter subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2013 that have significantly affected, or may significantly affect:
(a) the consolidated entity's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the consolidated entity's state of affairs in future financial years.

Business strategy, future developments and prospects

The Company aims to create value for shareholders through the commercial exploitation of proprietary products based on its dendrimer technology in pharmaceutical, life science and other applications. The Company's key focus is to advance and broaden its product development pipeline for VivaGel®, drug delivery and agrochemicals. It is intended to achieve this by continuing to utilise a combination of internally funded and partnered projects across the portfolio. The Company commercialises its development pipeline with corporate partners via licensing agreements at various stages in a product's development lifecycle; depending on the product, a partner's relative strength of product and market expertise, comparison of current and future potential returns, and the risks involved in advancing the product to the next value inflection point or milestone.

Starpharma remains well positioned to create value in the medium term, due to its deep expertise, strong intellectual property portfolio, diverse development portfolio, a culture and ability to innovate and adapt its technology platform to product opportunities, proven risk management practices, and a solid cash position. The Company will continue using its cash resources to invest in selected research and development activities to achieve its objectives.

Legal

At the date of the Directors' Report there are no significant legal issues.

Review of Financials

Income statement	2013 $'000	2012 $'000
		Year Ended 30 June
Revenue from continuing operations	**2,429**	2,744
Other income	**5**	160
Research and development expenses	**(3,505)**	(12,088)
Administration expenses	**(4,149)**	(4,466)
Finance costs	**(9)**	(8)
Loss attributable to members	**(5,229)**	(13,658)

Income statement

The reported loss after tax of $5,229,000 is after fully expensing all research and development expenditure and patenting costs in the current year. A contra research and development expense of $8,704,000 has been recorded for research and development activities eligible under the Australian Government's R&D Tax Incentive program. Of the total, $4,071,000 related to 2012 expenditure not previously booked due to the uncertainty of its eligibility. Subsequent to the 2012 results, Starpharma received an advance finding from AusIndustry that covers certain overseas activities over a 3 year period from 1 July 2011.

Research and development expenses include the costs of the VivaGel® clinical program, particularly in relation to treatment and prevention of bacterial vaginosis (BV), and the internal drug delivery and agrochemical programs.

Total revenue and other income for the year was $2,434,000, a reduction of $470,000 from the previous year, on lower interest revenue earned on cash deposits and grant income from the US National Institutes of Health. Revenue consists predominately of royalty, licensing and research revenue from commercial partners of $840,000 (2012: $881,000) and interest income on cash invested in deposits of $1,569,000 (2012: $1,819,000).

Balance sheet

At 30 June 2013 the Group's cash position was $33,840,000 (June 2012: $42,812,000). Trade and other receivables of $5,492,000 (June 2012: $2,053,000) includes $4,632,000 receivable from the Australian Government under the R&D Tax Incentive program.

Statement of cash flows

The net operating and investing cash outflows for the year were $9,951,000 (2012: $9,903,000) included costs associated with the Company's VivaGel®, drug delivery and agrochemical programs. During the financial year $5,395,000 was received from R&D tax incentives associated with eligible expenditure and activities from the prior financial year.

Net cash inflows from financing activities of $828,000 included $878,000 on the issue of shares from the exercise of share options.

Earnings per share

	2013	2012
Basic loss per share	**($0.02)**	($0.05)
Diluted loss per share	**($0.02)**	($0.05)

Material Business Risks

The group operates in the biotechnology and pharmaceutical sectors and is in the development phase. Any investment in the biotechnology industry is considered high-risk. The group is subject to normal business risks, including but not limited to interest rate movements, labour conditions, government policies, securities market conditions, exchange rate fluctuations and a range of other factors which are outside the control of the Board and management. More specific material risks of the sector and the group include, but are not limited to:

- Scientific, technical & clinical – product development requires a high level of scientific rigour, which the outcomes cannot be known beforehand. Activities are experimental in nature so the risk of failure or delay is material. Key development activities, including clinical trials and product manufacture, are undertaken by specialist contract organisations; and there are risks in managing the quality and timelines of these activities.
- Regulatory – products and their testing, may not be approved by, or be delayed by regulatory bodies (eg. US Food and Drug Administration) whose approvals are necessary before products can be sold in market.
- Financial - the group currently, and since inception, does not receive sufficient income to cover operating expenses. Although the current cash reserves are sound, there is no certainty that additional capital funding may not be required in the future, and no assurance can be given that such funding will be available, if required.
- Intellectual property (IP) – commercial success requires the ability to develop, obtain and maintain commercially valuable patents, trade secrets and confidential information. Gaining and maintaining the IP across multiple countries; and preventing the infringement of the group's exclusive rights involves management of complex legal, scientific and factual issues. The Company must also operate without infringing upon the IP of others.
- Commercialisation – the Company relies, and intends to rely, upon corporate partners to market, and in some cases finalise development of its products, on its behalf. There are risks in establishing and maintaining these relationships, and with the manner in which partners execute on these collaborative agreements.
- Product acceptance & competiveness – a developed product may not be considered by key opinion leaders (eg. doctors), reimbursement authorities (eg. PBA-listing) or the end customer to be an effective alternative to products already on market, or new superior future products may be preferred.
- Product liability – a claim or product recall would significantly impact the Company. Insurance, at an acceptable cost, may not be available or be adequate to cover liability claims if a marketed product is found to be unsafe.
- Key personnel – the Company's success and achievements against timelines depend on key members of its highly qualified, specialised and experienced management and scientific teams. The ability to retain and attract such personnel is important.
- Grant and R&D incentives – the Company may undertake R&D activities under competitive grants and be part-funded by other incentive programs (eg R&D tax credits). There is no certainty that grants or incentive programs will continue to be available to the Company, and changes in government policy may reduce their applicability.

In accordance with good business practice in the pharmaceutical industry the company's management actively and routinely employs a variety of risk management strategies. These are broadly described in the Corporate Governance Statement (section 7.1. Risk assessment and management).

Health and Safety

The board, CEO and senior management team of the group are committed to providing and maintaining a safe and healthy working environment for the company's employees and anyone entering its premises or with connection to the company's business operations. Employees are encouraged to actively participate in the management of environmental and Occupational Health and Safety (OH&S) issues. The company has adopted an OH&S Policy and has an established OH&S Committee structure as part of its overall approach to workplace safety. The OH&S committee provides a forum for management and employees to consult on health and safety matters. The primary role of the committee is to coordinate the development and implementation of OH&S policy and procedures, to consider any work related safety matters or incidents, and to ensure compliance with relevant legislation and guidelines. The committee includes representatives of management, and employees from each operational area generally in proportion to the number of people working in the area and the perceived safety risks associated with working in that area. The OH&S committee meets on a monthly basis.

Environment and Regulation

The group is subject to environmental regulations and other licences in respect of its research and development facilities. There are adequate systems in place to ensure compliance with relevant Federal, State and Local environmental regulations and the Directors are not aware of any breach of applicable environmental regulations by the group. There were no significant changes in laws or regulations during the 2013 financial year or since the end of the year affecting the business activities of the group, and the directors are not aware of any such changes in the near future.

Meetings of Directors

The number of meetings of the company's board of directors and of each committee held during the year ended 30 June 2013, and the numbers of meetings attended by each director were:

Directors	Board	Audit & risk committee	Remuneration & nomination committee
P T Bartels	8 of 8	3 of 3	3 of 3
P J Jenkins	8 of 8	N/A	3 of 3
J K Fairley	8 of 8	N/A	N/A
R A Hazleton	5 of 8	3 of 3	N/A
Z Peach	6 of 8	N/A	3 of 3
P R Turvey	7 of 8	3 of 3	N/A
R Dobinson	3 of 4	N/A	N/A

The table above illustrates the number of meetings attended compared with the number of meetings held during the period that the director held office or was a member of the committee. N/A denotes that the director is not a member of the relevant committee.

REMUNERATION REPORT

The Remuneration report sets out remuneration information for non-executive directors, executive directors and other key management personnel of Starpharma Holdings Limited group of companies.

Directors and key management personnel disclosed

Non-executive and executive directors – see pages 13 to 14 above

Other key management personnel

N J Baade	Chief Financial Officer
C P Barrett	VP, Business Development
D J Owen	VP, Research
J R Paull	VP, Development and Regulatory Affairs
B P Rogers	Company Secretary
M L McColl	VP, Business Development (until 18 January 2013)

Role of the remuneration committee

The remuneration and nomination committee, consisting of three independent non-executive directors, advises the board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. The objective of the company's remuneration policy is to ensure appropriate and competitive reward for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders.

Non-executive director remuneration policy

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. The Chairman's fees are determined independently from the fees of non-executive directors based on comparative roles in the external market.

Non-executive directors do not receive bonuses, share options or other forms of equity securities, or any performance-related remuneration or retirement allowances.

Directors' fees

Non-executive directors' fees are reviewed annually by the remuneration and nomination committee, taking into account comparable data from the biotechnology sector. Non-executive directors' fees were last increased with effect from 1 January 2010. Fees and payments are determined within an aggregate non-executive directors' fee pool limit, which is periodically recommended for approval by shareholders. The aggregate amount currently stands at $450,000 which was approved by shareholders on 15 November 2006. This amount (or some part of it) is to be divided among the non-executive directors as determined by the board. The aggregate amount paid to non-executive directors for the year ended 30 June 2013 was $385,000 (2012: $362,097). Superannuation contributions required under the Australian superannuation guarantee legislation continue to be made and are deducted from the directors' overall fee entitlements.

Directors' Fees	2013
Chair	120,000
Other non-executive directors	60,000

Executive remuneration policy and framework

Remuneration packages are set at levels that are intended to attract and retain high calibre executives capable of managing the group's operations.

The executive pay and reward framework comprises:
- base pay and benefits, including superannuation;
- short term performance incentives; and
- long term incentives through participation in the Starpharma employee equity plans.

The combination of these comprises an executive's total remuneration.

Relationship between executive reward and company financial performance

The company's remuneration policy aligns executive reward with the interests of shareholders. The primary focus is on sustained growth in shareholder value through achievement of research, development, regulatory and commercial milestones, and therefore performance goals are not necessarily linked to financial performance measures typical of companies operating in other market segments. Remuneration is set based on key performance indicators (KPIs) typical of a biotechnology company in Starpharma's lifecycle, which may include (but are not limited to) successful negotiations of commercial contracts, achieving key research, development and regulatory milestones, and ensuring the availability of adequate capital to achieve stated objectives. Improvement in the rating of the company against peer biotechnology companies may also be taken into consideration in determining the performance of the executive team, and can be assessed on a qualitative basis by reviewing external sources such as biotechnology publications and non-commissioned research reports.

Other factors taken into account in determining remuneration packages include a demonstrated record of performance, internal and external relativities, and the company's ability to pay.

Base pay and benefits

Executives receive their base pay and benefits structured as a Total Fixed Remuneration (TFR) package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Short-term performance incentives

With the exception of the CEO, executive service agreements do not include pre-determined bonus or equity allocations, but cash incentives (bonuses) may be awarded at the end of the performance review cycle for specific contributions, or upon achievement of significant company milestones at the discretion of the board. Following a performance evaluation, the amount of possible bonus payable to each executive is determined by the remuneration and nomination committee, taking into account factors including the accountabilities of the role and impact on the company. There are no guaranteed base pay increases in any executives' contracts.

Long-term incentives

Long-term incentives for executives and employees to deliver long-term shareholder returns are provided by a combination of equity plans that may include:
- an Employee Performance Rights Plan;
- an Employee Share Plan ($1,000 Plan); and
- an Employee Share Option Plan.

Participation in these plans is at the board's discretion and no individual has a contractual right to participate in a plan or to receive any guaranteed benefits.

Starpharma Employee Performance Rights Plan

The introduction of the Starpharma Employee Performance Rights Plan (ASX code SPLAK) was approved by the board in 2010 and subsequently approved by shareholders at the 2011 annual general meeting. The objective of the Plan is to assist in the recruitment, reward, retention and motivation of employees of the company. The Plan allows for the issue of performance rights (being rights to receive fully paid ordinary shares subject to continued employment with the company and the satisfaction of certain performance hurdles over a specified period). The key points of the Plan are:

- All executives and staff and certain contractors may be invited to apply for Rights under the scheme.
- One Right once vested is equivalent to one fully paid ordinary share.
- Rights and the resultant shares are granted for no consideration.
    - Appropriate vesting conditions can be applied to each allocation. The standard vesting condition in the plan rules is continued employment for two years unless otherwise determined by the Board.
    - At the end of the vesting period a further disposal restriction (Holding Lock) may be applied to restrict disposal of the resulting shares. The standard Holding Lock in the plan rules is one year after vesting unless otherwise determined by the Board.
- Rights will lapse on cessation of employment before the vesting date, except for good leaver and change of control provisions at the board's discretion.
- In the event of a change of control of the company the board has the discretion to determine whether Rights will vest and become exercisable. In making its decision, the board must consider:
    (i) the portion of the Vesting Period elapsed; and
    (ii) the extent to which the Performance Conditions (if any) have been met.
- In the event of cessation due to death, illness, permanent disability, redundancy or any other circumstance approved by the board unvested Rights will lapse, unless the board determines otherwise having regard to:
    (i) the portion of the Vesting Period elapsed; and
    (ii) the extent to which the Performance Conditions (if any) have been met.
- The Holding Lock on the resulting shares will be automatically removed on cessation of employment.

Starpharma Employee Share Plan ($1,000 Plan)

All executives and staff, excluding directors, are eligible to participate in the Starpharma Employee Share Plan ($1,000 Plan). The objective of the $1,000 Plan is to assist in the reward, retention and motivation of employees of the company. An annual allocation of up to $1,000 of shares may be granted and taxed on a concessional basis. Shares are granted under the $1,000 Plan for no consideration and are escrowed for 3 years while participants are employed by the company.

Starpharma Employee Share Option Plan

Options may be granted under the Starpharma Holdings Limited Employee Share Option Plan (ASX code SPLAM) which was approved by shareholders at the 2007 annual general meeting. All executives and staff are eligible to participate in the Plan. The objective of the Plan is to assist in the recruitment, reward, retention and motivation of employees of the company. Options are granted under the Plan for no consideration. The exercise price of options granted under the Plan must be not less than the market price at the time the decision is made to invite a participant to apply for options. The exercise price is usually calculated on the basis of 15% above market price. Market price is calculated as the volume-weighted average price (VWAP) of the shares in the 15 days preceding the approval to grant the options.

Performance review and development

Executives and all other staff participate in a formal two stage performance review and development process consisting of an objectives planning and development session at the commencement of the annual cycle and a performance and salary review towards the end of the cycle. The objective of the salary review is to ensure that all employees are appropriately remunerated for their contribution to the company, that remuneration is competitive within the relevant industry sector, and that increases in employees' skills and responsibilities are recognised. During the year an evaluation of all executives and other staff took place in accordance with this process.

Trading in company securities

The trading of shares issued to participants under any of the company's employee equity plans is governed by the company's securities trading policy. Executives are prohibited from entering into any hedging arrangements over unvested securities. Further information regarding the company's securities trading policy is set out in Section 3.2 of the Corporate Governance Statement.

Use of remuneration consultants

If remuneration consultants are to be engaged to provide remuneration recommendations as defined in section 9B of the *Corporations Act 2001*, they are to be engaged by, and report directly to, the remuneration & nomination committee. No remuneration consultants have been engaged to provide such remuneration services during the financial year.

Voting and comments made at the company's 2012 Annual General Meeting (AGM)

Of the votes cast on the company's remuneration report for the 2012 financial year, 97% were in favour of the resolution. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

Performance of Starpharma Holdings Limited

The executive team of Starpharma achieved important milestones directly related to their key performance indicators in the year.

These included:

- Completion of 3 late-stage clinical trials for VivaGel®;
- Completion of key pre-launch activities for the VivaGel®-condom coating in collaboration with partners Okamoto and Ansell;
- Advanced development activities in the dendrimer-docetaxel nanoparticle formulation;
- Progress partnerships in drug delivery, including a new agreement signed with AstraZeneca for oncology;
- Established four new agrochemicals partnerships with major crop protection companies for dendrimer applications within their crop protection portfolio;
- Demonstration of adenoviral activity in SPL7013 and patent filing on findings; and
- Approval by AusIndustry of submission for certain overseas R&D activities to be eligible under the R&D tax incentive scheme, resulting in the $5.4 million receipt of R&D tax incentives.

These key links between key management personnel performance and remuneration and Starpharma Holdings Limited's long term performance are evident in the appreciation in share price, with a compounded annual return over the past five years of 30%.

Details of remuneration

The following tables show details of the remuneration received by the directors and the key management personnel of the group for the current and previous financial year.

2013		Short-term benefits		Post-employment	Long-term benefits	Share-based payments		
Name	Cash salary & fees $	Cash bonus# $	Non-monetary benefits $	Superannuation $	Long service leave $	Shares# $	Performance Rights# $	**Total $**
Non-executive directors								
P T Bartels	120,000	–	–	–	–	–	–	**120,000**
R Dobinson[1]	25,000	–	–	–	–	–	–	**25,000**
P J Jenkins	55,046	–	–	4,954	–	–	–	**60,000**
R A Hazleton	60,000	–	–	–	–	–	–	**60,000**
Z Peach	55,046	–	–	4,954	–	–	–	**60,000**
P R Turvey	50,034	–	–	9,966	–	–	–	**60,000**
Executive directors								
J K Fairley	368,213	150,000	40,608	21,286	27,824	–	325,844	**933,775**
Other Key Management Personnel (group)								
B P Rogers	117,680	10,399	5,021	24,917	6,203	999	44,526	**209,745**
J R Paull	185,280	35,000	13,356	25,000	8,982	999	55,657	**324,274**
C P Barrett	206,158	30,000	–	16,470	13,944	999	55,657	**323,228**
N J Baade	183,067	30,000	13,698	24,970	13,475	999	55,657	**321,866**
D J Owen	186,140	32,500	311	24,970	9,680	999	55,657	**310,257**
M L McColl[2]	128,852	–	259	9,608	(516)	999	(10,331)	**128,871**
Totals	1,740,516	287,899	73,253	167,095	79,592	5,994	582,667	**2,937,016**

[1] Resigned 28 November 2012.
[2] Resigned 18 January 2013.
All performance related remuneration, including cash bonuses, shares, and performance rights granted are determined to be an 'at risk' component of total remuneration.
There were no retirement benefits paid in the current or prior year.

2012		Short-term benefits		Post-employment	Long-term benefits	Share-based payments		
Name	Cash salary & fees $	Cash bonus# $	Non-monetary benefits $	Superannuation $	Long service leave $	Shares# $	Performance Rights# $	**Total $**
Non-executive directors								
P T Bartels	120,000	–	–	–	–	–	–	**120,000**
R Dobinson	60,000	–	–	–	–	–	–	**60,000**
P J Jenkins	55,046	–	–	4,954	–	–	–	**60,000**
R A Hazleton	60,000	–	–	–	–	–	–	**60,000**
Z Peach[1]	41,284	–	–	3,716	–	–	–	**45,000**
P R Turvey[2]	–	–	–	17,097	–	–	–	**17,097**
Executive directors								
J K Fairley	341,454	150,000	40,720	18,764	15,732	–	128,540	**695,210**
Other Key Management Personnel (group)								
B P Rogers	89,496	10,399	5,108	49,712	6,772	1,000	23,008	**185,495**
J R Paull	176,847	30,000	11,640	24,995	8,462	1,000	28,760	**281,704**
C P Barrett	196,652	25,000	–	17,699	8,388	1,000	28,760	**277,499**
N J Baade	173,596	25,000	13,561	24,500	7,658	1,000	28,760	**274,075**
D J Owen	174,422	25,000	339	24,954	1,023	1,000	28,760	**255,498**
M L McColl	192,303	25,000	–	17,307	248	1,000	28,760	**264,618**
Totals	1,681,100	290,399	71,368	203,698	48,283	6,000	295,348	**2,596,196**

[1] Appointed 1 October 2011.
[2] Appointed 19 March 2012.
All performance related remuneration, including cash bonuses, shares, and performance rights granted are determined to be an 'at risk' component of total remuneration.

There were no retirement benefits paid in the current or prior year.

Service Agreements

Remuneration and other terms of employment for the CEO and the executives are formalised in service agreements which include a formal position description and set out duties, rights and responsibilities, and entitlements on termination. Each of these agreements provides that the executive may receive performance-related cash bonuses, and other benefits including participation, when eligible, in the Starpharma Holdings Employee Equity Plans. Other major provisions of the agreements relating to remuneration are set out below.

J K Fairley Chief Executive Officer
- No fixed term of agreement
- Base salary, inclusive of superannuation, per annum as at 30 June 2013 of $425,000, to be reviewed annually by the remuneration and nomination committee.
- A cash bonus up to $200,000 for the year to 30 June 2013 allocated proportionately on the achievement of predetermined objectives.
- Fringe benefits consist of on-site car parking.
- Subject to termination at any time by:
  (i) the Executive giving to the company twelve months' notice in writing; or
  (ii) the company giving to the Executive six months' notice in writing. If the company gives notice in accordance with this clause, the Executive will be entitled to a termination payment upon the expiration of the notice period, of an amount equal to 6 months' total remuneration.
- The Executive's employment may be terminated by the company at any time without notice if the Executive:
  (i) is guilty of serious misconduct;
  (ii) becomes unable to pay the Executive's debts as they become due; or
  (iii) is found guilty by a court of a criminal offence.

B P Rogers Company Secretary
- No fixed term of agreement.
- Base salary, inclusive of superannuation, per annum as at 30 June 2013 of $142,426 part-time, to be reviewed annually by the remuneration and nomination committee.
- Fringe benefits consist of on-site car parking.
- Payment of termination benefit on termination by the employer, other than for serious breach of obligations to the employer, wilful neglect of duty or serious misconduct, equal to thirteen weeks gross remuneration.

J R Paull VP – Development and Regulatory Affairs
- No fixed term of agreement.
- Base salary, inclusive of superannuation, per annum as at 30 June 2013 of $223,917, to be reviewed annually by the remuneration and nomination committee.
- Fringe benefits consist of on-site car parking.
- Subject to termination at any time by:
  (i) the Executive giving to the company not less than three months written notice; or
  (ii) the company giving to the Executive written notice, or payment in lieu of that notice, which notice period shall be six months.
- The Executive's employment may be terminated by the company at any time without notice for serious breach of obligations to the employer, wilful neglect of duty, serious misconduct or bankruptcy.

C P Barrett VP – Business Development
- No fixed term of agreement.
- Base salary, inclusive of superannuation, per annum as at 30 June 2013 of $226,188, to be reviewed annually by the remuneration and nomination committee.
- Subject to termination at any time by:
(i) the Executive giving to the company not less than two months written notice; or
(ii) the company giving to the Executive written notice, or payment in lieu of that notice, which notice period shall be four months.
- The Executive's employment may be terminated by the company at any time without notice for serious breach of obligations to the employer, wilful neglect of duty, serious misconduct or bankruptcy.

N J Baade Chief Financial Officer
- No fixed term of agreement.
- Base salary, inclusive of superannuation, per annum as at 30 June 2013 of $221,237, to be reviewed annually by the remuneration and nomination committee.
- Fringe benefits consist of on-site car parking.
- Subject to termination at any time by:
  (i) the Executive giving to the company not less than two months written notice; or
  (ii) the company giving to the Executive written notice, or payment in lieu of that notice, which notice period shall be four months.
- The Executive's employment may be terminated by the company at any time without notice for serious breach of obligations to the employer, wilful neglect of duty, serious misconduct or bankruptcy.

D J Owen VP – Research
- No fixed term of agreement.
- Base salary, inclusive of superannuation, per annum as at 30 June 2013 of $217,507, to be reviewed annually by the remuneration and nomination committee.
- Subject to termination at any time by:
  (i) the Executive giving to the company not less than three months written notice; or
  (ii) the company giving to the Executive written notice, or payment in lieu of that notice, which notice period shall be three months.
- The Executive's employment may be terminated by the company at any time without notice for serious breach of obligations to the employer, wilful neglect of duty, serious misconduct or bankruptcy.

Share-based compensation

Options

Options are granted under the Starpharma Holdings Limited Employee Share Option Plan (ASX code SPLAM) ("the Plan") which was approved by shareholders at the 2007 annual general meeting. All employees of the group are eligible to participate in the plan. Options are granted under the plan for no consideration and when exercised, enable the holder to subscribe for one fully paid ordinary share of the company to be allotted not more than ten business days after exercise, at the exercise price. The vesting period is 1 to 2 years from the date of grant, and the exercise period is 2 to 3 years from the end of the vesting period.

There were no options granted in the current or prior year. The terms and conditions of each grant of options affecting remuneration of each director of the company and the key management personnel of the group in this or future reporting periods are as follows:

Grant date	Date exercise-able	Expiry date	Exercise price	Value per option at grant date	% vested
29 June 2009	29 June 2011	28 June 2014	$0.37	$0.23	100%

Options granted under the Plan carry no dividend or voting rights. The weighted average remaining contractual life of share options outstanding at the end of the year was 1.00 years (2012: 1.54 years).

Fair value of options granted

There were no options granted in the current or prior year. For earlier years, the fair value at grant date was independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

Shares issued to directors and key management personnel on the exercise of options

Details of ordinary shares issued to the key management personnel of the group on the exercise of options in the current and prior year were:

	Number of shares issued on exercise of options during the year		Intrinsic value[1] $	
Name	**2013**	2012	**2013**	2012
J K Fairley	**–**	–	**–**	–
B P Rogers	**100,000**	–	**116,190**	–
J R Paull	**125,000**	–	**52,400**	–
C P Barrett	**–**	75,000	**–**	72,750
N J Baade	**–**	–	**–**	–
D J Owen	**100,000**	–	**120,190**	–

[1] The intrinsic value of each option exercised has been determined as opening share price on the date of allotment of shares less the option exercise price.

The amount paid per ordinary share by the key management personnel of the group on the exercise of options were as follows:

Share allotment date on exercise of options	Amount paid per share
11 July 2012; 13 August 2012	$0.29
19 June 2013	$0.37

No amounts are unpaid on any shares issued on the exercise of options.

Share options granted to directors and key management personnel

Details of options over unissued ordinary shares of Starpharma Holdings Limited provided as remuneration to any of the directors or the key management personnel of the group with greatest authority as part of their remuneration were as follows:

No options have been granted to directors or key management personnel in the current or prior year, or since the end of the year. No options vested or expired (unexercised) in the current or prior year, or since the end of the year.

No options lapsed during the year as a result of performance milestones not being met.

Shares and Performance Rights to directors and key management personnel

Details of ordinary shares and performance rights over unissued ordinary shares of Starpharma Holdings Limited provided as remuneration to any of the directors or the key management personnel of the group with greatest authority as part of their remuneration were as follows:

	Number of direct shares granted during the year[#]		Number of performance rights granted during the year		Number of shares issued on the vesting of performance rights during the year		Number of performance rights lapsed during the year	
Name	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
J K Fairley[1]	**–**	–	**960,000**	375,000	**125,000**	–	**250,000**	–
B P Rogers	**809**	851	**40,000**	32,000	**64,000**	–	**–**	–
J R Paull	**809**	851	**50,000**	40,000	**80,000**	–	**–**	–
C P Barrett	**809**	851	**50,000**	40,000	**80,000**	–	**–**	–
N J Baade	**809**	851	**50,000**	40,000	**80,000**	–	**–**	–
D J Owen	**809**	851	**50,000**	40,000	**80,000**	–	**–**	–
M L McColl[2]	**809**	851	**50,000**	40,000	**80,000**	–	**90,000**	–

[1] The value of rights that lapsed in the year were $52,500.
[2] Resigned 18 January 2013. The value performance rights that lapsed in the year were $121,100.
[#] Excludes shares issued on the vesting of performance rights.

The value at vesting date of performance rights that vested during 2013 was $864,940 (2012: Nil).

No other shares were issued on the vesting of performance rights in the current or prior year provided as remuneration to any of the directors or the key management personnel of the group.

The terms and conditions of the grant of performance rights to any of the directors or the key management personnel of the group in the current year were as follows:

Grant date	Vesting Date	Holding Lock Expiry date	Number of Rights	Performance Measure	Value per right at grant date	% vested
13 September 2012	19 September 2014	19 September 2015	290,000	Achievement of KPIs	$1.55	Nil
30 November 2012	30 September 2013	30 September 2014	100,000	Share Price ≥ $1.86	$0.19	Nil
30 November 2012	30 September 2013	30 September 2014	100,000	Share Price ≥ $2.09	$0.12	Nil
30 November 2012	30 September 2013	30 September 2014	200,000	Achievement of KPIs	$1.10	Nil
30 November 2012	30 November 2014	30 November 2015	50,000	Continued Employment	$1.10	Nil
30 November 2012	30 November 2014	30 November 2015	50,000	Index TSR	$0.72	Nil
30 November 2012	30 November 2014	30 November 2015	100,000	Index TSR +10%	$0.70	Nil
30 November 2012	30 November 2015	30 November 2016	80,000	Continued Employment	$1.10	Nil
30 November 2012	30 November 2015	30 November 2016	80,000	Index TSR	$0.77	Nil
30 November 2012	30 November 2015	30 November 2016	200,000	Index TSR +10%	$0.76	Nil

Principles used to determine the nature and amount of remuneration and the relationship between remuneration and company performance are set out in the Executive remuneration policy and framework section of this report.

Details of remuneration: cash bonuses, shares, performance rights and options

For each cash bonus and grant of equity included in the tables on pages 20 to 24, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and individual performance objectives is set out below. The options vest over the specified periods providing vesting criteria are met.

No options or rights will vest if the conditions are not satisfied, hence the minimum value of the options and rights yet to vest is nil. The maximum value of the options and rights yet to vest has been determined as the amount of the grant date fair value of the options and rights that is yet to be expensed.

	Cash bonus		Shares		Performance rights				
	Paid	Forfeited	Grant date value of shares granted during 2013[2]	Grant date value of rights granted during 2013[2 3]	Year granted	Vested	Forfeited	Financial years in which rights may vest	Remuneration consisting of shares & rights[4]
Name	%	%	$	$		%	%		%
J K Fairley	100%	–	–	714,970	2013 2013 2013 2012	– – – 33%	– – – 66%	30/06/2016 30/06/2015 30/06/2014 30/06/2013	35%
B P Rogers	–[1]	–	999	58,900	2013 2012 2011	– – 100%	– – –	30/06/2015 30/06/2014 30/06/2013	22%
J R Paull	–[1]	–	999	73,625	2013 2012 2011	– – 100%	– – –	30/06/2015 30/06/2014 30/06/2013	18%
C P Barrett	–[1]	–	999	73,625	2013 2012 2011	– – 100%	– – –	30/06/2015 30/06/2014 30/06/2013	18%
N J Baade	–[1]	–	999	73,625	2013 2012 2011	– – 100%	– – –	30/06/2015 30/06/2014 30/06/2013	18%
D J Owen	–[1]	–	999	73,625	2013 2012 2011	– – 100%	– – –	30/06/2015 30/06/2014 30/06/2013	18%
M L McColl[5]	–[1]	–	999	73,625	2013 2012 2011	– – 100%	100% 100% –	30/06/2015 30/06/2014 30/06/2013	(7%)

[1] The bonuses paid are at the absolute discretion of the board based on an individual's performance within the year. There is no unpaid component of the bonuses awarded.

[2] The value at grant date calculated in accordance with AASB 2 *Share-based Payments* of shares and performance rights granted during the year as part of remuneration.

[3] The maximum value of options and performance rights is determined at grant date and is amortised over the applicable vesting period. The amount which will be included in a given key management personnel's remuneration for a given year is consistent with this amortisation amount. No options or performance rights will vest if the conditions are not satisfied, hence the minimum value yet to vest is nil.

[4] The percentage of the value of remuneration consisting of equity, based on the market value of shares at grant date, and the fair value of options and performance rights expensed during the current year.

[5] Resigned 18 January 2013.

- End of remuneration report -

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

Grant date	Expiry date	Issue price of shares	Number under options
29 June 2009	28 June 2014	$0.37	585,000

No option holder has any right under the options to participate in any other issue of the company or group.

Shares issued on the exercise of options
The following ordinary shares of Starpharma Holdings Limited were issued during the year and up to the date of this report on the exercise of options. No amounts are unpaid on any of the shares.

Date options granted	Issue price of shares (Option exercise price)	Number of shares issued
21 August 2007	$0.43	1,684,809
1 January 2009	$0.29	300,000
29 June 2009	$0.37	209,000

Shares under rights
Unissued ordinary shares of Starpharma Holdings Limited under the Employee Performance Rights Plan at the date of this report are as follows:

Grant date	Vesting date	Holding Lock date	Number of rights granted	Balance of rights at date of report
25 November 2011	25 November 2013	25 November 2014	467,500	410,000
13 September 2012	19 September 2014	19 September 2015	672,400	600,900
30 November 2012	30 September 2013	30 September 2014	400,000	400,000
30 November 2012	30 November 2014	30 November 2015	200,000	200,000
30 November 2012	30 November 2015	30 November 2016	360,000	360,000

Rights and the resultant shares are granted for no consideration.

Shares issued on the vesting of rights
The following ordinary shares of Starpharma Holdings Limited were issued during the year to the date of this report on the vesting of performance rights granted under the Employee Performance Rights Plan. No amounts are unpaid on any of the shares.

Date rights granted	Issue price of shares (Exercise price of right)	Number of shares issued
2 September 2010	$ -	717,800
10 November 2011	$ -	125,000

Insurance of officers
During the financial year, Starpharma Holdings Limited arranged to insure the directors and executive officers of the company and related bodies corporate. The terms of the policy prohibit disclosure of the amount of the premium paid. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Audit & non audit services
The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below. The board of directors has considered the position and, in accordance with the advice received from the audit and risk committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit and risk committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor (PricewaterhouseCoopers) of the parent entity, its related practices and non-related audit firms.

Assurance Services	**2013 $**	2012 $
Audit or review of financial reports of the entity or any entity in the group under the *Corporations Act 2001*	**87,600**	85,000

No other assurance services, taxation or advisory services have been provided by the auditor in either the current or prior year.

Auditors' Independence Declaration
A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 26.

Rounding of amounts
The company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor
PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Peter T Bartels, *AO*
Director
Melbourne, 26 August 2013

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Starpharma Holdings Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Starpharma Holdings Limited and the entities it controlled during the period.

Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
26 August 2013

CORPORATE GOVERNANCE STATEMENT

Starpharma Holdings Limited ("the company") and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board guides and monitors the company's activities on behalf of the shareholders. In developing policies and setting standards the board considers the Australian Securities Exchange ("ASX") Corporate Governance Principles and Recommendations (2nd Edition with 2010 Amendments) ("the CGC Recommendations").

The Corporate Governance Statement set out below describes the company's current corporate governance principles and practices which the board considers to comply with the CGC Recommendations. All of these practices, unless otherwise stated, were in place for the entire year. This corporate governance statement is available on the company's website. The company and its controlled entities together are referred to as the group in this statement.

Principle 1: Lay solid foundations for management and oversight

The relationship between the board and senior management is critical to the group's long term success. The directors are responsible to the shareholders for the performance of the group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the group is properly managed.

The responsibilities of the board are described in the board charter, which is set out under Principle 2 below.

Day to day management of the group's affairs and the implementation of the corporate strategy and policy initiatives are delegated by the board to the Chief Executive Officer ("CEO"). These delegations are reviewed on an annual basis.
A performance assessment for senior executives was last conducted in April 2013. The process for these assessments is described in the Remuneration Report under the heading "Performance Review and Development" on page 19 of this report.

Principle 2: Structure the board to add value

The board operates in accordance with the broad principles of the charter set out below.

2.1 Board charter
The charter of the board of Starpharma Holdings Limited, matters reserved for the board and matters delegated to the CEO are set out below.
2.1.1 Board Composition
- The board is to be composed of both executive and non-executive directors with a majority of non-executive directors.
- In recognition of the importance of independent views and the board's role in supervising the activities of management the Chairman must be an independent non-executive director, the majority of the board must be independent of management and all directors are required to bring independent judgement to bear in their board decision making.
- The Chairman is elected by the full board and meets regularly with the CEO.
- The board may decide to appoint one of the non-executive directors as Deputy Chairman.
- The company is to maintain a mix of directors on the board from different genders, age groups and cultural and professional backgrounds who have complementary skills and experience.
- The board is to establish measurable board gender diversity objectives and assess annually the objectives and the progress in achieving them.

The board is to undertake an annual board performance review and consider the composition, structure, and role of the board and individual responsibilities of directors.
- The minimum number of directors is three and the maximum is fifteen unless the company passes a resolution varying that number.
- There is no requirement for a director to hold shares in the company.

2.1.2 Functions Reserved for the board
The company has established matters reserved for the board. These are:

(a) Strategic Issues
- approving the company's corporate strategy;
- overseeing and monitoring organisational performance and the achievement of the group's strategic goals and objectives;
- approving any major transaction not included in the budget or outside the ordinary course of the business;
- determining the structure of the company and the definition of the business;

(b) Shareholding Items
- issuing shares, options or performance rights;
- granting special rights to shares;
- determining the amount of a dividend;

(c) Financial Items
- approving the company's credit policy;
- reviewing and approving the annual budget and financial plans including available resources and major capital expenditure initiatives;
- seeking credit in excess of $50,000;
- giving any guarantee or letter of credit or any security over the company's assets;

(d) Expenditure Items
- approval of the annual and half-year financial reports;
- approving expenditure exceeding $100,000, unless reimbursable by an external funding body in which case the limit is $250,000;
- approving divestments of assets exceeding $50,000;

(e) Audit
- approving appointment or removal of external auditors;
- considering any external audit reports;

(f) Board and Senior Management
- establishing corporate governance policies;
- appointment, performance assessment and, if necessary, removal of the CEO;
- determining remuneration of the CEO;
- ratifying the appointment and, if necessary, the removal of senior executives;

2.1.3 Other Board Responsibilities
- enhancing and protecting the reputation of the group;
- overseeing the operation of the group, including its systems for control, accountability, and risk management;
- monitoring financial performance;
- liaison with the company's auditors;
- ensuring there are effective management processes in place and approving major corporate initiatives; and
- reporting to shareholders.

2.2 Board members
Details of the members of the board, their experience, qualifications, term of office and independent status are set out in the directors' report under the heading "Information on Directors". There are five non-executive directors, all of whom are deemed independent under the principles set out below, and one executive director at the date of signing the directors' report. The board seeks to ensure that:
- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the group and directors with an external or fresh perspective; and
- the size of the board is conducive to effective discussion and efficient decision-making.

2.3 Directors' independence
The company has adopted specific principles for assessing the independence of directors: To be deemed independent, a director must be a non-executive and:
– not be a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
– within the last three years, not have been employed in an executive capacity by the company, or been a director after ceasing to hold any such employment;
– within the last three years, not have been a principal of a material professional adviser or a material consultant to the company, or an employee materially associated with the service provided;
– not be a material supplier or customer of the company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
– must have no material contractual relationship with the company other than as a director; and
– be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the company.

Materiality for the purposes of applying these criteria is determined on both quantitative and qualitative bases. An amount of 5% of the individual director's net worth is considered material, and in addition a transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance. A substantial shareholder for the purposes of applying these criteria is a person with a substantial shareholding as defined in section 9 of the *Corporations Act 2001*.

Under these criteria the board has determined that all non-executive directors were independent at the date of this report.

2.4 Term of office
The company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting following their last election, and that one third of non-executive directors (or if their number is not a multiple of three then the number nearest to one third) retire at every annual general meeting and be eligible for re-election.

It is anticipated that non-executive directors would generally hold office for up to ten years, and shall serve a maximum of fifteen years from date of first election by shareholders. The board, on its initiative and on an exceptional basis, may exercise discretion to extend this maximum term where it considers that such an extension would benefit the company.

2.5 Chairman and Chief Executive Officer (CEO)
The current Chairman Mr Peter Bartels is an independent non-executive director appointed in 2003. The CEO Dr Jackie Fairley was appointed as a director and CEO on 1 July 2006. The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives. The board has established the functions delegated to the CEO. The CEO is responsible for implementing company strategies and policies, and for the day to day business operations of the group in accordance with the strategic objectives of the group as approved by the board from time to time.

The board policy is for these separate roles of Chairman and CEO to be undertaken by separate people.

2.6 Commitment
The board held eight meetings during the year. Meetings are usually held at the company's corporate offices and laboratory facility in the Baker IDI Building, 75 Commercial Road, Melbourne, Australia. The number of meetings of the board and of each board committee held during the year ended 30 June 2013, and the number of meetings attended by each director is disclosed in the Directors' Report. The commitments of non-executive directors are considered by the remuneration and nomination committee prior to their appointment to the board and are reviewed each year as part of the annual performance assessment. Prior to appointment or being submitted for re-election each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the company.

2.7 Conflict of interests
Directors are expected to avoid any action, position or interest that may result in a conflict with an interest of the company. A director who has a material personal interest in a matter that relates to the affairs of the company must give notice of such interest and is precluded from participating in discussions or decision making on such dealings.

2.8 Independent professional advice
Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior approval of the Chairman is required, but this approval will not be unreasonably withheld.

2.9 Performance assessment
The board undertakes an annual self-assessment of its performance. Each director is asked to consider matters such as composition, structure and role of the board, and performance of individual directors. The Chairman then meets individually with each director to discuss the assessment.

During the year an assessment of the board and its committees was conducted in accordance with these procedures.

The CEO's performance is assessed taking into account attainment of predetermined targets or goals based on various financial and other measurable indicators related to the company. The CEO meets with the remuneration and nomination committee annually to discuss attainment of key performance indicators of both the CEO and the senior management team.

2.10 Board committees
The board has established two committees to assist in the execution of its duties and to allow detailed consideration of complex issues. The committee structure and membership is reviewed on an annual basis. Board committees are chaired by an independent director other than the Chairman of the board. Where applicable matters determined by committees are submitted to the full board as recommendations for board decisions.

2.11 Remuneration and nomination committee
The company has established a remuneration and nomination committee composed of three independent non-executive directors. At the date of this report the committee consisted of the following:

Dr P J Jenkins (Chairman)
Mr P T Bartels
Ms Z Peach

Details of these directors' attendance at committee meetings are set out in the directors' report on page 17.

The charter of the remuneration and nomination committee is to:
– conduct annual reviews of board membership having regard to present and future needs of the company and make recommendations on board composition and appointments;
– conduct an annual review of and conclude on the independence of each director;
– propose candidates for board vacancies;
– oversee board succession including the succession of the Chairman;
– oversee the annual assessment of board performance;
– advise the board on remuneration and incentive policies and practices generally; and

– make specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

When the need for a new director is identified or an existing director is required to stand for re-election, the committee reviews the range of skills, experience and expertise on the board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. Where necessary, advice is sought from independent search consultants. The remuneration and nomination committee's terms of reference include responsibility for reviewing any transaction between the organisation and the directors, or any interests associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

Principle 3: Promote ethical and responsible decision making

3.1 Code of conduct

The directors are committed to the principles underpinning best practice in corporate governance, with a commitment to the highest standards of legislative compliance and financial and ethical behaviour. The company has established a code of conduct reflecting the core values of the company and setting out the standards of ethical behaviour expected of directors, officers and employees in all dealings and relationships including with shareholders, contractors, customers and suppliers, and with the company. Areas covered include employment practices, equal opportunity, harassment and bullying, conflicts of interest, use of company assets and disclosure of confidential information. The code of conduct is available in the Corporate Governance section of the company's website.

3.2 Trading in company securities

The dealing in company securities by directors, executives and employees is only permitted (subject also to complying with applicable laws) during the following periods (trading windows):

- the period starting 24 hours after the release of Starpharma's annual results and ending on 31 December;
- the period starting 24 hours after the release of the Starpharma's half-year results and ending on 30 June; and
- such other period as determined by the Chairman or a Committee of the board.

Notwithstanding the existence of these trading windows, the company may notify Employees not to buy, sell or otherwise deal in securities of the company during all or part of any trading window. The other periods of the year are considered black-out periods (or closed periods) during which time Employees must not deal in securities of the company unless there are exceptional circumstances and prior written permission from the "approving officer" (Board, Chairman, CEO or Company Secretary, as appropriate) is given.

An Employee who wishes to enter into a margin loan in relation to securities of the company must obtain written permission from the "approving officer" prior to entering into the margin loan.

Except with prior written permission from the "approving officer", Employees may not enter into any transaction which would have the effect of hedging or otherwise transferring to any other person the risk of any fluctuation in the value of:
(a) securities in the company which are subject to a restriction on disposal under an employee share or incentive plan; or
(b) options or performance rights (or any unvested securities in the company underlying them).

The Securities Trading Policy approved by the Board of Directors and released to the ASX on 16 December 2010, and is effective from that date. The Securities Trading Policy is discussed with each new employee as part of their induction training, and is available in the Corporate Governance section of the company's website.

3.3 Diversity policy

The company is committed to workplace diversity, and the board values the level of diversity already present within the organisation, believing that continuing to promote diversity is in the best interests of the company, its employees and its shareholders.

In June 2011 the board approved a Diversity Policy which operates alongside the Code of Conduct and Anti-Discrimination, Bullying and Harassment policies, providing a framework for Starpharma to achieve a number of diversity objectives. The Diversity Policy is available in the Corporate Governance section of the company's website.

Independent of external corporate governance initiatives the company has embraced a culture of inclusion and equal opportunity across diversity areas recognised as potentially impacting upon equality in the workplace - gender, national origin, culture, language, sexual orientation, disability and age.

Board and Management believe that a culture of diversity has helped the company to tap a deeper pool of talent and has enhanced the collective skillset, contributing to the strong performance of the business.

In accordance with the Diversity Policy the board has established measurable objectives for achieving gender diversity and has conducted an assessment of the objectives and progress in achieving them. An excellent gender balance already exists across the company and therefore the initial focus has been on the career development of women rather than on increasing representation of female employees.

Objectives set by the board for the 2012-2013 financial year, and progress against these objectives are set out below:

Objective: Continue to measure and track diversity of gender, age and country of origin, and continue to promote a corporate culture that embraces diversity within the company and more widely within the biotech sector.

Progress towards objective: The company's HR policies and processes were reviewed during the 2011-2012 financial year to ensure they are inclusive in nature and consistent with the aims of the Diversity Policy. Systems have been established to track and report diversity statistics including gender, country of origin and age. More than half (54%) of current employees are female, compared with 58% in July 2012 and 53% July 2011. The table below sets out the proportion of female employees in the whole organisation, in senior executive positions and on the board, at July 2013.

	Whole organisation	Senior Executive	Board
Total	39	8	6
Female	21	3	2
% female	54%	38%	33%

Objective: Identify higher potential female employees for further career development opportunities and continue to seek professional development opportunities and initiatives. Continue to encourage and provide opportunities for female networking and role models.

Progress towards objective: Four female middle managers (24% of total female employees) attended at least one management training course during the year, and one female staff member has been promoted into a middle management role. The company supported all female staff participating in an industry initiative "Connecting Women in Biotechnology" run by the BioMelbourne Network industry group, and including presentations by industry role models, during the 2012/2013 financial year.

Objective: Family friendliness –
(i) Maintain initiatives to smooth transitions before, during and after parental leave, and to retain employees after they have taken parental leave;
(ii) Introduce a formal policy reflecting the company's established practices in relation to parental leave.

Progress towards objective: Where possible, the company provides flexible working hours and part time arrangements, and staff are encouraged to approach management to discuss their particular needs before and after parental leave. A Parental Leave policy was developed and introduced during the year.

Principle 4: Safeguard integrity in financial reporting

4.1 Audit and risk committee
The company has established an audit and risk committee comprising three independent non-executive directors. At the date of this report the committee consisted of the following:

Mr P R Turvey (Chairman)
Mr PT Bartels
Mr R A Hazleton

Details of these directors' qualifications and attendance at committee meetings are set out in the directors' report pages 13 to 17. The audit and risk committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industry in which the group operates. The committee meets at least twice a year, and has direct access to the company's auditors. The charter of this committee is to:

- review and report to the board on the annual report, the half-year financial report and all other financial information published by the company or released to the market;
- assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - > effectiveness and efficiency of operations,
  - > reliability of financial reporting, and
  - > compliance with applicable laws and regulations.
- oversee the effective operation of the risk management framework by:
  - > ensuring the effective implementation of the risk management policy and program,
  - > defining risk threshold levels for referral to the board,
  - > ensuring that an effective system of internal compliance and control is in place,
  - > ensuring staff charged with risk management responsibilities have appropriate authority to carry out their functions and have appropriate access to the audit and risk committee, and
  - > ensuring the allocation of sufficient resources for the effective management of risk
- recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis;
- review and monitor related party transactions and assess their propriety;
- assist the board in the development and monitoring of statutory compliance and ethics programs;
- provide assurance to the board that it is receiving adequate, up to date and reliable information;
- report to the board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit and risk committee:

- receives regular reports from management and the external auditors;
- reviews the processes the CEO and CFO have in place to support their certifications to the board;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- meets separately with the external auditors at least twice a year without the presence of management;
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the committee or the Chairman of the board.

The audit and risk committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

4.2 External auditors
The company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually. The current auditors are PricewaterhouseCoopers who have been the external auditors of the company since it commenced operations. It is PricewaterhouseCoopers policy to rotate audit engagement partners on listed companies at least every five years, and the current audit engagement partner assumed responsibility for the conduct of the audit in 2010. An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 18 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit and risk committee. The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Principle 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

5.1. Continuous disclosure and shareholder communication
The company has developed a continuous disclosure and shareholder communication policy to ensure compliance with the ASX Listing Rules and to facilitate effective communication with shareholders. A copy of this policy is available on the company's website.

The board has appointed the Company Secretary as the person responsible for disclosure of information to the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. Procedures have been established for reviewing whether there is any price sensitive information that should be disclosed to the market, or whether any price sensitive information may have been inadvertently disclosed. All ASX announcements are posted on the company's website as soon as practicable after release to the ASX. The website also has an option for shareholders to register their email address for direct email updates on company matters.

All ASX announcements are also posted on the OTCQX website (www.otcqx.com) in order to provide timely disclosure to US investors trading in the company's Level One ADRs (OTCQX:SPHRY).

Principle 7: Recognise and manage risk

7.1. Risk assessment and management
The board, through the audit and risk committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The company operates in a challenging and dynamic environment, and risk management is viewed as integral to realising new opportunities as well as identifying issues that may have an adverse effect on the company's existing operations and its sustainability. The company is committed to a proactive approach towards risk management throughout its entire business operations. The board aims to ensure that effective risk management practices become embedded in the company culture and in the way activities are carried out at all levels in the company. The board and Management recognise the importance that risk management plays in ensuring the business is able to fully capitalise on the opportunities available to it as well as mitigating potential loss. Health and Safety are considered to be of paramount importance and are the focus of significant risk management activities within the company. Other risk areas that are addressed include business continuity and disaster recovery, reputation, intellectual property, product development and clinical trials. Adherence to the Code of Conduct is required at all times and the board actively promotes a culture of quality and integrity. The board has required management to design and implement a risk management and internal control system to manage the group's material business risks. The risk management policy, a summary of which is available on the company website, sets out policies for the oversight of material business risks, and describes the responsibilities and authorities of the board, the audit and risk

committee, the CEO, CFO, Company Secretary, and the senior management team.

The CEO, CFO and Company Secretary are responsible to the board through the audit and risk committee for the overall implementation of the risk management program. During the financial year management has reported to the board as to the effectiveness of the group's management of its material risks.

7.2. Corporate reporting
The company prepares audited financial statements for each year ending 30 June, and reviewed financial statements for each half year period ending 31 December. In accordance with ASX Listing Requirements the annual financial statements are lodged with the ASX by 31 August, and half year statements are lodged with the ASX by 28 February each year.

The CEO and the CFO have made the following certifications to the board for the year ended 30 June 2013:

– that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and group and are in accordance with relevant accounting standards; and
– that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

The company has established a remuneration and nomination committee consisting of three independent non-executive directors. Details regarding composition, meetings and charter are set out in section 2.11 of this Corporate Governance Statement.

Each member of the senior executive team has signed a formal employment contract covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. Each contract refers to a specific formal position description which is reviewed by the committee as necessary in consultation with the CEO and relevant executive. Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Remuneration Report on pages 18 to 24.

The company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under equity-based remuneration schemes is contained in the Securities Dealing Policy which is available in the Corporate Governance section of the company's website.

Contents

These financial statements are the consolidated financial statements for the consolidated entity consisting of Starpharma Holdings Limited and its subsidiaries. The financial statements are presented in the Australian currency.

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

Its registered office and principal place of business is:
Starpharma Holdings Limited
Baker IDI Building, 75 Commercial Road
Melbourne, Victoria, 3004, Australia

A description of the nature of the group's operations and its principal activities is included in the CEO's Report on pages 3 to 11 and in the operating and financial review in the directors' report on pages 15 to 17, which are not part of this financial report.

The financial statements were authorised for issue by the directors on 26 August 2013. The directors have the power to amend and reissue the financial report.

Through the use of the internet, Starpharma ensures that corporate reporting is timely and complete. All recent press releases, financial reports and other information are available on the website: www.starpharma.com.

Consolidated income statement

For the year ended 30 June 2013

		Consolidated	
		2013	2012
	Notes	**$'000**	$'000
Revenue from continuing operations	5	**2,429**	2,744
Other income	5	**5**	160
Administration expense	6	**(4,149)**	(4,466)
Research and development expense	6	**(3,505)**	(12,088)
Finance costs		**(9)**	(8)
Loss before income tax		**(5,229)**	(13,658)
Income tax expense	7	**-**	-
Loss from continuing operations attributable to members of Starpharma Holdings Limited		**(5,229)**	(13,658)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company		**$**	$
Basic loss per share	24	**($0.02)**	($0.05)
Diluted loss per share	24	**($0.02)**	($0.05)

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

For the year ended 30 June 2013

		Consolidated	
		2013	2012
	Notes	**$'000**	$'000
Loss for the year		**(5,229)**	(13,658)
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Foreign exchange differences on translation of foreign operations	15	**713**	421
Other comprehensive income (loss)		**713**	421
Total comprehensive income (loss) for the year attributable to members of Starpharma Holdings Limited		**(4,516)**	(13,237)

The above statement of consolidated comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 30 June 2013

		Consolidated	
		2013	2012
	Notes	**$'000**	$'000
Current Assets			
Cash and cash equivalents	8	**33,840**	42,812
Trade and other receivables	9	**5,492**	2,053
Total current assets		**39,332**	44,865
Non-current assets			
Property, plant and equipment	10	**411**	414
Intangible assets	11	**8,807**	8,989
Total non-current assets		**9,218**	9,403
Total assets		**48,550**	54,268
Current Liabilities			
Trade and other payables	12	**1,696**	4,492
Borrowings	13	**25**	40
Provisions (employee entitlements)		**627**	506
Deferred income		**111**	397
Total current liabilities		**2,459**	5,435
Non-current liabilities			
Borrowings	13	**75**	100
Provisions (employee entitlements)		**48**	82
Total non-current liabilities		**123**	182
Total liabilities		**2,582**	5,617
Net assets		**45,968**	48,651
Equity			
Contributed equity	14	**140,081**	139,171
Reserves	15	**3,502**	1,866
Accumulated losses	16	**(97,615)**	(92,386)
Total equity		**45,968**	48,651

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2013

		Consolidated			
		Contributed capital	Reserves	Accumulated losses	Total equity
	Notes	$'000	$'000	$'000	$'000
Balance at 1 July 2012		139,171	1,866	(92,386)	48,651
Loss for the year		-	-	(5,229)	(5,229)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations	15	-	713	-	713
Total comprehensive income (loss) for the year		-	713	(5,229)	(4,516)
Transactions with owners, recorded directly in equity					
Contributions of equity, net of transaction costs	14	878	-	-	878
Employee share plans	14	32	-	-	32
Employee performance rights plan	15	-	923	-	923
Total transactions with owners		910	923	-	1,833
Balance at 30 June 2013		140,081	3,502	(97,615)	45,968

For the year ended 30 June 2012

		Consolidated			
		Contributed capital	Reserves	Accumulated losses	Total equity
	Notes	$'000	$'000	$'000	$'000
Balance at 1 July 2011		105,399	1,022	(78,728)	27,693
Loss for the year		-	-	(13,658)	(13,658)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations	15	-	421	-	421
Total comprehensive income (loss) for the year		-	421	(13,658)	(13,237)
Transactions with owners, recorded directly in equity					
Contributions of equity, net of transaction costs	14	33,746	-	-	33,746
Employee share plans	14	26	-	-	26
Employee performance rights plan	15	-	423	-	423
Total transactions with owners		33,772	423	-	34,195
Balance at 30 June 2012		139,171	1,866	(92,386)	48,651

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2013

	Notes	Consolidated 2013 $'000	Consolidated 2012 $'000
Cash flow from operating activities			
Receipts from trade and other debtors (inclusive of GST)		**423**	1,141
Grant income and R&D tax incentives (inclusive of GST)		**5,453**	405
Payments to suppliers and employees (inclusive of GST)		**(17,270)**	(12,916)
Interest received		**1,609**	1,608
Interest paid		**(10)**	(8)
Net cash outflows from operating activities	23	**(9,795)**	(9,770)
Cash flow from investing activities			
Payments for property, plant and equipment		**(156)**	(133)
Net cash outflows from investing activities		**(156)**	(133)
Cash flow from financing activities			
Proceeds from issue of shares		**878**	35,167
Share issue transaction costs		**-**	(1,422)
Lease repayments		**(50)**	(80)
Net cash inflows from financing activities		**828**	33,665
Net increase (decrease) in cash and cash equivalents held		**(9,123)**	23,762
Cash and cash equivalents at the beginning of the year		**42,812**	18,918
Effects of exchange rate changes on cash and cash equivalents		**151**	132
Cash and cash equivalents at the end of the year		**33,840**	42,812

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Starpharma Holdings Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards board and the *Corporations Act 2001*. Starpharma Holdings Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Starpharma Holdings Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met.

(iii) Early adoption of standards

The group has elected to apply the following pronouncement to the annual reporting period beginning 1 July 2012:

- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009—2011 Cycle*

This includes applying the revised pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. None of the items in the financial statements had to be restated as a result of applying this standard. However, the amendments removed the requirement to provide additional comparative information in all relevant notes where line items in the financial statements are affected as a result of a retrospective restatement (eg because of an error). Following the amendments, it is now sufficient if an entity includes a third balance sheet and explains the impact of the restatement on individual line items in the note that sets out the reasons for the restatement. There is no impact to the financial report in applying this amendment.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(vi) Going Concern

For the year ended 30 June 2013, the consolidated entity has incurred losses of $5,229,000 (2012: $13,658,000) and experienced net cash outflows of $9,795,000 from operations (2012: $9,770,000), as disclosed in the balance sheet and statement of cash flows, respectively. This is consistent with the consolidated entity's strategic plans and the directors are satisfied regarding the availability of working capital for the period up to at least August 2014. Accordingly the directors have prepared the financial report on a going concern basis in the belief that the consolidated entity will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the financial report.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Starpharma Holdings Limited ("company" or "parent entity") as at 30 June 2013 and the results of all subsidiaries for the year then ended. Starpharma Holdings Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the group has power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Starpharma Holdings Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Licence revenue is recognised in accordance with the underlying agreement. Upfront payments are brought to account as revenues unless there is a correlation to ongoing research and both components are viewed as one agreement, in which case the licence income is amortised over the anticipated period of the associated research program. Unamortised licence revenue is recognised on the balance sheet as deferred income. Interest revenue is recognised on a time proportion basis using the effective interest rate method. All revenue is stated net of the amount of Goods and Services Tax (GST).

(f) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(g) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity, respectively. Starpharma Holdings Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

(i) Investment allowances and similar tax incentives

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (eg investment allowances). The group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

(h) Leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases (note 20). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property, or if lower the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in short-term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 20). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

(j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held with financial institutions, and other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The amount of significant cash and cash equivalents not available for use is disclosed in note 8.

(k) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 to 60 days. They are presented as current assets unless collection is not expected for more than 12 months after reporting date. Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in profit or loss within administration expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(l) Investments and other financial assets

Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting period.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 9) in the balance sheet.

(m) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of the residual values, over their estimated useful lives. The expected useful lives are 3 to 15 years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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 (note 1 (i)). Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

(n) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the group between 1 to 2 years, whichever is shorter.

(o) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which goodwill arose.

(ii) Patents and licences

Costs associated with patents are charged to profit or loss in the periods in which they are incurred. Licences and acquired patents with a finite useful life are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences and patents over the period of the expected benefit, which varies from 3 to 13 years.

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility and adequate resources are available to complete development, generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life. To date no development costs have been capitalised.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(r) Provisions

Provisions for legal claims, service claims and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item in the same class of obligations may be small. Provisions are measured at the present value of management's best estimate for the expenditure required to settle the present obligation at the balance date. The discount rate used to determine the present value reflects current market assessment of the time, value of money, and the risks specific to liability. The increase of the provision due to the passage of time is recognised as interest expense.

(s) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related services is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted

using market yields at the end of the reporting period on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlements for at least twelve months after the reporting date, regardless of when the actual settlements is expected to occur.

(iii) Superannuation and Pension Benefits

Group companies make the statutory superannuation guarantee contribution in respect of each employee to their nominated complying superannuation or pension fund. In certain circumstances pursuant to an employee's employment contract the group companies may also be required to make additional superannuation or pension contributions and/or agree to make salary sacrifice superannuation or pension contributions in addition to the statutory guarantee contribution. The group's legal or constructive obligation is limited to the above contributions. Contributions to the employees' superannuation or pension plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

(iv) Share-based payments

Share-based compensation benefits are offered to the directors and employees via the Starpharma Holdings Limited Employee Share Option Plan ("SPLAM"), an Employee Share Plan ($1,000 Plan), and an Employee Performance Rights Plan. Information relating to these plans is set out in note 25 and in the remuneration report under the directors' report.

The fair value of options and performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or rights. The fair value at grant date is determined using a Black-Scholes or binomial model (or variant of, as appropriate) that takes into account any exercise price, the term, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option or share right, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term. The fair value excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options or share rights that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options or share rights that are expected to become exercisable. The employee benefit expense recognised in each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Under the Employee Share Plan ($1,000 Plan) shares are issued to employees for no cash consideration and vest immediately on grant. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

(vi) Bonus payments

The group recognises a liability and an expense for bonuses based on a formula that takes into consideration performance criteria that has been set. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(vii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, performance rights or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are not included in the cost of the acquisition as part of the purchase consideration.

(u) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(w) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(x) Rounding of amounts

The company is of a kind referred to in Class order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial*

Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

(ii) AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. The group does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account for their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

The group will adopt the new standards from their operative date. They will therefore be applied in the financial statements for the annual reporting period ending 30 June 2014. They are not expected to have any impact on the group's financial statements.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group will adopt the new standard from its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 *Employee Benefits* and AASB 2011-10 *Amendments to Australian Accounting Standards* arising from AASB 119 (September 2011)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. The Group will apply the new standard when it becomes operative, being from 1 July 2013. There is not expected to have any impact on the group's financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(z) Parent entity financial information

The financial information for the parent entity, Starpharma Holdings Limited, disclosed in note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Starpharma Holdings Limited. Dividends received from associates are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(ii) Share-based payments

The grant by the company of options and rights over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

2. Financial risk management

The group's activities expose it to a variety of financial risks; including market risk, credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The chief executive officer, chief financial officer and company secretary, under the guidance of the audit and risk committee and the board, have responsibility for the risk management program.

(a) Market risk

(i) Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The group operates internationally and is exposed to foreign exchange risk arising from currency exposures to major currencies including the US dollar.

On the basis of the nature of these transactions, the group does not use derivative financial instruments to hedge such exposures, but maintains cash and deposits in both Australian and US dollars. The directors are regularly monitoring the potential impact of movements in foreign exchange exposure.

The exposure to foreign currency risk at the reporting date using an US exchange rate of $0.9275 was as follows:

	Consolidated	
	2013 US $'000	2012 US $'000
Cash and cash equivalents	**2,976**	3,059
Trade and other receivables	**99**	10
Trade and other payables	**299**	3,969

Group Sensitivity

The group is mainly exposed to US dollars. The following table details the group's sensitivity to a 10% increase and decrease in the Australian dollar against the US dollar. A positive number indicates a favourable movement; that is an increase in profit or reduction in the loss.

	Consolidated	
	2013 $'000	2012 $'000
Impact on profit / (loss) on a movement of the US Dollar:		
Australian dollar strengthens (increases) against the US Dollar by 10%	**(266)**	(131)
Australian dollar weakens (decreases) against the US Dollar by 10%	**325**	108

(ii) Cash Flow Interest Rate Risk

The group hold interest bearing assets and therefore the income and operating cash flows are exposed to market interest rates.

At the end of the reporting period, the group had the following at call deposits. Refer to note 8 for additional information.

	Consolidated	
	2013 $'000	**2012 $'000**
Term Deposits and deposits at call	**32,337**	41,357

Group Sensitivity

At 30 June 2013, if interest rates had changed by 50 basis points either higher or lower from the year end rates with all other variables held constant, group profit for the year would have been $162,000 higher or lower (2012 - change of 50 bps: $209,000 higher/lower) due to either higher or lower interest income from cash or cash equivalents.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures from royalty and licensing agreements and product sales. Credit risk for cash and deposits with banks and financial institutions is managed by maximising deposits held under major Australian and US banks. Other than government funded research and development programs, third party receivables largely consist of research fees, royalty and licensing receivables from leading, multinational organisations.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The directors regularly monitor the cash position of the group, giving consideration to the level of expenditure and future capital commitments entered into.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the group is the current bid price. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives and investments in unlisted subsidiaries) is determined using valuation techniques. The group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Amortisation of finite life intangible assets

The group's management determines the estimated life of the patents underlying the core technology of the business and calculates amortisation accordingly. The estimate is based on the period of expected benefit which currently stands at 3–13 years. This could change as a result of technical innovations or competitor actions in response to severe industry cycles. Management will increase amortisation charges when the useful lives are less than their previously estimated lives. The carrying value of intangible assets at 30 June 2013 is $8,807,000 (2012: $8,989,000).

ii) Impairment of Goodwill

The group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in notes 1(i) and 1(o). Impairment of goodwill is considered based on the fair value less cost to sell of the cash generating units over which the goodwill is allocated. Performing the assessment of fair value less costs to sell requires the use of assumptions. Refer to note 11 for details of these assumptions.

iii) Income Taxes

The group is subject to income taxes in Australia and the United States of America. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination may be uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. The group has not recognised deferred tax assets or liabilities, including carried forward losses due to the realisation of such benefits as uncertain. The utilisation of tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

iv) R&D Tax Incentives

The group research and development activities are eligible under an Australian Government tax incentive for eligible expenditure from 1 July 2011. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. For the period to 30 June 2013 the group has recorded a contra research and development expense of $8,704,000 (2012: $1,323,000). Of the 2013 total, $4,071,000 relates to 2012 expenditure not previously booked in 2012 due to the uncertainty of its eligibility. Subsequent to the 2012 results, Starpharma received an advance finding from AusIndustry that cover a 3 year period from 1 July 2011.

(b) Critical accounting judgments in applying accounting policies

i) Impairment of Assets

The group follows the guidance of AASB 136 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making these judgments, the group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of the near-term business outlook for the investee. This includes factors such as industry performance, changes in technology, operating and financing cash flow and recent transactions involving equity instruments.

4. Segment information

The group has determined that on the basis of internal reporting and monitoring to the Chief Executive Officer, who is the chief operating decision maker, the Group operates in one business segment, being the discovery, development and commercialisation of dendrimers for pharmaceutical, life science and other applications.

There has been a change to the presentation of segment disclosures to better reflect the fact that the Group has only one operating segment.

5. Revenue and other income

	Consolidated	
Revenue and other income	**2013 $'000**	2012 $'000
Royalty, customer & licence revenue	**840**	881
Interest revenue	**1,569**	1,819
Other revenue	**20**	44
Total revenue	**2,429**	2,744
Australian Government grants	**5**	5
USA Government grants	**–**	155
Total other income	**5**	160
Total revenue and other income	**2,434**	2,904

Total revenue and other income for the year was $2,434,000, a reduction of $470,000 from the previous year, on lower interest revenue earned on cash deposits and grant income from the US National Institutes of Health.

6. Expenses

	Consolidated	
	2013 $'000	2012 $'000
Loss from continuing operations before income tax expense includes the following items:		
R&D Tax Incentive (contra expense)[1]	**(8,704)**	(1,323)
Depreciation	**159**	134
Amortisation	**891**	1,008
Rental expense on operating leases	**444**	329
Defined contribution superannuation expense	**402**	385

[1] Refer to Note 3 a) *iv)* for further information.

7. Income tax expense

	Consolidated	
	2013 $'000	2012 $'000
(a) Income tax expense/(credit)		
Current Tax	**–**	–
Deferred Tax	**–**	–
	–	–
Income tax expense is attributable to:		
Profit from continuing operations	**–**	–
Profit from discontinued operations	**–**	–
Aggregate income tax credit	**–**	–
Deferred income tax credit (revenue) / expense included in income tax credit comprises:		
(Decrease) in deferred tax liabilities	**–**	–
	–	–

	Consolidated	
	2013 $'000	2012 $'000
(b) Numerical reconciliation to income tax credit prima facie tax payable		
Loss from continuing operations before income tax	**(5,229)**	(13,658)
Tax at the Australian tax rate of 30% (2012: 30%)	**(1,569)**	(4,097)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Eligible expenses claimed under R&D tax incentive	**477**	485
Amortisation of intangibles	**170**	206
Share-based payments	**287**	134
Unearned income	**(74)**	(102)
Sundry items	**202**	91
Difference in overseas tax rates	**26**	24
Previously unrecognised tax losses now recouped to reduce current tax expense	**(179)**	57
Future income tax benefits not brought to account	**660**	3,202
Income tax credit	**–**	–

(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)	**65,680**	73,290
Potential tax benefit	**19,704**	21,987

Subsequent to the 30 June 2012 results, certain overseas R&D expenditure was determined to be eligible under the 45% refundable tax incentive program. Under the program, eligible R&D expenditure is then not deductable for income tax purposes. The decrease in tax losses in the 2013 financial year reflects this change.

(d) Unrecognised temporary differences		
Temporary differences for which no deferred tax asset has been recognised as recoverability is not probable	**20,304**	5,001
Unrecognised deferred tax relating to the temporary differences	**6,185**	1,420

(e) Deferred tax liabilities		
Deferred tax liabilities comprises temporary differences attributable to:		
Intangibles	**1,659**	1,710
Sundry items	**111**	120
Total deferred tax liabilities	**1,770**	1,830
Set-off of deferred tax liabilities pursuant to set-off provisions	**(1,770)**	(1,830)
Net deferred tax liabilities	**–**	–
Deferred tax liabilities expected to be settled within 12 months	**111**	120
Deferred tax liabilities expected to be settled after more than 12 months	**1,659**	1,710
	1,770	1,830

Deferred tax assets and deferred tax liabilities have been set off as there is a legally recognised right to set off current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority. Deferred tax assets mainly comprises of temporary differences attributable to tax losses.

Potential future income tax benefits attributable to tax losses carried forward have not been brought to account at 30 June 2013 because the directors do not believe that it is appropriate to regard realisation of the future income tax benefit as probable. Similarly, future benefits attributable to net temporary differences have not been brought to account as the directors do not regard the realisation of such benefits as probable.

Realisation of the benefit of tax losses would be subject to the group satisfying the conditions for deductibility imposed by tax legislation and no subsequent changes in tax legislation adversely affecting the group. The group is making an assessment as to the satisfaction of deductibility conditions at 30 June 2013 which it believes will be satisfied.

8. Current assets – Cash and cash equivalents

	Consolidated	
	2013 $'000	2012 $'000
Cash at bank and on hand	**1,503**	1,455
Deposits at call	**32,337**	41,357
	33,840	42,812

Cash at bank and on hand
The cash is bearing floating interest rates based on current bank rates.

Deposits at call
The terms and conditions of the deposits with the counterparties allow the group to withdraw funds on demand.

Cash not available
There is $458,000 of cash not available for use due to restrictions associated with a finance lease and credit card facility which is guaranteed by term deposits (2012: $300,000).

Interest rate risk
With the exception of loans to controlled entities, current receivables are non-interest bearing.

30 June 2013		**Floating Interest rate**	**Fixed interest maturing**								
	Notes	$'000	1 year or less $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000	Contractual cash flows
Financial Assets											
Cash & deposits	8	2,427	30,004	–	–	–	–	–	1,409	33,840	N/A
Receivables	9	–	–	–	–	–	–	–	5,492	5,492	5,492
		2,427	30,004	–	–	–	–	–	6,901	39,332	5,492
Weighted average interest rate		*2.8%*	*4.0%*	*–%*	*–%*	*–%*	*–%*	*–%*	*–%*		
Financial Liabilities											
Payables	12	–	–	–	–	–	–	–	1,696	1,696	1,696
Borrowings	13	–	25	27	30	18	–	–	–	100	100
		–	25	27	30	18	–	–	1,696	1,796	1,796
Weighted average interest rate		*–%*	*8.2%*	*8.2%*	*8.2%*	*8.2%*	*8.2%*	*–%*	*–%*		

30 June 2012		Floating Interest rate	Fixed interest maturing							
	Notes	$'000	1 year or less $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000	Contractual cash flows
Financial Assets											
Cash & deposits	8	1,608	40,135	–	–	–	–	–	1,069	42,812	N/A
Receivables	9	–	–	–	–	–	–	–	2,053	2,053	2,053
		1,608	40,135	–	–	–	–	–	3,122	44,865	2,053
Weighted average interest rate		*2.7%*	*5.3%*	*–%*	*–%*	*–%*	*–%*	*–%*	*–%*		
Financial Liabilities											
Payables	12	–	–	–	–	–	–	–	4,492	4,492	4,492
Borrowings	13	–	40	25	27	30	18	–	–	140	140
		–	40	25	27	30	18	–	4,492	4,632	4,632
Weighted average interest rate		*–%*	*9.0%*	*8.2%*	*8.2%*	*8.2%*	*8.2%*	*–%*	*–%*		

9. Current assets – Trade and other receivables

	Consolidated	
	2013 $'000	2012 $'000
Trade and grant receivables	**4,869**	1,436
Interest receivables	**354**	393
Prepayments	**178**	136
Other receivables	**91**	88
	5,492	2,053

Trade and grant receivables
Trade and grant receivables primarily comprise of $4,632,000 of expenditure reimbursable under the Australian Government's R&D tax incentive scheme. Other trade receivables are associated with research and development projects and are subject to normal terms of settlement within 30 to 90 days.

Credit risk
The group considers that there is no significant concentration of credit risk with respect to current receivables. Grant receivables are with government bodies and trade receivables are from large, well respected companies. Loans to controlled entities are assessed for recoverability and provisions are applied as considered appropriate.

Impaired receivables
As at 30 June 2013, there were no trade and grant receivables that were past due (2012: nil). No receivables are considered impaired at 30 June 2013 (2012: nil) other than from subsidiaries within the group.

Other receivables
Other receivables comprise sundry debtors and GST claimable and are subject to normal terms of settlement within 30 to 90 days.

10. Non-current assets – Property, plant and equipment

Consolidated

	Plant and Equipment $'000	Leasehold improvements $'000	Plant and Equipment under finance lease $'000	Total Plant and Equipment $'000
At 30 June 2011				
Cost	2,042	1,185	272	3,499
Accumulated depreciation and amortisation	(1,872)	(1,147)	(200)	(3,219)
Net book amount	170	38	72	280
Year ended 30 June 2012				
Opening net book amount	170	38	72	280
Additions	131	2	147	280
Disposals	(12)	–	–	(12)
Depreciation and amortisation	(54)	(18)	(62)	(134)
Closing net book amount	235	22	157	414
At 30 June 2012				
Cost	2,138	1,187	419	3,744
Accumulated depreciation and amortisation	(1,903)	(1,165)	(262)	(3,330)
Net book amount	235	22	157	414
Year ended 30 June 2013				
Opening net book amount	235	22	157	414
Additions	152	5	–	157
Disposals	(1)	–	–	(1)
Depreciation and amortisation	(88)	(22)	(49)	(159)
Closing net book amount	298	5	108	411
At 30 June 2013				
Cost	2,116	1,193	419	3,728
Accumulated depreciation and amortisation	(1,818)	(1,188)	(311)	(3,317)
Net book amount	298	5	108	411

11. Non-current assets – Intangible assets

Consolidated	Patents & Licences $'000	Goodwill $'000	Total Intangibles $'000
At 30 June 2011			
Cost	14,854	1,387	16,241
Accumulated depreciation and amortisation	(6,655)	–	(6,655)
Net book amount	8,199	1,387	9,586
Year ended 30 June 2012			
Opening net book amount	8,199	1,387	9,586
Exchange differences	337	74	411
Depreciation and amortisation	(1,008)	–	(1,008)
Closing net book amount	7,528	1,461	8,989
At 30 June 2012			
Cost	15,417	1,461	16,878
Accumulated depreciation and amortisation	(7,889)	–	(7,889)
Net book amount	7,528	1,461	8,989
Year ended 30 June 2013			
Opening net book amount	7,528	1,461	8,989
Exchange differences	564	145	709
Depreciation and amortisation	(891)	–	(891)
Closing net book amount	7,201	1,606	8,807
At 30 June 2013			
Cost	16,507	1,606	18,113
Accumulated depreciation and amortisation	(9,306)	–	(9,306)
Net book amount	7,201	1,606	8,807

(a) Impairment tests for goodwill
Goodwill is tested annually for impairment based on the higher of fair value less costs to sell and value in use of the cash generating units over which the goodwill is allocated.

The group has companies in both Australia and the United States – these are also determined to be the Cash Generating Units (CGUs) of the group. The directors have determined that the goodwill (which arose on the acquisition of the remaining share of the US business and intellectual property) should be allocated across these CGUs as the business combination gives rise to synergies within both Starpharma's Australian and United States companies and their intellectual property.

The recoverable amounts of the group's CGUs have been determined based on estimation of their fair value less costs to sell.

(b) Key assumptions used for fair value less costs to sell estimation
The market capitalisation of the Starpharma group is used to determine an approximation of the fair value less costs to sell of the two CGUs which make up the group. Given the excess of the market capitalisation of Starpharma Holdings Limited over the carrying value of total assets (including goodwill) at 30 June 2013, goodwill is not considered to be impaired at the end of the reporting period.

(c) Impairment tests for finite life intangible assets
Identifiable intangible assets with finite lives are carried at cost less accumulated amortisation and adjusted for any accumulated impairment loss. The directors have assessed these assets for indicators of impairment at 30 June 2013 and determined that there is no indication that the asset is impaired.

12. Current liabilities – Trade and other payables

	Consolidated	
	2013 $'000	2012 $'000
Trade payables and accruals	**1,208**	4,156
Other payables	**488**	336
	1,696	4,492

Trade payables and accruals
The majority of trade payables are related to expenditure associated with the Group's research and development programs.

13. Current and Non-current liabilities – Borrowings

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

2013		**Floating Interest rate**	**Fixed interest rate**						
	Notes		1 year or less $'000	Over 1–2 years $'000	Over 2–3 years $'000	Over 3–4 years $'000	Over 4–5 years $'000	Over 5 years $'000	Total $'000
Lease Liabilities	20	–	25	27	30	18	–	–	100
Weighted average interest rate		*–%*	*8.2%*	*8.2%*	*8.2%*	*8.2%*	*8.2%*	*–%*	

2012		**Floating Interest rate**	**Fixed interest rate**						
	Notes		1 year or less $'000	Over 1–2 years $'000	Over 2–3 years $'000	Over 3–4 years $'000	Over 4–5 years $'000	Over 5 years $'000	Total $'000
Lease Liabilities	20	–	40	25	27	30	18	–	140
Weighted average interest rate		*–%*	*9.0%*	*8.2%*	*8.2%*	*8.2%*	*8.2%*	*–%*	

14. Contributed equity

(a) Share Capital

	Consolidated		Consolidated	
	2013 Shares	2012 Shares	**2013 $'000**	2012 $'000
Share Capital				
Ordinary shares – fully paid	**283,814,948**	280,802,451	**140,081**	139,171

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price	$'000
01 Jul 2011		**247,743,578**		**105,399**
14 Jul 2011	Proceeds on exercise of employee options	40,000	$0.37	15
14 Jul 2011	Employee performance rights plan share issue	13,000	$ –	–
09 Aug 2011	Proceeds on exercise of employee options	140,000	$0.39	54
24 Aug 2011	Proceeds on exercise of employee options	10,000	$0.37	4
7 Sep 2011	Proceeds on exercise of employee options	80,000	$0.37	30
21 Nov 2011	Share placement	29,767,442	$1.08	32,000
	less transaction costs			(1,372)
30 Nov 2011	Proceeds on exercise of employee options	10,000	$0.37	4
14 Dec 2011	Share placement	2,791,305	$1.08	3,000
	less transaction costs			(50)
22 Dec 2011	Proceeds on exercise of employee options	40,000	$0.37	15
24 Jan 2012	Employee share plan ($1,000) issue	22,126	$1.18	26
24 Jan 2012	Proceeds on exercise of employee options	75,000	$0.29	21
29 Feb 2012	Proceeds on exercise of employee options	10,000	$0.37	4
14 Mar 2012	Proceeds on exercise of employee options	10,000	$0.37	4
14 Mar 2012	Proceeds on exercise of options	20,000	$0.29	6
16 Apr 2012	Proceeds on exercise of employee options	30,000	$0.37	11
	Balance at 30 June 2012	**280,802,451**		**139,171**

Date	Details	Number of shares	Issue Price	$'000
1 Jul 2012		280,802,451		139,171
11 Jul 2012	Proceeds on exercise of options	260,660	$0.43	113
11 Jul 2012	Proceeds on exercise of employee options	150,000	$0.29	43
16 Jul 2012	Proceeds on exercise of options	477,290	$0.43	207
13 Aug 2012	Proceeds on exercise of employee options	150,000	$0.29	43
23 Aug 2012	Proceeds on exercise of options	946,859	$0.43	412
13 Sep 2012	Employee performance rights plan share issue	717,800	$ –	–
13 Sep 2012	Proceeds on exercise of employee options	10,000	$0.37	4
5 Oct 2012	Employee performance rights plan share issue	125,000	$ –	–
18 Jan 2013	Employee share plan ($1,000) issue	25,888	$1.24	32
19 Jun 2013	Proceeds on exercise of employee options	149,000	$0.37	56
	Balance at 30 June 2013	**283,814,948**		**140,081**

(c) Ordinary shares

As at 30 June 2013 there were 283,814,948 issued ordinary shares. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital. There is no current on-market share buy-back.

(d) Employee Share Plan ($1,000 Plan)

Information relating to the Employee Share Plan, including details of shares issued under the plan, is set out in note 25.

(e) Employee Performance Rights Plan

Information relating to the Employee Performance Rights Plan, including details of rights issued under the plan, is set out in note 25.

(f) Options

Information relating to the Starpharma Holdings Limited Employee Share Option Plan and Individual option deeds, including details of options issued, exercised and expired during the financial year and options outstanding at the end of the financial year are set out in note 25.

(g) Capital risk management

The group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

15. Reserves

(a) Reserves

	Consolidated	
	2013 $'000	2012 $'000
Share-based payments reserve	**4,188**	3,265
Foreign currency translation reserve	**(2,901)**	(3,614)
Asset revaluation reserve	**2,215**	2,215
	3,502	1,866

(b) Movement in reserves

	Consolidated	
Share-based payments reserve	**2013 $'000**	2012 $'000
Balance at 1 July	**3,265**	2,842
Share option expense	**-**	-
Performance right expense	**923**	423
Balance at 30 June	**4,188**	3,265

Foreign currency translation reserve		
Balance at 1 July	**(3,614)**	(4,035)
Currency translation differences arising during the year	**713**	421
Balance at 30 June	**(2,901)**	(3,614)

(c) Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options and performance rights granted.

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign subsidiary are taken to the foreign currency translation reserve, as described in Note 1(d). The reserve is recognised in income statement when the net investment is disposed of.

(iii) Asset revaluation reserve

The uplift in fair value of the identifiable net assets of DNT on the company's acquisition of the remaining share in October 2006 was recognised in reserves.

16. Accumulated Losses

	Consolidated	
	2013 $'000	2012 $'000
Accumulated losses balance at 1 July	**(92,386)**	(78,728)
Net loss for the year	**(5,229)**	(13,658)
Accumulated losses balance at 30 June	**(97,615)**	(92,386)

17. Key management personnel disclosures

(a) Key management personnel compensation

	Consolidated	
	2013 $	2012 $
Short-term employee benefits	**2,101,668**	2,042,867
Post-employment benefits	**167,095**	203,698
Other long term benefits	**79,592**	48,283
Share-based payments	**588,661**	301,348
	2,937,016	2,596,196

Detailed remuneration disclosures are provided in the remuneration report on pages 18 to 24.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report.

(ii) Rights provided as remuneration and shares issued on vesting of such rights

Details of rights provided as remuneration and shares issued on the vesting of such rights, together with terms and conditions of the rights, can be found in the remuneration report.

Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Starpharma Holdings Limited and other key management personnel of the group, including their personally related parties, are set out below. No non-executive director held options in the current or prior year.

2013 **Name**	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year#	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Directors of Starpharma Holdings Limited							
J K Fairley	–	–	–	–	–	–	–
Other key management personnel of the group							
B P Rogers	200,000	–	100,000	–	100,000	100,000	–
J R Paull	125,000	–	125,000	–	–	–	–
C P Barrett	125,000	–	–	–	125,000	125,000	–
N J Baade	125,000	–	–	–	125,000	125,000	–
D J Owen	225,000	–	100,000	–	125,000	125,000	–
M L McColl[1]	–	–	–	–	–	–	–

[1] Resigned 18 January 2013

2012 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year#	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Directors of Starpharma Holdings Limited							
J K Fairley	–	–	–	–	–	–	–
Other key management personnel of the group							
B P Rogers	200,000	–	–	–	200,000	200,000	–
J R Paull	125,000	–	–	–	125,000	125,000	–
C P Barrett	200,000	–	75,000	–	125,000	125,000	–
N J Baade	125,000	–	–	–	125,000	125,000	–
D J Owen	225,000	–	–	–	225,000	225,000	–
M L McColl	–	–	–	–	–	–	–

Other Changes during the year relate to the expiry of options.

Performance rights holdings

The numbers of rights over ordinary shares in the company held during the financial year by each director of Starpharma Holdings Limited and other key management personnel of the group, including their personally related parties, are set out below.

Except for J K Fairley, no other director held share rights in the current or prior year. J K Fairley was granted 960,000 performance rights to ordinary shares on approval by shareholders at the 2012 annual general meeting.

2013 Name	Balance at the start of the year	Granted during the year as compensation	Vested during the year	Other changes during the year#	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Directors of Starpharma Holdings Limited							
J K Fairley	375,000	960,000	125,000	(250,000)	960,000	–	960,000
Other key management personnel of the group							
B P Rogers	96,000	40,000	64,000	–	72,000	–	72,000
J R Paull	120,000	50,000	80,000	–	90,000	–	90,000
C P Barrett	120,000	50,000	80,000	–	90,000	–	90,000
N J Baade	120,000	50,000	80,000	–	90,000	–	90,000
D J Owen	120,000	50,000	80,000	–	90,000	–	90,000
M L McColl[1]	120,000	50,000	80,000	(90,000)	–	–	–

[1] Resigned 18 January 2013

Other Changes during the year relate to the forfeit of performance rights

2012 Name	Balance at the start of the year	Granted during the year as compensation	Vested during the year	Other changes during the year#	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Directors of Starpharma Holdings Limited							
J K Fairley	–	375,000	–	–	375,000	–	375,000
Other key management personnel of the group							
B P Rogers	64,000	32,000	–	–	96,000	–	96,000
J R Paull	80,000	40,000	–	–	120,000	–	120,000
C P Barrett	80,000	40,000	–	–	120,000	–	120,000
N J Baade	80,000	40,000	–	–	120,000	–	120,000
D J Owen	80,000	40,000	–	–	120,000	–	120,000
M L McColl	80,000	40,000	–	–	120,000	–	120,000

Other Changes during the year relate to the forfeit of performance rights

Share holdings

The numbers of ordinary shares in the company held during the financial year by each director of Starpharma Holdings Limited and other key management personnel of the group, including their personally related parties, are set out below.

Key management personnel of the group, excluding directors, were eligible to participate in the Employee Share Plan ($1,000 Plan).

Shares to the value of $1,000 where granted to Australian-based permanent employees under the plan during the current and prior year.

No director has entered into a material contract with the group in either the current or previous financial year and there were no material contracts involving directors' interests subsisting at year end.

2013 Name	Balance at the start of the year	Granted during the year as compensation	On exercise of share options during the year	On vesting of performance rights during the year	Other changes during the year	Balance at the end of the year
Directors of Starpharma Holdings Limited						
Ordinary Shares						
P T Bartels	232,930	–	–	–	100,000	332,930
J K Fairley	1,649,197	–	–	125,000	50,000	1,824,197
R Dobinson[1]	–	–	–	–	–	–
P J Jenkins	1,487,462	–	–	–	50,000	1,537,462
R A Hazleton	142,616	–	–	–	15,000	157,616
Z Peach	2,000	–	–	–	1,000	3,000
P R Turvey	30,000	–	–	–	17,000	47,000
Other key management personnel of the group						
Ordinary Shares						
B P Rogers	44,640	809	100,000	64,000	–	209,449
J R Paull	15,022	809	125,000	80,000	–	220,831
C P Barrett	78,459	809	–	80,000	–	159,268
N J Baade	121,585	809	–	80,000	–	202,394
D J Owen	53,459	809	100,000	80,000	(123,352)	110,916
M L McColl[2]	2,041	809	–	80,000	(82,500)	350

[1] Resigned 28 November 2012.
[2] Resigned 18 January 2013.

2012 Name	Balance at the start of the year	Granted during the year as compensation	On exercise of share options during the year	On vesting of performance rights during the year	Other changes during the year	Balance at the end of the year
Directors of Starpharma Holdings Limited						
Ordinary Shares						
P T Bartels	129,804	–	–	–	103,126	232,930
J K Fairley	1,819,821	–	–	–	(170,624)	1,649,197
R Dobinson	–	–	–	–	–	–
P J Jenkins	1,426,000	–	–	–	61,462	1,487,462
R A Hazleton	142,616	–	–	–	–	142,616
Z Peach[1]	–	–	–	–	2,000	2,000
P R Turvey[2]	–	–	–	–	30,000	30,000
Other key management personnel of the group						
Ordinary Shares						
B P Rogers	41,455	851	–	–	2,334	44,640
J R Paull	12,608	851	–	–	1,563	15,022
C P Barrett	2,608	851	75,000	–	–	78,459
N J Baade	132,608	851	–	–	(11,874)	121,585
D J Owen	52,608	851	–	–	–	53,459
M L McColl	1,190	851	–	–	–	2,041

[1] Appointed 1 October 2011.
[2] Appointed 19 March 2012.

18. Remuneration of auditors

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated group are important. Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below. During the year the following fees were paid or payable for services provided by the auditor (PricewaterhouseCoopers) of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2013	2012
	$	$
(a) Statutory audit services		
Audit or review of financial reports of the entity or any entity in the consolidated entity		
PricewaterhouseCoopers	**87,600**	85,000
Total remuneration for statutory audit services	**87,600**	85,000

No other audit services were performed in the current or prior year.

19. Contingencies

The company has no contingent assets or liabilities at 30 June 2013 (2012: nil).

20. Commitments

(a) Capital Commitments

There is no capital expenditure contracted for, not recognised as liabilities at the reporting date (2012: nil).

(b) Lease Commitments

Operating leases

The group leases laboratory and offices under a lease until 31 August 2015.

	Consolidated	
	2013	2012
	$'000	$'000
Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:		
Not later than one year	**366**	349
Later than one year and not later than five years	**450**	71
Later than five years	**–**	–
Representing cancellable operating leases	**816**	420

Finance Leases

The group leases plant and equipment under a finance leases expiring within four years.

		Consolidated	
Commitments in relation to finance leases are payable as follows:	Notes	**2013 $'000**	2012 $'000
Not later than one year		**32**	50
Later than one year and not later than five years		**84**	116
Later than five years		**–**	–
Minimum lease payments		**116**	166
Future finance charges		**(16)**	(26)
Recognised as a liability		**100**	140
Representing finance lease liabilities:			
Current	13	**25**	40
Non-Current	13	**75**	100
		100	140

The weighted average interest rate implicit in the lease is 8.2% (2012: 8.4%).

(c) Expenditure Commitments

The group has entered into various agreements for research, development and clinical services. These agreements have typical termination provisions to limit the commitment to the time and materials expended at termination, or up to an approved work order amount.

(d) Termination Commitments

The service contracts of key management personnel include benefits payable by the group on termination of the employee's contract. Refer to the remuneration report for details of these commitments.

21. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

			Equity Holding	
Name of entity	Country of Incorporation	Class of Shares	**2013 %**	2012 %
Starpharma Pty Limited	Australia	Ordinary	**100.00%**	100.00%
Angiostar Pty Limited	Australia	Ordinary	**100.00%**	100.00%
Viralstar Pty Limited	Australia	Ordinary	**100.00%**	100.00%
Dendritic Nanotechnologies Inc.	USA	Ordinary	**100.00%**	100.00%

22. Events occurring after the balance sheet date

There are no significant events occurring since 30 June 2013 that have significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of the group.

23. Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2013 $'000	2012 $'000
Operating loss after tax:	**(5,229)**	(13,658)
Depreciation and amortisation	**1,050**	1,142
Foreign exchange (gains) / losses	**(151)**	(132)
Non-cash employee benefits: share-based payments	**955**	448
Gain (loss) on sale of property, plant and equipment	**(1)**	(13)
Change in operating assets and liabilities, net of effects of acquisitions and disposals of entities:		
Decrease (increase) in receivables and other assets	**(3,424)**	(989)
Increase (decrease) increase in trade creditors	**(2,796)**	3,266
Increase in employee provisions	**86**	116
Increase (decrease) in deferred income	**(285)**	50
Net cash outflows from operating activities	**(9,795)**	(9,770)

24. Earnings per share

	Consolidated	
	2013 $	2012 $
Basic loss per share	**(0.02)**	(0.05)
Diluted loss per share	**(0.02)**	(0.05)
Net loss attributable to members of Starpharma Holdings Ltd used as the numerator in calculating diluted and basic earnings per share ($'000)	**(5,229)**	(13,658)
Weighted average number of ordinary shares outstanding during the year used as the denominator in calculating diluted and basic earnings per share	**283,281,880**	267,652,960

As at 30 June 2013 the company had on issue 635,000 (30 June 2012: 2,778,809) share options and 1,970,900 (30 June 2012: 1,550,300) performance rights that are not considered dilutive.

The options and rights have not been included in the determination of basic earnings per share. The options and rights granted are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

Given the entity is currently loss making, the potential shares are anti-dilutive and have therefore not been included in the diluted earnings per share calculation.

25. Share-based payments

Options

(a) Employee Option Plan

The establishment of the Starpharma Holdings Limited Employee Share Option Plan (ASX code SPLAM) was approved by shareholders at the Annual General Meeting held on 17 November 2004 and re-approved on 14 November 2007. All full-time or part-time employees and directors of the company or associated companies are eligible to participate in the Plan. The objective of the Plan is to assist in the recruitment, reward, retention and motivation of employees of the company. Options are granted under the plan for no consideration. The vesting period is 1 to 2 years from date of grant, with the exercise period 2 to 3 years from the end of the vesting period. Options granted under the plan carry no dividend or voting rights. Each option is personal to the participant and is not transferable, transmissible, assignable or chargeable, except with the written consent of the remuneration and nomination committee. No options were granted in the current or prior year.

(b) Individual Option Deeds

The company infrequently issues options to key consultants of the company. The objective of the option issues is to assist in the reward, retention and motivation of consultants of the company. Options are granted for no consideration, usually in lieu of some proportion of cash compensation. Options are normally granted for a two to five year period, with various exercisable dates. Options granted carry no dividend or voting rights. Each option is personal to the participant and is not transferable, transmissible, assignable or chargeable, except with the written consent of the remuneration and nomination committee.

(c) Options Attached to a Share Placement

The company issued 7,567,119 unlisted options attached to a share placement in August 2007. The options have an exercise price of $0.4346 per option with an expiry date of 21 August 2012. Options granted carry no dividend or voting rights. The remaining balance of 1,684,809 options was exercised before the expiry date.

Set out below are summaries of options under the schemes:

2013

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Exercised during the year	Forfeited during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
Consolidated and parent entity								
21 Aug 2007[c]	22 Aug 2012	$0.43	1,684,809	1,684,809	–	–	–	–
1 Jan 2009[a]	28 Aug 2012	$0.29	300,000	300,000	–	–	–	–
29 Jun 2009[a]	28 Jun 2014	$0.37	794,000	159,000	–	–	635,000	635,000
Total			2,778,809	2,143,809	–	–	635,000	635,000
Weighted average exercise price			$0.40	$0.41	$ –	$ –	$0.37	$0.37

2012

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Exercised during the year	Forfeited during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
		$	Number	Number	Number	Number	Number	Number
Consolidated and parent entity								
21 Aug 2007[c]	22 Aug 2012	$0.43	1,684,809	–	–	–	1,684,809	1,684,809
31 Oct 2007[a]	7 Aug 2011	$0.50	30,000	30,000	–	–	–	–
1 Jan 2009[a]	28 Aug 2012	$0.29	395,000	95,000	–	–	300,000	300,000
1 Jan 2009[b]	28 Aug 2012	$0.29	20,000	20,000	–	–	–	–
29 Jun 2009[a]	28 Jun 2014	$0.37	1,114,000	320,000	–	–	794,000	794,000
Total			3,243,809	465,000	–	–	2,778,809	2,778,809
Weighted average exercise price			$0.39	$0.36	$ –	$ –	$0.40	$0.40

[a] Options granted under the Employee Option Plan.
[b] Options granted under individual option deeds.
[c] Options granted under a share placement.

No options were granted in the current or prior year.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2013 was $1.44 (2012: $1.26).

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.00 year (2012: 0.67 years).

Where options are issued to employees of subsidiaries within the group, the subsidiaries compensate Starpharma Holdings Limited for the amount recognised as expense in relation to these options.

(d) Fair value of options granted

There were no options granted in the current or prior year. The fair value at grant date of options granted in earlier years were independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. Options are granted for no consideration, and have varying exercise and expiry dates.

Shares

(a) Employee Share Plan ($1,000 Plan)

All executives and staff, excluding directors, are eligible to participate in the Starpharma Employee Share Plan ($1,000 Plan). The objective of the $1,000 Plan is to assist in the reward, retention and motivation of employees of the group. An annual allocation of up to $1,000 of shares may be granted and taxed on a concessional basis. Shares are granted under the $1,000 Plan for no consideration and are escrowed for 3 years while participants are employed by the group.

(b) Fair value of shares granted

The weighted average assessed fair value at grant date of employee shares granted during the year ended 30 June 2013 was $1.235 (2012: $1.175 per share). The fair value at grant date is determined by the share price on the date of grant. Employee shares were granted for no consideration.

Information used in assessing the fair value of shares granted during the year ended 30 June 2013 is as follows:

Share grant date	18 January 2013
Number of shares granted	25,888
Share price at grant date	$1.235
Assessed fair value	$1.235

Information used in assessing the fair value of shares granted during the year ended 30 June 2012 is as follows:

Share grant date	24 January 2012
Number of shares granted	22,126
Share price at grant date	$1.175
Assessed fair value	$1.175

Performance Rights

(a) Employee Performance Rights Plan

In 2010 the board approved the introduction of the Starpharma Employee Performance Rights Plan, which was subsequently approved by shareholders at the 2011 annual general meeting. All executives and staff, including the CEO, are eligible to participate in the Plan. The Plan allows for the issue of performance rights (being rights to receive fully paid ordinary shares subject to continued employment with the company and the satisfaction of certain performance hurdles over a specified period). A further holding lock period may also be applied to restrict disposal after the vesting date. Performance rights are granted under the Plan for no consideration. The objective of the Plan is to assist in the recruitment, reward, retention and motivation of employees of the company.

(b) Fair value of performance rights granted

The weighted average assessed fair value at grant date of performance rights granted during the year ended 30 June 2013 was $1.08 per right (2012: $0.81). There were 1,682,400 performance rights granted in the current year (2012: 842,500). The estimated fair value at grant date is determined using either an option pricing or a binomial model that takes into account the exercise price, the performance measure, the term of the right, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. The expected price volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

Set out below are summaries of performance rights:

2013

Grant Date	Vesting Date	Holding Lock Date	Balance at start of the year	Granted during the year	Converted during the year	Forfeited during the year	Balance at end of the year
			Number	Number	Number	Number	Number
2 Sep 2010	31 Aug 2012	31 Aug 2013	717,800	–	717,800	–	–
10 Nov 2011	30 Sep 2012	30 Sep 2013	375,000	–	125,000	250,000	–
25 Nov 2011	25 Nov 2013	25 Nov 2014	457,500	–	–	47,500	410,000
13 Sep 2012	19 Sep 2014	19 Sep 2015	–	672,400	–	71,500	600,900
30 Nov 2012	30 Sep 2013	30 Sep 2014	–	400,000	–	–	400,000
30 Nov 2012	30 Nov 2014	30 Nov 2015	–	200,000	–	–	200,000
30 Nov 2012	30 Nov 2015	30 Nov 2016	–	360,000	–	–	360,000
15 Jan 2013	15 Jan 2015	15 Jan 2016	–	50,000	–	50,000	–
Total			1,550,300	1,682,400	842,800	419,000	1,970,900

2012

Grant Date	Vesting Date	Holding Lock Date	Balance at start of the year	Granted during the year	Converted during the year	Forfeited during the year	Balance at end of the year
			Number	Number	Number	Number	Number
2 Sep 2010	31 Aug 2012	31 Aug 2013	750,800	–	–	33,000	717,800
10 Nov 2011	30 Sep 2012	30 Sep 2013	–	375,000	–	–	375,000
25 Nov 2011	25 Nov 2013	25 Nov 2014	–	467,500	–	10,000	457,500
Total			750,800	842,500	–	43,000	1,550,300

Information used in assessing the fair value of performance rights granted during the year ended 30 June 2013 is as follows:

Right grant date	13 September 2012	30 November 2012	30 November 2012	30 November 2012
Number of rights granted	672,400	100,000	100,000	200,000
Vesting date	19 September 2014	30 September 2013	30 September 2013	30 September 2013
Disposal Restriction until	19 September 2015	30 September 2014	30 September 2014	30 September 2014
Performance Measure	KPIs	Share Price ≥ $1.86	Share Price ≥ $2.09	KPIs
Expected price volatility of the company's shares	55%	50%	50%	50%
Risk-free interest rate	2.8%	3.0%	3.0%	3.0%
Expected dividend yield	-	-	-	-
Share price at grant date	$1.55	$1.16	$1.16	$1.16
Assessed fair value	$1.55	$0.19	$0.12	$1.10

Right grant date	30 November 2012	30 November 2012	30 November 2012	30 November 2012
Number of rights granted	50,000	50,000	100,000	80,000
Vesting date	30 November 2014	30 November 2014	30 November 2014	30 November 2015
Disposal Restriction until	30 November 2015	30 November 2015	30 November 2015	30 November 2016
Performance Measure	Continued Employment	Index TSR	Index TSR+10%	Continued Employment
Expected price volatility of the company's shares	55%	55%	55%	60%
Risk-free interest rate	2.8%	2.8%	2.8%	2.7%
Expected dividend yield	-	-	-	-
Share price at grant date	$1.16	$1.16	$1.16	$1.16
Assessed fair value	$1.10	$0.72	$0.70	$1.10

Right grant date	30 November 2012	30 November 2012	15 January 2013
Number of rights granted	80,000	200,000	50,000
Vesting date	30 November 2015	30 November 2015	15 January 2015
Disposal Restriction until	30 November 2016	30 November 2016	15 January 2016
Performance Measure	Index TSR	Index TSR+10%	KPIs
Expected price volatility of the company's shares	60%	60%	50%
Risk-free interest rate	2.7%	2.7%	3.3%
Expected dividend yield	-	-	-
Share price at grant date	$1.16	$1.16	$1.17
Assessed fair value	$0.77	$0.76	$1.12

Information used in assessing the fair value of performance rights granted during the year ended 30 June 2012 is as follows:

Right grant date	10 November 2011	10 November 2011	10 November 2011	25 November 2011
Number of rights granted	125,000	125,000	125,000	467,500
Vesting date	30 September 2012	30 September 2012	30 September 2012	25 November 2013
Disposal Restriction until	30 September 2013	30 September 2013	30 September 2013	25 November 2014
Performance Measure	Share Price ≥ $1.50	Share Price ≥ $2.00	KPIs	KPIs
Expected price volatility of the company's shares	50%	50%	50%	50%
Risk-free interest rate	3.8%	3.8%	3.8%	3.3%
Expected dividend yield	-	-	-	-
Share price at grant date	$1.08	$1.08	$1.08	$1.09
Assessed fair value	$0.30	$0.12	$0.96	$1.09

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

	Consolidated	
	2013 $'000	2012 $'000
Employee shares issued	**32**	26
Employee performance rights issued	**923**	423
	955	449

26. Related party transactions

(a) Parent entity and subsidiaries

The parent entity of the group is Starpharma Holdings Limited. Interests in subsidiaries are set out in note 21.

(b) Key management personnel

Disclosures relating to key management personnel are set out in note 17.

(c) Transactions with related parties

There are related party transactions within the group between the parent and subsidiaries. Transactions include funds advanced to/from entities and the associated interest charge; and management and services fees. All transactions were made on an arm's length basis.

27. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Parent	
	2013	2012
	$'000	$'000
Balance Sheet		
Current assets	**32,684**	41,232
Total assets	**49,821**	58,836
Current liabilities	**725**	832
Total liabilities	**725**	1,485
Shareholders' equity		
Contributed equity	**140,081**	139,171
Reserves	**3,678**	2,755
Accumulated losses	**(94,663)**	(84,575)
Loss for the year	**(10,088)**	(10,548)
Total comprehensive income	**(10,088)**	(10,548)

(b) Contingencies of the parent entity

The parent entity has no contingent assets or liabilities at 30 June 2013 (2012: nil).

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 32 to 65 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with *Accounting Standards*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Peter T Bartels, *AO*
Director
Melbourne, 26 August 2013

Independent auditor's report to the members of Starpharma Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Starpharma Holdings Limited (the company), which comprises the consolidated balance sheet as at 30 June 2013, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Starpharma Holdings Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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 of the financial report that gives a true and fair view 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 the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 judgement, 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 consolidated 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*.

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its 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*.

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 18 to 24 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Starpharma Holdings Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Anton Linschoten
Partner

Melbourne
26 August 2013

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 31 July 2013.

Supplementary information as required by ASX listing requirements.

A. Distribution of equity shareholders

Analysis of numbers of equity security holders by size of holding

	Class of equity security		
	Shares	Options	Performance rights
1 –1,000	609	–	–
1,001–5,000	1,318	–	–
5,001–10,000	749	–	5
10,001–100,000	1,155	4	25
100,000 and over	198	3	1
Total	4,029	7	31

There were 281 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

		Ordinary shares	
	Name	Number held	Percentage of issued shares
1.	HSBC Custody Nominees (Australia) Limited	72,193,929	25.43
2.	National Nominees Limited	38,452,268	13.55
3.	JP Morgan Nominees Australia Limited	22,330,498	7.87
4.	Citicorp Nominees Pty Limited	11,241,354	3.96
5.	JP Morgan Nominees Australia Limited <Cash Income A/C>	6,005,320	2.12
6.	T & N Argyrides Investments P/L <Super Fund A/C>	5,410,449	1.91
7.	BNP Paribas Noms Pty Ltd <DRP>	4,366,046	1.54
8.	Kenneth Nominees Pty Ltd <Rayse Super Fund A/C>	4,022,053	1.42
9.	Mr Peter Malcolm Colman	3,955,968	1.39
10.	HSBC Custody Nominees (Australia) Limited <NT- Comnwlth Super>	3,565,073	1.26
11.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,990,751	1.05
12.	Applecross Secretarial Services Pty Ltd <Gorr Pension Plan A/C>	2,885,588	1.02
13.	JPS Distribution Pty Ltd <Raff Family A/C>	2,529,226	0.89
14.	Dr Stuart Keith Roberts	2,410,460	0.85
15.	UBS Wealth Management Australia Nominees Pty Ltd	2,107,252	0.74
16.	Mr Kingsley Bryan Bartholomew	2,000,000	0.70
17.	Commonwealth Scientific And Industrial Research Organisation	1,448,798	0.51
18.	Mr Peter Murray Jackson	1,180,000	0.42
19.	Ms Jacinth Fairley	1,156,697	0.41
20.	Applecross Secretarial Services Pty Ltd <L Gorr Family A/C>	1,118,588	0.39
		191,370,318	67.42

	Unquoted equity securities over ordinary shares	
Name	**Number on issue**	**Number of holders**
Options issued under the Starpharma Holdings Limited Employee Share Option Plan (ASX code SPLAM)	585,000	7
Employee Performance Rights	1,970,900	31
Total	2,555,900	

C. Substantial holders

Substantial shareholders as shown in substantial shareholder notices received by the company as at 31 July 2013:

	Ordinary shares
Name	**Number held**
Acorn Capital Limited	36,614,463
Allan Gray Australia Pty Ltd	35,194,434
M&G Investment Funds	34,174,302
The Dow Chemical Company	14,406,827

D. Voting rights

The voting rights attached to each class of equity securities are set out below:

(a) Ordinary shares	On a show of hands every member present at a meeting in person or by proxy shall have one vote and on a poll each share shall have one vote.
(b) Options	No voting rights.
(c) Performance Rights	No voting rights.

INTELLECTUAL PROPERTY REPORT

The Starpharma patent portfolio currently has around 30 active patent families with over 110 granted patents and more than 60 patent applications pending.

Key patents within the Starpharma portfolio as at 8 August 2013:

Title	Priority Date & Publication Number	Patents Granted	Applications Pending
VivaGel® Patent Portfolio			
Antiviral Dendrimers	15 June 1994 WO95/34595	Australia, Brazil, Canada, China, Europe, Hong Kong, Japan, Mexico, New Zealand, Singapore, South Korea, USA	
Anionic Or Cationic Dendrimer Antimicrobial Or Antiparasitic Compositions	14 September 1998 WO00/15240	Australia, Canada, Europe, Japan, Mexico, New Zealand, Singapore, South Korea, USA	China
Agents For The Prevention & Treatment Of Sexually Transmitted Diseases-I	30 March 2001 WO02/079299	Australia, Canada, China, Europe, Hong Kong, Japan, Mexico, New Zealand, Singapore, South Korea, USA	Brazil
Microbicidal Dendrimer Composition Delivery System	18 October 2005 WO2007/045009	Australia, Japan, New Zealand, Russian Federation,	Argentina, Canada, China, Europe, Hong Kong, India, Malaysia, Mexico, South Korea, Taiwan, USA
Contraceptive Composition	22 March 2006 WO2007/106944	Australia, China, Japan, USA	Canada, Europe,
Method Of Treatment Or Prophylaxis Of Bacterial Vaginosis	16 May 2011 WO2012/000891		Australia, USA, International application
Drug Delivery Patent Portfolio			
Disulfide-containing dendritic polymers	Sep 30, 1996	USA	
Macromolecules Compounds Having Controlled Stoichiometry	25 October 2005 WO2007/048190	USA	Australia, Canada, Europe, USA
Modified Macromolecules	10 August 2006 WO2007/082331	USA	Australia, Canada, China, Europe, India, Japan, USA
Targeted Polylysine Dendrimer Therapeutic Agent	11 August 2006 WO2008/017125	China, USA	Europe, India,
Macromolecules	6 June 2011 WO2012/167309		Australia, International Application
Priostar Patent Portfolio			
Dendritic Polymers With Enhanced Amplification And Interior Functionality	20 April 2005 WO2006/065266	Argentina, Canada, China, India, Israel, Japan, Mexico, New Zealand, Singapore, South Korea, Taiwan, USA	Brazil, Europe, Hong Kong,
Dendritic Polymers With Enhanced Amplification And Interior Functionality	21 December 2005 WO2006/115547	Australia, Canada, China, India, Israel, Mexico, New Zealand, Singapore, South Korea, Taiwan, USA	Argentina, Brazil, Europe, Hong Kong, Japan,
PEHAM Dendrimers for use in Agriculture	26 October 2009 WO2011/053605		Australia, Brazil, China, Europe, India, Japan, USA

CORPORATE DIRECTORY

Company name

Starpharma Holdings Limited
ABN 20 078 532 180

Directors

P T Bartels AO – *Chairman*
P J Jenkins – *Deputy Chairman*
J K Fairley – *Chief Executive Officer*
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ASX Code: SPL

Starpharma's American Depositary Receipts (ADRs) trade under the code SPHRY (CUSIP number 855563102). Each Starpharma ADR is equivalent to ten ordinary shares of Starpharma as traded on the ASX. The Bank of New York Mellon is the depositary bank.

Starpharma's ADRs are listed on OTCQX International (www.otcmarkets.com), a premium market tier in the U.S. for international exchange-listed companies, operated by OTC Markets Group.

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