Starpharma Holdings Limited

ABN 20 078 532 180

Appendix 4E: Preliminary Financial Report
Year ended 30 June 2014

Lodged with the ASX under Listing Rule 4.3A
Previous corresponding period: Year ended 30 June 2013

Results for announcement to the market

				$'000
Revenue from continuing operations *(Appendix 4E item 2.1)*	Down	49%	to	**$1,246**
Loss from continuing operations after tax attributable to members *(Appendix 4E item 2.2)*	Up *(increase)*	180%	to	**$14,635**
Loss for the period attributable to members *(Appendix 4E item 2.3)*	Up *(increase)*	180%	To	**$14,635**

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 $1,246,000. Revenue consists predominately of royalty, licensing and research revenue from commercial partners of $273,000 (2013: $840,000) and interest income on cash invested of $973,000 (2013: $1,569,000).

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

Explanation of Loss *(Appendix 4E item 2.6)*
The reported net loss after tax of $14,635,000 is after fully expensing all research and development expenditure and patenting costs in the current year. The net loss is an increase from the prior year loss of $5,229,000. The variance is a result from the VivaGel® and DEP™ docetaxel clinical programs in progress, lower interest and partner revenue, and lower R&D tax incentives compared to last year. The R&D tax incentives were higher in FY2013 due to $4,071,000 being booked in that year, although being related to FY2012 expenditure. The amount was not booked in FY2012 due to the uncertainty of its eligibility until Starpharma received an advance finding from AusIndustry, which occurred subsequent to reporting the FY2012 results.

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 2014 is $0.09 (2013: $0.13).

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; 13 August 2014: Starpharma Holdings Ltd (ASX:SPL; OTCQX:SPHRY) today released its annual report and financial results for the year ended 30 June 2014.

Financial Results

- Net cash burn for the year $9.8M[1]
- Cash position at end of the year $24.0M
- Reported loss $14.6M

Operational Highlights

Starpharma has achieved important progress across all three programs: VivaGel®, drug delivery and agrochemicals. The following highlights occurred within, and in the weeks following the close of, the 2013-2014 reporting period.

<u>VivaGel®</u>

- VivaGel® condom certification received from TGA in Australia. The VivaGel® condoms will be marketed under Ansell's LifeStyles® Dual Protect™ brand and will also carry the VivaGel® trademark.
- VivaGel® condom regulatory certification received in Japan with launch preparations underway.
- VivaGel® phase 3 clinical trials commenced for prevention of recurrent BV following the grant of a Special Protocol Assessment by the US FDA.
- Regulatory submissions in preparation for VivaGel® BV symptomatic relief product

<u>Drug Delivery</u>

- Phase 1 clinical trial commenced for DEP™ docetaxel in January 2014.
- DEP™ oxaliplatin preclinical studies showed improved tumour-inhibiting efficacy and reduced overall toxicity.
- Expanded agreement signed with AstraZeneca for DEP™ application to cancer drug candidates.
- Australian Research Council (ARC) Linkage and Cancer Australia grants received for DEP™ technology with collaborator, Monash Institute of Pharmaceutical Sciences.

<u>Agrochemicals</u>

- Further partnerships secured for Priostar® in agrochemicals.
- Field studies demonstrated strong results for dendrimer enhanced formulation of glyphosate (marketed as RoundUp®).

Corporate

- $4.7 million received under the R&D Tax Incentive Program.
- Approval of $2 million obtained for certain overseas R&D expenditure for DEP™ docetaxel program over 3 years.

Dr Jackie Fairley, Chief Executive Officer said: “It’s been a year of important milestones for Starpharma. We have had our ground-breaking product, the VivaGel® condom, gain regulatory certification in two markets; and with our partners, we are now preparing for launch in the near future.

“We have two strategically important products in clinical trial; VivaGel® for the management of recurrent bacterial vaginosis in phase 3 clinical trials and our drug delivery product DEP™ docetaxel, a proprietary and improved formulation of docetaxel now in the clinic.”

“This progress, combined with ongoing advancement in our agrochemical program and an ongoing and active partnering program with the world’s leading pharmaceutical and agrochemical companies, positions Starpharma strongly for commercial success.”

Net cash outflows from operating and investing activities for the year were $10.1 million (2013: $10.0 million), with cash reserves at 30 June 2014 of $24.0 million (2013: $33.8 million). The net loss after tax was $14.6 million (2013: $5.2 million), with the increase a result of the VivaGel® and DEP™ docetaxel clinical programs in progress, lower interest and partner revenue, and lower R&D tax incentives compared to last year. Financial year 2013 included $4.1 million of additional R&D tax incentives relating to FY2012 expenditure.

[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 2013 to 30 June 2014.

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 and medical 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 products are based on VivaGel® (SPL7013, astodrimer sodium), a proprietary dendrimer which is a potent microbicidal agent. VivaGel® formulated as a water based gel and delivered vaginally is under clinical development for the management and prevention of bacterial vaginosis (BV). Starpharma has also signed separate licence agreements with Ansell Limited (ASX:ANN) and Okamoto Industries. Inc., (TSE: JP3192800005) to market a value-added, VivaGel®-condom. The VivaGel® condom has received Conformity Assessment Certification from the TGA in Australia and marketing approval in Japan. Okamoto is the market leader for condoms sold in Japan, which is the world’s second largest condom market. Ansell manufactures and sells leading condom brands worldwide, including Lifestyles®, ZERO® and SKYN®. Ansell intends to market the VivaGel® condom under the LifeStyles® Dual Protect™ brand name.

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. A number of dendrimer-enhanced, or DEP™ versions of existing drugs are under development. The most advanced of these is DEP™docetaxel, a dendrimer-enhanced version of docetaxel (Taxotere®) which is in clinical development. In preclinical studies DEP™ docetaxel has shown significant tumour-targeting and 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 global leader Adama (formerly 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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ANNUAL REPORT 2014

Highlights

VIVAGEL®

VivaGel® condom certification in Australia

Consumers in Australia are expected to be the first in the world to buy the VivaGel® condom under Ansell's LifeStyles® Dual Protect™ brand. The condoms to be marketed by Ansell will also carry the VivaGel® brand and Starpharma will receive royalties based on sales.

VivaGel® condom approved in Japan

Japan's leading condom company, Okamoto Industries, is preparing for launch of the VivaGel® condom in Japan after regulatory certification was achieved in that country. Japan is the world's second largest condom market, and Starpharma's partner, Okamoto holds approximately 60% market share.

VivaGel® phase 3 clinical trial for prevention of recurrent BV

Starpharma has commenced phase 3 clinical trials of VivaGel® for the prevention of recurrent bacterial vaginosis (BV). The protocol design received binding approval from the US Food and Drug Administration (FDA) under a Special Protocol Assessment (SPA), which reduces regulatory risk for the clinical program.

Regulatory submissions in preparation for VivaGel® BV symptomatic relief product

With high patient demand for VivaGel® for symptomatic relief of BV, Starpharma is engaged in commercial partnering discussions for this application in countries outside of the US. In parallel, regulatory documentation is being prepared for a number of markets using current clinical data with submissions planned in CY2014.

DRUG DELIVERY

Dendrimer-enhanced docetaxel commences human clinical trial

DEP™ docetaxel phase 1 clinical trial commenced in January involving 25-30 Australian patients at centres in Melbourne and Brisbane. Results so far for DEP™ docetaxel show no evidence of neutropenia, a common dose-limiting side-effect of Taxotere®.

Expanded agreement with AstraZeneca

Global pharmaceutical company, AstraZeneca, entered into a second, expanded agreement applying Starpharma's proprietary DEP™ technology to a cancer drug from AstraZeneca's pipeline.

Dendrimer-enhanced version of oxaliplatin demonstrates tumour-inhibiting properties

A preclinical study of DEP™ oxaliplatin showed improved tumour-inhibiting efficacy and reduced overall toxicity when compared to standard oxaliplatin, a leading bowel cancer drug.

Receipt of Australian Research Council (ARC) Linkage grant

Starpharma received a $0.5 million ARC linkage grant in partnership with Monash University to further advance its dendrimer technology in targeted drug delivery.

Dendrimer technology awarded Cancer Australia grant

A research program in collaboration with Monash Institute of Pharmaceutical Sciences received funding to utilise Starpharma's dendrimers in the treatment of lung cancer.

AGROCHEMICAL

Further partnerships for Priostar® in agrochemicals

Additional agrochemical partnerships were signed with major industry players: US based Gowan and European based Isagro. Through these partnerships, the companies are utilising Starpharma's Priostar® dendrimers seeking to enhance the performance of key crop protection formulations. These new partnerships build on Starpharma's broad portfolio of agrochemical collaborations. Starpharma has signed agreements with many companies in the agrochemical sector, including with the majority of the top 10 largest companies by sales.

Dendrimer-enhanced agrochemicals continue to demonstrate strong results

In field studies this year, Starpharma's dendrimer-enhanced glyphosate was found to be more effective on hard-to-control weeds than glyphosate alone. The key benefits seen were a more rapid effect, and better overall effectiveness.

CORPORATE

R&D tax incentive

Starpharma received a total of $4.7 million under the R&D Tax Incentive Program, relating to eligible R&D activities from the 2013 financial year. Starpharma also received approval for certain overseas R&D expenditure for its DEP™ docetaxel program to be eligible for the R&D tax incentive, amounting to an estimated $2 million in cash over 3 years.

New Chairman

Rob Thomas *AM* succeeded retiring Chairman, Peter Bartels *AO* under the Board's ongoing succession planning and renewal strategy. Mr Thomas has a strong background in financial services and is a non-executive director of a number of listed healthcare companies.

Mr Rob Thomas *AM*, Chairman

Dear Shareholders,

On behalf of the board and management of Starpharma I'm pleased to present the annual report for the financial year 2014.

Firstly I'd like to sincerely thank Peter Bartels for his exceptional contribution to Starpharma over the past ten years and acknowledge his role as Chairman in guiding the company from an early stage development company to a business with multiple products nearing commercial launch in the pharmaceutical, sexual health and agrochemical sectors.

Starpharma is a leading science-based innovator in Australia and the recent certifications of its VivaGel® condom in the Australian and Japanese markets is a strong endorsement of both this science and the company's ability to commercialise its technology.

The VivaGel® condom is now readying for launch in both these markets, in Australia with Ansell, and in Japan with Okamoto Industries. Both these companies have leading positions in condom sales in their respective territories. For Starpharma, this milestone cannot be understated as it represents not only the first commercial product launch from the VivaGel® portfolio, but a world-first product in the battle against sexually transmitted infections. Starpharma will receive royalty payments on the sales of condoms under these agreements and with launch activities well underway, we will soon see the product on retail shelves.

During the year Starpharma commenced an important clinical trial of the innovative and improved version of the leading cancer drug docetaxel, DEP™ docetaxel, in 25-30 patients with solid tumours. This phase 1 clinical trial is being undertaken exclusively in Australia; with Australian cancer patients gaining access to this potentially enhanced cancer therapy. The Federal Government's R&D tax incentive scheme assists Starpharma with the development of these innovative products, with more than $10 million in tax credits received by Starpharma over the last two years. Preclinical studies for Starpharma's DEP™ dendrimer technology with known, effective chemotherapies have demonstrated improved efficacy and substantially reduced side effects compared with the original drugs on their own and if these findings are confirmed in human trials, then this is very good news for the patients who will potentially benefit.

Starpharma has also recently commenced two phase 3 clinical trials of VivaGel® to prevent the recurrence of bacterial vaginosis (BV), an infection that affects up to a third of the US female adult population. Each trial will involve approximately 600 women across multiple international clinical trial sites. Starpharma is very pleased to have gained approval under a Special Protocol Assessment (SPA) from the US Food and Drug Administration (FDA), which significantly reduces the regulatory risk associated with the clinical development program.

Starpharma's business strategy of advancing lead products internally, in parallel with an active partnering program, allows the company to progress the commercialisation of multiple products concurrently and has resulted in Starpharma owning a deep and robust portfolio of products at various stages of development. This portfolio includes multiple clinical stage products, such as VivaGel® for the prevention of recurrent BV and DEP™ docetaxel, along with regulatory submissions of VivaGel® for symptomatic relief of BV in countries outside of the US, and the previously discussed VivaGel® condom.

Starpharma's partners include a number of leading international companies in pharmaceuticals and agrochemicals.

This strategy has also allowed Starpharma to progress the portfolio more quickly while maintaining a strong cash position of $24 million, with a net cash burn of $10 million for the financial year.

I'd like to thank shareholders for your ongoing support. We enter the new financial year with a strong conviction that solid progress and the expected receipt of the first VivaGel® condom royalties will impact positively throughout the year.

Finally, I would like to thank my fellow board members, including Chief Executive Officer, Dr Jackie Fairley, the executive management team and all employees. I look forward to my first full year as Chairman at an exciting time for Starpharma and its shareholders.

Yours sincerely,

Rob Thomas *AM*
Starpharma Chairman

CEO's Report

Dr Jackie Fairley, Chief Executive Officer

> “We look forward to the launch in Australia of the LifeStyles® Dual Protect™ condom with VivaGel®, expected in the next few months.”

Chris Kalaitzis,
Ansell Vice President,
Asia Pacific Region –
Sexual Wellness Division

I am pleased to provide this report detailing Starpharma's activities during the 2014 financial year and our plans for the year ahead. It has been an important year for Starpharma with progress across all three programs: VivaGel®, drug delivery and agrochemicals.

VivaGel® portfolio

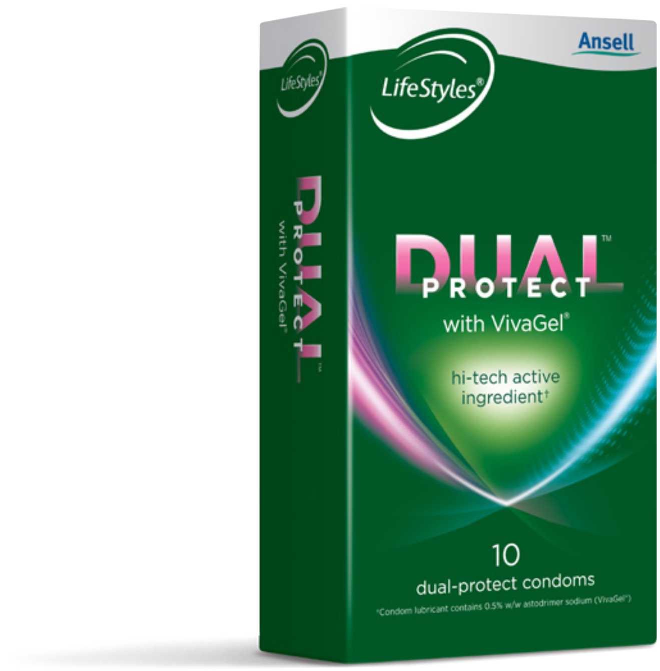
A number of major milestones were reached across the VivaGel® portfolio during the year, with certification for VivaGel® condoms achieved in Australia with Ansell, and in Japan with Okamoto, as Starpharma's partners. The subsequent launch of the VivaGel® condom is expected in both markets in the coming months representing the first VivaGel® product launch and, through royalties, an ongoing revenue stream for Starpharma. Important clinical and regulatory developments have also been achieved for the VivaGel® bacterial vaginosis (BV) stand-alone product.

VivaGel® for bacterial vaginosis (BV)

Symptomatic relief

Starpharma is pursuing regulatory approval and is in active discussions with commercial partners for the use of VivaGel® for the symptomatic relief of BV in various markets outside the US. This follows strong efficacy data from recent clinical studies, regulatory input and high levels of patient acceptability for a product based on claims of symptomatic relief.

High levels of patient demand and commercial interest underpin this strategy, which will see regulatory documentation for this product submitted in the second half of calendar year 2014.



The LifeStyles® Dual Protect™ condom with VivaGel® received TGA conformity assessment certification in July 2014 and will be launched following inclusion in the Australian Register of Therapeutic Goods (ARTG)

> "Receiving agreement on the SPA is an important and very positive development as it effectively eliminates the US regulatory risk associated with clinical development, by specifying upfront the FDA's agreed trial design. This significantly reduces overall development risk for VivaGel®. SPA agreement from the FDA is protected by US law and gives Starpharma certainty and confidence that the studies will support a regulatory submission for the approval of VivaGel® for the prevention of recurrent BV in the US."

Dr Jackie Fairley,
Cheif Executive Officer,
Starpharma

VivaGel® for bacterial vaginosis (BV) continued

Prevention of recurrence

Starpharma has recently commenced two pivotal phase 3 clinical trials of VivaGel® for the prevention of recurrent bacterial vaginosis (BV). In July 2014, Starpharma received a Special Protocol Assessment (SPA) designation for this trial program. The SPA agreement is a binding declaration received from the US Food and Drug Administration (FDA) that stipulates that the phase 3 clinical study design, endpoints, statistical analyses and other aspects of the planned studies are acceptable to support regulatory approval of the product. A SPA is rare and difficult to achieve with only a handful of companies in Australia achieving this milestone. The SPA significantly reduces development risk by effectively removing US FDA regulatory risk associated with the phase 3 studies.

Approximately 600 women will be recruited to each trial where the primary efficacy endpoint is recurrence of BV over a 16 week treatment period. The double-blinded, randomised trial will compare VivaGel® with a placebo gel. Quintiles, a leading global clinical research organisation, has been appointed to assist Starpharma in the conduct of the clinical trials. Trial sites include locations in North America, Europe and Asia.

There are currently no approved products for the prevention of recurrent BV, which affects approximately 1 in 3 women and recurs in approximately 50 per cent of women within 12 months.

The VivaGel® condom

Starpharma received Conformity Assessment Certification for the VivaGel® condom by the Australian Therapeutic Goods Administration (TGA), a key regulatory milestone for the VivaGel®. Starpharma's marketing partner, Ansell, plans to launch the VivaGel® condom under its brand, LifeStyles® Dual Protect™, in the coming months, following inclusion on the Australian Register of Therapeutic Goods (ARTG). The TGA certification is similar to CE certification of devices (CE Mark) in Europe. The TGA certification will also support certain regulatory processes in other markets.

VivaGel® is a novel antimicrobial agent which has been shown in laboratory studies to inactivate up to 99.9 percent of HIV, HPV and HSV-2. Its application to condoms has resulted in the first product of its kind, which combines a physical barrier with an agent intended to help further reduce the risk of exposure to the abovementioned sexually transmitted viruses.

The VivaGel® condom is a world-first product with global relevance and based on innovative Australian technology. Under the licence agreement with Ansell, LifeStyles® Dual Protect™ condoms will carry the VivaGel® brand, with Ansell having exclusive Australian marketing rights for the product and being responsible for producing the VivaGel® condoms.

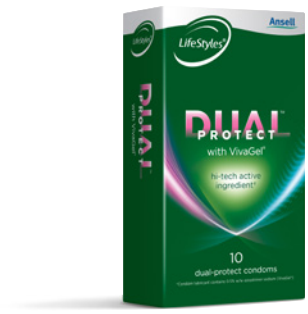
Regulatory certification of VivaGel® condoms marks a major milestone for Starpharma and our partner, Ansell, one of the world's leading condom companies and healthcare innovators. It is particularly pleasing that two Australian, home-grown companies are pioneering, developing and commercialising an Australian scientific innovation. The licensing agreement with Ansell also provides marketing rights to Ansell for the VivaGel® condom in countries outside of Japan.

In March, regulatory certification of VivaGel® condoms in Japan was achieved by the leading Japanese condom company, Okamoto. This collaboration is an important partnership for Starpharma, with Japan being the second largest condom market in the world, and Okamoto holding approximately 60 per cent share of that market.

Okamoto's senior managing director, Mr Seiji Takeuchi, recently stated publicly that condoms with functional coatings and gels represent the next wave of innovation in the Japanese condom market, following a decade-long focus on condom thinness.

"Our partnership with Starpharma is a great example of two highly innovative companies working together to bring to market a ground-breaking new sexual health product. New product development is central to Ansell's business strategy and this highly innovative product is exciting for both companies."

Chris Kalaitzis,
Ansell Vice President,
Asia Pacific Region –
Sexual Wellness Division



"We are very pleased to be in a partnership with Starpharma for this product… condoms with functional coatings and gels represent the next wave of innovations in the Japanese condom market…"

Mr Seiji Takeuchi,
Okamoto's Senior Managing Director

Drug Delivery Portfolio

DEP™ docetaxel program

Starpharma's drug delivery program reached a major milestone in January this year, with the commencement of a phase 1 human clinical trial for DEP™ docetaxel. The first group of patients have received one or more cycles of treatment at escalating doses, and no neutropenia has been observed thus far. The trial is being conducted through Nucleus Network at Melbourne's AMREP/Alfred Hospital facility, Austin Health/Olivia Newton-John Cancer & Wellness Centre and Royal Brisbane & Women's Hospital.

The clinical trial involves 25-30 patients with solid tumours. The primary objective of the study is to establish the maximum tolerated dose and dose limiting toxicities of DEP™ docetaxel, which is a new formulation of the widely marketed chemotherapeutic, Taxotere®. In its existing formulation, Taxotere® is known to cause a number of toxic side effects in patients, including neutropenia (reduced white blood cell count) and in some cases, life-threatening anaphylaxis.

In preclinical studies of Starpharma's DEP™ docetaxel formulation neutropenia was not observed, whereas animals treated with Taxotere® exhibited severe neutropenia. In humans, neutropenia is a life threatening and dose-limiting side effect that occurs in more than 75 per cent of patients treated with docetaxel (Taxotere®). Early clinical trial results are promising as no neutropenia has been observed for DEP™ docetaxel to date.

>> Results so far for DEP™ docetaxel show no evidence of neutropenia (a low white blood cell count), which is one of the most important dose-limiting side effects of standard formulations of docetaxel.

DEP™ oxaliplatin and other DEP™ programs

In preclinical studies of DEP™ oxaliplatin, improved tumour-inhibiting efficacy and reduced overall toxicity was observed when compared to the blockbuster cancer drug, oxaliplatin. Oxaliplatin is sold by Sanofi under the brand name Eloxatin®. A colon cancer model was used in the study, which found DEP™ oxaliplatin also substantially reduced neutropenia.

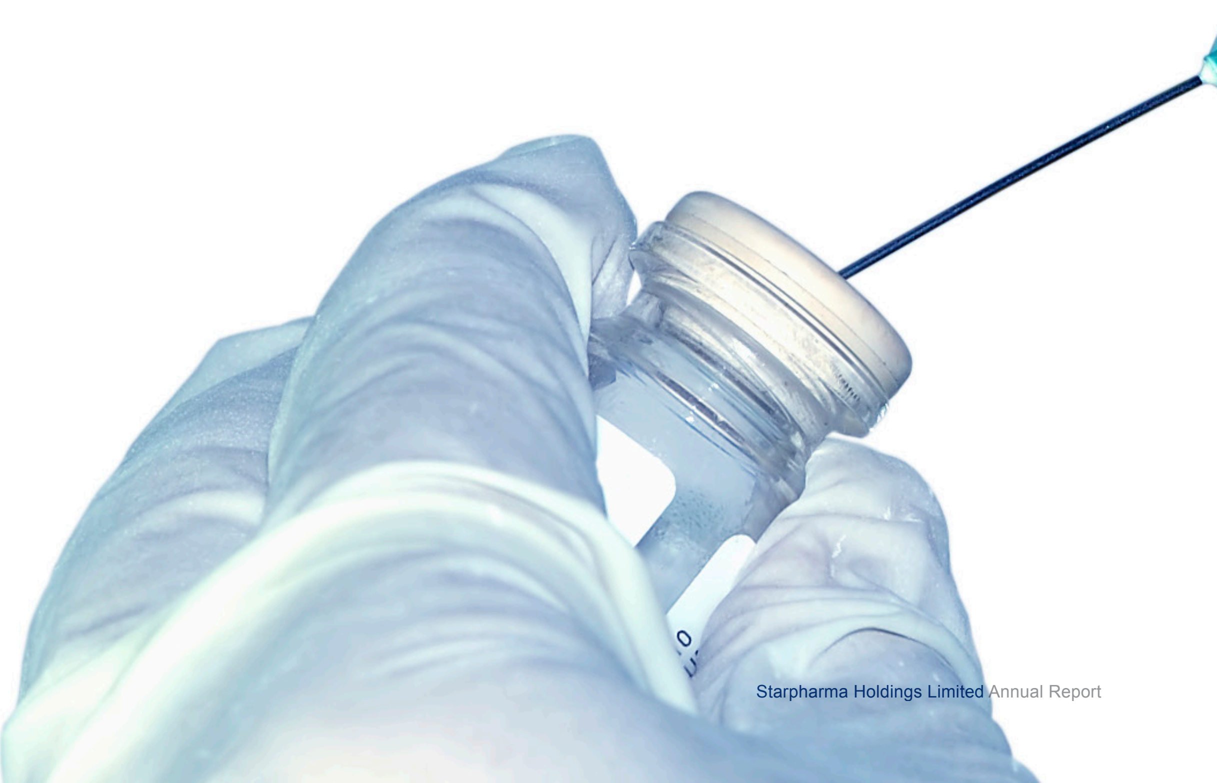
The results of both preclinical drug delivery studies indicate that Starpharma's DEP™ technology has the great potential to deliver better efficacy compared to these common chemotherapy drugs alone, in addition to reduced neutropenia and other common side effects.

Starpharma is also working on a number of other internal DEP™ programs focussed on improving leading therapeutics.

Partnered pharmaceutical programs

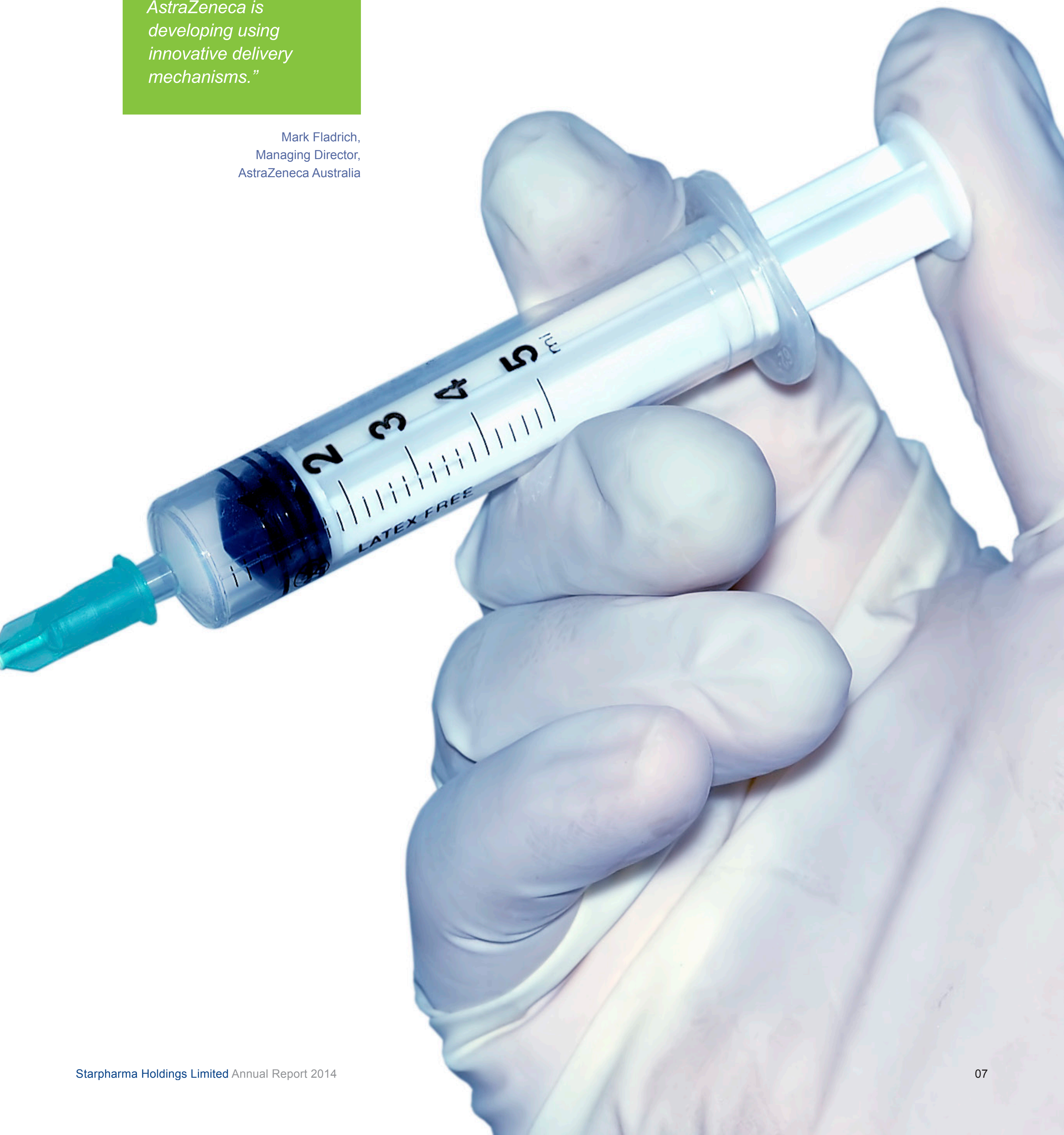
In April, Starpharma announced the signing of a second, expanded agreement with AstraZeneca, which will see the application of the DEP™ drug delivery technology to a cancer drug from AstraZeneca's pipeline. This additional work builds on the existing partnership agreement involving Starpharma's delivery technology that began in September 2012. Under the agreement, AstraZeneca will provide funding for a cancer research program to be conducted jointly with Starpharma.

Starpharma also continues to work on a number of confidential partnered DEP™ programs.



> *"As a leading discovery-led company this alliance represents an exciting collaboration with an Australian-based company to combine the oncology treatments of tomorrow that AstraZeneca is developing using innovative delivery mechanisms."*

Mark Fladrich,
Managing Director,
AstraZeneca Australia



Agrochemicals and crop protection

A number of positive developments in the agrochemical portfolio have seen Starpharma move closer to commercialisation using the company's dendrimer platform technology.

US-based agrochemical producer, Gowan Company LLC, signed a partnership with Starpharma for the evaluation of Starpharma's Priostar® dendrimer technology in certain high value crop protection formulations. Gowan has global agrochemical sales worth more than US$300 million annually.

A deal with European company, Isagro, was also announced in the reporting period under which Isagro tests Starpharma's Priostar® dendrimer technology with a number of its fungicide formulations. Isagro is an agrochemical company with global sales of approximately €150 million and 620 employees.

More widely, Starpharma has signed agreements with many companies in the agrochemical sector, including the majority of the top 10 largest companies by sales.

Priostar® dendrimers provide a number of benefits to agrochemical companies and end-user growers. These benefits can include:

- Improved product efficacy;
- More concentrated formulations to reduce supply chain costs and for greater ease of handling;
- Reduction in solvent loading; and
- Improved bioavailability through increased adhesion, to reduce losses due to rain run-off, and the need for multiple applications.

Further field trials have also been completed demonstrating the effectiveness of Starpharma's dendrimer technology when applied to glyphosate for the treatment of hard to control weeds. Results from these trials show that Starpharma's Priostar® glyphosate formulations are more effective on a number of hard to control weed species than marketed glyphosate alone.

Glyphosate is an off-patent product currently sold under a number of brands, including Roundup®, and has global sales of approximately US$5 billion annually, in a US$44 billion agrochemical market.

> *"Priostar® offers a unique opportunity to develop value-added, IP-protected agrochemical formulations without the expense and risk associated with registering new crop protection actives."*

Dr Paul Barrett,
VP Business Development,
Starpharma

“At Gowan we are proud of our history of providing a complete offering to farmers and we are very pleased to be able to include Starpharma’s innovative technology for potential improvements to our crop protection formulations.”

Sandra Alcaraz,
Disruptive Technologies Manager,
Gowan Company LLC

Dr Brian Kelly Research Manager

Overview of financial results

Net cash outflows from operations remained comparable to the prior year at $9.8 million for the year ended 30 June 2014, with cash reserves at the end of the year of $24.0 million.

Starpharma received the total anticipated $4.7 million of R&D tax incentive relating to FY13 expenditures. The R&D tax refund relates to R&D expenditure, and allows Starpharma to confidently advance development of its proprietary products including its development of VivaGel® and DEP™ docetaxel. In addition, Starpharma received a $2.3 million R&D tax incentive ruling for overseas R&D activities related to the DEP™ docetaxel program.

Starpharma reported a net loss of $14.6 million, an increase from the prior year loss of $5.2 million. The variance in the net loss compared to prior year is a result of the clinical programs in progress and also a result of the prior year loss reflecting $4.1 million of R&D tax incentives relating to the previous 2012 financial year.

3 Year Financial Summary

	2014 $M	2013 $M	2012 $M
Revenue and grant income	0.3	0.8	1.1
Interest revenue	1.0	1.6	1.8
Total revenue and income	1.3	2.4	2.9
Expenditure	(15.9)	(7.6)	(16.6)
Net loss after tax	(14.6)	(5.2)	(13.7)
Net operating and investing cash outflows	(10.1)	(10.0)	(9.9)
Net proceeds from issue of shares	0.2	0.9	33.7
Cash and cash equivalents at the end of year	24.0	33.8	42.8

> The R&D tax incentive allows Starpharma to confidently advance development of its proprietary products including the clinical programs for VivaGel® and DEP™ docetaxel. In the case of DEP™ docetaxel, it supports the conduct of the clinical trial in Australia with the additional benefit that Australian patients will be the first in the world to have access to Starpharma's improved version of the widely used cancer drug, docetaxel.

Future outlook

The coming year is a pivotal one for Starpharma with revenues expected from the launch of the VivaGel® condom in both Australia and Japan and the likelihood of other markets being approved throughout the year. Starpharma now has two products in clinical trial; a novel and improved version of a widely used cancer drug that has the potential to significantly reduce debilitating side effects of common cancer treatments and improve efficacy; and a first in class treatment for the prevention of recurrent bacterial vaginosis, in phase 3 clinical trials. These "firsts" emphasise Starpharma's position as a true innovator in Australia and internationally.

We also expect to make progress across our product portfolio including regulatory submissions and commercialisation of VivaGel® for symptomatic relief of BV, our agrochemical program, and building further on relationships with our various partners and collaborators.

Finally, I would like to personally thank retiring Chairman, Peter Bartels, for his invaluable guidance and support over several years. We have worked closely together in creating Starpharma's diverse and valuable pipeline of late-stage product opportunities and I look forward to continuing the task of building upon these achievements with incoming Chairman, Rob Thomas.

During the year, Starpharma also farewelled retiring Company Secretary, Ben Rogers, who was succeeded by current CFO, Nigel Baade. Experienced pharmaceutical executive, Dr Tony Eglezos, joined our executive and business development teams as Vice President of Business Development from CSL during the year.

In closing, I would like to sincerely thank Starpharma's dedicated and highly professional executive management team, my fellow board members and all employees for their support during the year.

Jackie Fairley
Chief Executive Officer

Dr Jeremy Paull, VP Development & Regulatory Affairs
Dr David Owen, VP Research

> *"Starpharma is a global leader in nanotechnology drug delivery and our relationship with Starpharma is a wonderful example of how researchers can work with companies to advance very promising pharmaceutical products from the lab to the clinic."*

Professor Chris Porter, Monash Institute of Pharmaceutical Sciences

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 align 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, within the public health, pharmaceutical and medical markets.

All of Starpharma's pharmaceutical and medical products and clinical research activities comply with strict regulatory and ethical approval processes. These include the FDA in the United States, TGA in Australia 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 or level 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 or the company) consisting of Starpharma Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2014.

Directors

The following persons were directors of Starpharma Holdings Limited ("the company") at the date of this report:

R B Thomas (Chairman)	P J Jenkins	J K Fairley (Chief Executive Officer)
R A Hazleton	Z Peach	P R Turvey

All were directors during the whole of the financial year, with the exception of:
R B Thomas who was appointed as a director on 4 December 2013 and as Chairman on 13 June 2014.
P T Bartels who was a director from the beginning of the financial year until his retirement on 13 June 2014.

Information on Directors

Rob B Thomas *AM*, BEc, MSAA, SF Fin
Independent non-executive director (appointed 4 December 2013)
Chairman (from 13 June 2014)
Member of remuneration & nomination committee (from 24 February 2014)
Member of audit & risk committee (from 24 February 2014)

Mr Thomas has a strong background in financial services and is a non executive director on a number of listed Healthcare companies in Australia and the United States. He has more than 35 years' experience in the securities industry with Potter Partners (now UBS), County Natwest and Citigroup. He is currently Chairman of TAL Limited (formerly Tower Australia Limited), Gragher Capital Securities and the NSW State Library. He is the immediate past non-executive Chairman of Heartware International Inc and remains a non-executive director of that company and is also a director of ASX listed REVA Medical Inc., Virgin Australia Limited and Biotron Limited. Rob holds a Bachelor of Economics from Monash University and is a fellow of the Securities Institute of Australia. He is also a Master Stockbroker and is a Fellow of the Australian Institute of Company Directors.

Other current directorships of listed entities:
Virgin Australia Limited, REVA Medical Inc., Biotron Limited, Heartware International Inc. (NASDAQ listed, de-listed from ASX on 17 Sep 2013)
Former directorships of listed entities in last 3 years: None

270,000 ordinary shares in Starpharma Holdings Limited

Peter T Bartels, *AO*, FAISM, FRSA
Independent non-executive director (appointed 6 August 2003 until 13 June 2014)
Chairman (until 13 June 2014)
Member of remuneration & nomination committee (until 13 June 2014)
Member of audit & risk committee (until 13 June 2014)

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

Jacinth (Jackie) K Fairley BSc, BVSc (Hons), MBA
Executive director (appointed 1 July 2006)
Chief Executive Officer

Dr Jackie Fairley has more than 25 years of operational experience in the pharmaceutical and biotechnology industries working in business development and senior management roles with companies including CSL and Faulding (now Hospira). She was appointed Chief Executive Officer of the group in July 2006. Jackie holds first class honours degrees in Science (pharmacology and pathology) and Veterinary Science from Melbourne University and was a practicing veterinary surgeon prior to joining CSL in 1989. Whilst at CSL she obtained an MBA from the Melbourne Business School where, as Dux of her final year, she was the recipient of the prestigious Clemenger Medal and a number of other academic prizes. Jackie is also a Graduate of the Australian Institute of Company Directors. Jackie currently sits on the board of the Melbourne Business School, and is a past member of the Federal Government's Pharmaceutical Industry Working Group and the Federal Ministerial Biotechnology Advisory Council. She is also an advisor to the Carnegie Innovation Fund.

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

1,664,197 ordinary shares in Starpharma Holdings Limited
1,510,000 employee performance rights

Peter J Jenkins MB, BS (Melb), FRACP
Independent Non-executive director (appointed 13 May 1997)
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

Information on Directors (continued)

Richard A Hazleton BSChE, MSChE, HonDrEng, HonDrCommSc
Independent Non-executive director (appointed 1 December 2006)
Member of audit & risk committee

Mr Hazleton is a former chairman and CEO 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 that 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 (appointed 1 October 2011)
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, the Australian subsidiary of Merck Inc. Ms Peach is currently the Managing Director and Executive Vice President, for Fresenius Kabi Australia and New Zealand, a leader in medical devices, intravenous fluids, intravenous genetics and clinical nutrition. Previously, Ms Peach was Vice President, 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. Ms Peach is a graduate member of the Australian Institute of Company Directors.

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

Peter R Turvey BA/LLB, MAICD
Independent Non-executive director (appointed 19 March 2012)
Chairman of audit & risk committee

Mr Turvey has had more than 30 years of experience in the biotech/pharmaceutical industry having been former Executive Vice President Licensing, Group General Counsel and Company Secretary of global biopharmaceutical company CSL Limited, retiring in 2011. Mr. Turvey is currently a principal of Foursight Associates Pty Ltd, a director of the industry organisation AusBiotech Limited, and a director of Victorian Government owned entity Agriculture Victoria Services Pty Ltd. Mr. Turvey 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: Admedus Limited
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 Nigel Baade, holding the position from 13 December 2013. Mr Baade also holds the position of Chief Financial Officer, which he has held from January 2009. Mr Baade is a CPA qualified accountant with extensive experience in the pharmaceutical and biotechnology industries. Prior to joining Starpharma as Financial Controller in 2006, he has held positions at Hagemeyer, Cerylid Biosciences, Faulding (Hospira) and UMT (Fonterra). He holds qualifications from University of Tasmania and Monash University.

Mr Ben Rogers was Company Secretary until his retirement on 13 December 2013.

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 VivaGel® for the management and prevention of bacterial vaginosis, and as a condom coating for prevention of sexual transmitted infections. Starpharma is also applying dendrimers to drug delivery, and in agrochemicals.

Result

The financial report for the financial years ended 30 June 2014, and the results herein, have been prepared in accordance with Australian Accounting Standards.

The consolidated loss after income tax attributable to ordinary shareholders for the financial year ended 30 June 2014 was $14,635,000 (2013: $5,229,000). The net operating and investing cash outflows for the year were $10,064,000 (2013: $9,951,000), with a cash balance at 30 June 2014 of $24,028,000 (June 2013: $33,840,000).

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 2014 (2013: Nil).

Review of operations

Key highlights until the date of this report include:

- VivaGel® condom received Conformity Assessment Certification from the Australian Therapeutic Goods Administration (TGA). Ansell will launch the VivaGel® condom under their brand Lifestyles® Dual Protect™ following listing on the Australian Register of Therapeutic Goods (ARTG);
- The commencement of the phase 3 clinical studies of the VivaGel® bacterial vaginosis (BV) product for the prevention of recurrent BV following the US FDA granting Special Protocol Assessment (SPA) agreement on the design and planned analyses of the studies;
- The granting of regulatory certification for marketing the VivaGel® condom in Japan by market leader, Okamoto Industries;
- Commencement of a phase 1 human clinical trial for DEP™ docetaxel conducted in Australia. The study will enrol up to 30 patients, with the primary objective to establish the maximum tolerated dose (MTD) and dose limiting toxicities of DEP™ docetaxel;
- DEP™ oxaliplatin shows improved anti-cancer efficacy and less toxicity in animal studies;
- The signing of a second, expanded agreement with AstraZeneca in the field of cancer medicine using DEP™ technology;
- Successful submission to AusIndustry for certain overseas R&D activities for DEP™ docetaxel to be eligible for R&D tax incentives;
- Additional grant funding with collaborator, Monash Institute of Pharmaceutical Sciences, from the Australian Research Council and Cancer Australia for dendrimer-based drug research; and
- New agrochemical Priostar® partnerships.

VivaGel® Program

The pivotal phase 3 clinical trials, to confirm VivaGel®'s ability to prevent recurrence of bacterial vaginosis (R-BV), commenced in July 2014 following the US FDA granting Special Protocol Assessment (SPA) agreement on the design and planned analyses of the studies. The granting of the SPA agreement follows the earlier agreement of the European Medicines Agency (EMA) on the design of the studies. Extensive preparations were undertaken during the year ahead of the SPA and EMA agreement including the selection of the trial sites and the appointment of a global Clinical Research Organisation. These trials will build on the positive results of a phase 2 R-BV efficacy study, reported in 2013, which demonstrated both reduced overall risk of R-BV in patients using 1% VivaGel® and delayed time to first recurrence, compared with placebo. Bacterial vaginosis (BV) is the most common cause of vaginal infection worldwide and existing treatments for BV are considered suboptimal and recurrence is a major issue. There are currently no approved products to prevent R-BV. VivaGel® therefore has the potential to be a first in class therapeutic for prevention of R-BV.

Starpharma is also pursuing symptomatic BV relief claims for VivaGel® in selected markets based on the efficacy and demonstrated excellent symptomatic relief shown in earlier VivaGel® phase 3 clinical trials. The company is in discussions with potential commercial partners for distribution rights for this application of VivaGel®.

The VivaGel® condom, with commercial rights licensed to Ansell and Okamoto, has received conformity certification and regulatory certification from regulatory agencies in Australia and Japan, respectively. Preparations during the year for market launch, including product positioning, packaging design and manufacturing validation will allow the launch of VivaGel® condom in the coming months. Extensive consumer research has indicated a strong demand for a VivaGel® condom with 86% of participants rating it as "very interesting" and >90% saying they would buy the product.

Drug Delivery Program

The first human clinical trial of a dendrimer-reformulated version of docetaxel (DEP™ docetaxel) began in January 2014. The phase 1 study will involve approximately 25-30 cancer patients at centres in Melbourne and Brisbane, with the primary objective to establish the maximum tolerated dose (MTD) and dose limiting toxicities of DEP™ docetaxel. Results so far indicate no evidence of neutropenia (reduced circulating neutrophil numbers). DEP™ docetaxel is an enhanced version of the anti-cancer drug docetaxel (Taxotere®), which had reported annual sales of US$3.1 billion in 2010. Positive pre-clinical study results for DEP™ docetaxel were also received during the year. These demonstrated that DEP™ docetaxel did not cause neutropenia and other important bone marrow-related toxicities which occur in more than 75% of patients treated with Taxotere®. Bone marrow toxicities are the most important dose-limiting side effects of docetaxel. Earlier pre-clinical studies of DEP™ docetaxel have also demonstrated superior anti-cancer effectiveness compared to docetaxel across a range of important cancer types including breast, prostate, lung and ovarian cancer.

In the broader drug delivery program, Starpharma released impressive pre-clinical results showing the superior performance of its DEP™ oxaliplatin compared to oxaliplatin (Eloxatin®). Eloxatin is a leading bowel cancer drug. DEP™ oxaliplatin has been shown in animal models to have improved anti-tumour efficacy; reduced toxicity for bone marrow; and reduced toxicity for the nervous system (neurotoxicity). The neurotoxicity improvement of DEP™ oxaliplatin is particularly important as this is the major dose-limiting toxicity, and causes the most debilitating side-effects, of oxaliplatin treatment. Around 85-95% of patients who undergo Eloxatin® therapy suffer irreversible nerve damage to the hands and feet.

Progress was also made in the company's confidential partnered drug delivery programs, with a second, expanded agreement with AstraZeneca in the field of cancer medicine signed during the year. Starpharma also announced, following submission to AusIndustry, it is eligible to receive an additional estimated $2 million cash in research and development (R&D) tax incentives over three years for the DEP™ docetaxel program. This is in addition to the R&D tax incentives for eligible Australian expenditure.

Agrochemical Program

Industry interest and commercial agreements involving Starpharma's Priostar® dendrimers continued to expand and mature. The latest announced collaborations are with Isagro which is examining dendrimer applications within its fungicides; and Gowan which is pursuing crop protection formulations in high value markets. Starpharma is also developing its own dendrimer-containing formulations involving selected generic actives, which studies have shown to have enhanced characteristics including enhanced solubility and stability of the active and improved efficacy and rain-fastness of agrochemicals. A number of programs including glyphosate (RoundUp®) are underway with glyphosate field trials ongoing.

Matters subsequent to the end of the financial year

Starpharma commenced its phase 3 clinical trials of VivaGel® for the prevention of recurrent bacterial vaginosis after the protocol design received written approval in July 2014 under a Special Protocol Assessment (SPA) from the US Food and Drug Administration (FDA).

In July 2014, the VivaGel® condom received Conformity Assessment Certification from the Australian TGA. Ansell to will launch the VivaGel® condom in the coming months under their brand Lifestyles® Dual Protect™, following listing on the Australian Register of Therapeutic Goods (ARTG).

No other matters or circumstances have arisen since 30 June 2014 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.

Strategy, future developments and prospects

There is no change to Starpharma's strategy from the previous year. 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

	30 June 2014 $000	30 June 2013 $'000
Income statement		
Revenue from continuing operations	1,246	2,429
Other income	7	5
Research and development expenses	(10,991)	(3,505)
Administration expenses	(4,890)	(4,149)
Finance costs	(7)	(9)
Loss attributable to members	**(14,635)**	**(5,229)**

Income statement
The reported net loss after tax of $14,635,000 (2013: $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 $4,222,000 (2013: $8,704,000) has been recorded for research and development activities eligible under the Australian Government's R&D tax incentive program. The variance in the net loss compared to prior year is a result of current year clinical programs in progress, lower interest and partner revenue and also a result of the prior year loss reflecting a $4,071,000 R&D tax incentive relating to the 2012 year.

Research and development expenses include the costs of the VivaGel® clinical and regulatory programs for BV and condom, the internal drug delivery program, including DEP™ docetaxel, and the agrochemical programs. Administration expenses include the amortisation of intangible assets, costs of patents, and the share-based expensing of employee incentives schemes.

Total revenue and other income for the year was $1,253,000 (2013: $2,434,000), a reduction from the previous year due to lower interest revenue earned on cash deposits and lower revenue from commercial partners.

Balance sheet
At 30 June 2014 the group's cash position was $24,028,000 (June 2013: $33,840,000). Trade and other receivables of $4,570,000 (June 2013: $5,492,000) includes $4,154,000 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 $10,064,000 (2013: $9,951,000) including costs associated with the company's VivaGel®, drug delivery and agrochemical programs. During the financial year $4,701,000 (2013: $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 $203,000 (2013: $828,000) included $235,000 on the issue of shares from the exercise of share options (2013: $878,000).

Earnings per share

	2014	2013
Basic loss per share	($0.05)	($0.02)
Diluted loss per share	($0.05)	($0.02)

Material Business Risks

The group operates in the biotechnology and pharmaceutical sectors and is in the development phase. Any investment in these sectors 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, the outcomes of which 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 may 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 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 and registration 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. PBS-listing) or the end customer to be an effective alternative to products already on market, or other 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 connections 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 regular basis over the year.

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 Board is not aware of any breach of applicable environmental regulations by the group. There were no significant changes in laws or regulations during the 2014 financial year or since the end of the year affecting the business activities of the group, and the Board is 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 2014, and the numbers of meetings attended by each director were:

Directors	Board	Audit & risk committee	Remuneration & nomination committee
P T Bartels	11 of 11	2 of 2	2 of 2
J K Fairley	11 of 11	N/A	N/A
R A Hazleton	11 of 11	2 of 2	N/A
P J Jenkins	11 of 11	N/A	2 of 2
Z Peach	11 of 11	N/A	2 of 2
R B Thomas	5 of 5	0 of 0	1 of 1
P R Turvey	11 of 11	2 of 2	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.

The remuneration report sets out remuneration information for non-executive directors, executive directors and other key management personnel of the group

Directors & key management personnel disclosed

Non-executive and executive directors – see pages 13 and 14.

Other key management personnel:

N J Baade	Chief Financial Officer & Company Secretary (Company Secretary from 13 December 2013)
C P Barrett	VP, Business Development
A Eglezos	VP, Business Development (from 12 August 2013)
D J Owen	VP, Research
J R Paull	VP, Development and Regulatory Affairs
B P Rogers	Company Secretary (until 13 December 2013)

Remuneration Governance

The remuneration and nomination committee, consisting of at least 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 of the fees of non-executive directors based on comparative roles in the external market. Non-executive directors do not receive bonuses or 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 remuneration data from the biotechnology sector. Non-executive directors' fees were increased with effect from 1 April 2014, with the previous increase occurring from 1 January 2010. Fees and payments are determined within an aggregate non-executive directors' fee pool limit, approved by shareholders. The aggregate amount currently stands at $450,000 and 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 and reflecting the time and responsibility related to the Board and committees. The aggregate amount paid to non-executive directors for the year ended 30 June 2014 was $401,555 (2013: $385,000). Directors' fees include any statutory superannuation contributions required under Australian superannuation guarantee legislation.

Annual Directors' Fees	From 1 April 2014	Until 1 April 2014
Board Chair (no additional fees for serving on Board committees)	125,000	120,000
Base fee for other non-executive directors	62,500	60,000
Chair of audit & risk committee	7,500	N/A
Chair of remuneration and nomination committee	5,000	N/A
Member of audit & risk committee	3,000	N/A
Member of remuneration and nomination committee	2,500	N/A

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. Each year, the company benchmarks the value of fixed remuneration, short term incentives and long term incentives against a group of comparator companies to ensure these objectives are met.

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.

The remuneration and nomination committee, with the Board are actively reviewing the company's remuneration structure, including short and long term incentive plans to ensure they meet good corporate practice for a company of Starpharma's size, nature and the company lifecycle.

Relationship between executive reward and company performance

The company's remuneration policy aligns executive reward with the interests of shareholders. The primary focus is on 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. Superannuation is included in TFR.

There are no guaranteed base pay increases in any executives' contracts.

Short-term performance incentives

With the exception of the CEO, executive service agreements do not include pre-determined bonus or equity allocations, however short term cash incentives may be awarded at the end of the performance review cycle upon achievement of individual and/or company related KPIs. Following a performance evaluation against these KPIs, the amount of possible bonus payable to each executive is determined by the remuneration and nomination committee and Board based on the CEO's recommendation. The remuneration and nomination committee and the Board consider this an appropriate approach for a company of Starpharma's size, nature and lifecycle. The short term incentive structure is under active review to ensure it meets good corporate practice.

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 an ongoing contractual right to participate in a plan or to receive any guaranteed benefits. For key appointments, an initial allocation of long-term equity incentives may be offered as a component of their initial employment agreement.

The structure of long-term incentives is under the active review of the remuneration and nomination committee to ensure it meets good corporate practice for a company of Starpharma's size, nature and company lifecycle.

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 aspects 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. Additional performance hurdles may need to be met to enable vesting.
- 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. The Holding Lock on the resulting shares will be automatically removed on cessation of employment.
- 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.

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 a performance evaluation of all executives and other staff took place in accordance with this process to assess each employee's performance against their pre-agreed KPIs to determine the level of bonus payable.

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 2013 Annual General Meeting (AGM)

Of the votes cast on the company's remuneration report for the 2013 financial year, 91% 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, including:

- VivaGel® condom received Conformity Assessment Certification from the Australian TGA;
- Preparation, regulatory feedback and initial ethics approval for the phase 3 clinical studies of the VivaGel® bacterial vaginosis (BV) product for the prevention of recurrent BV;
- The granting of regulatory certification for marketing the VivaGel® condom in Japan;
- Commencement of a phase 1 human clinical trial for DEP™ docetaxel conducted in Australia;
- Broadened drug delivery portfolio with positive preclinical results including DEP™ oxaliplatin;
- Expansion of the drug delivery partnerships;
- Approved R&D tax incentive overseas finding with respect to the DEP™ docetaxel program;
- New agrochemical Priostar® partnerships; and
- Additional grant funding with collaborator, Monash Institute of Pharmaceutical Sciences.

The broad corporate key performance indicators listed on page 18, together with individual KPIs relevant to each executive, are considered to be appropriate drivers of growth in shareholder value and were used by the remuneration and nomination committee and the Board in assessing the appropriate level of short and long term incentives payable to each executive during the year. In addition to the KPIs above, a significant proportion of the CEO's performance rights are linked to growth in total shareholder return (TSR) as measured by either, achievement of absolute share price targets, or as returns relative to the S&P/ASX300 Accumulation Index.

The closing share price on the date prior to the date of this report was $0.74, which represents a 5 year TSR (avg annual rate) of 11%[1]. The share price as at 30 June 2014 was $0.58 (2013: $0.81, 2012: $1.37, 2011: $1.50, 2010: $0.54).

[1] Source: CommSec Accessed 13/08/2014.

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.

2014			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								
R B Thomas[1]	35,888	–	–	3,320	–	–	–	**39,208**
P T Bartels[2]	105,581	–	–	9,766	–	–	–	**115,347**
P J Jenkins	56,636	–	–	5,239	–	–	–	**61,875**
R A Hazleton	61,375	–	–	–	–	–	–	**61,375**
Z Peach	56,064	–	–	5,186	–	–	–	**61,250**
P R Turvey	57,208	–	–	5,292	–	–	–	**62,500**
Executive director								
J K Fairley	403,648	200,000	39,932	20,775	14,612	–	624,576	**1,303,543**
Other Key Management Personnel (group)								
N J Baade	192,564	30,000	15,347	25,000	23,811	999	82,823	**370,544**
C P Barrett	212,096	25,000	401	17,775	24,036	999	82,823	**363,130**
A Eglezos[3]	170,090	8,000	17,754	16,061	334	999	35,353	**248,591**
D J Owen	206,817	30,000	363	17,775	27,954	999	82,823	**366,731**
J R Paull	197,211	40,000	13,213	25,000	(8,809)	999	82,823	**350,437**
B P Rogers[4]	48,918	–	2,737	34,900	(42,477)	–	(17,910)	**26,168**
Totals	1,804,096	333,000	89,747	186,089	39,461	4,995	973,311	**3,430,699**

[1] Appointed 4 December 2013. Appointed Chairman 13 June 2014.
[2] Retired 13 June 2014.
[3] Appointed 12 August 2013.
[4] Retired 13 December 2013.

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 director								
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.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

	Fixed remuneration		At risk - STI		At risk – LTI[1]	
Name	2014	2013	2014	2013	2014	2013
J K Fairley	37%	49%	15%[1]	16%[1]	48%	35%
N J Baade	69%	73%	8%	9%	23%	18%
C P Barrett	70%	73%	7%	9%	23%	18%
A Eglezos[2]	82%	-%	3%	-%	15%	-%
M L McColl[3]	-%	100%	-%	-%	-%	*
D J Owen	69%	71%	8%	10%	23%	18%
J R Paull	65%	72%	11%	11%	24%	17%
B P Rogers[4]	100%	73%	-%	6%	*	22%

* Percentage not disclosed as the total amount of STI and/or LTI remuneration expense was negative for the relevant period.

[1]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.
[2] Appointed 12 August 2013.
[3] Resigned 18 January 2013.
[4] Retired 13 December 2013.

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 for those executives who are employed at the date of this report.

J K Fairley Chief Executive Officer

– No fixed term of agreement.
– Base salary, inclusive of superannuation, per annum as at 30 June 2014 of $460,000, to be reviewed annually by the remuneration and nomination committee.
– A cash bonus up to $200,000 for the year to 30 June 2014 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.

N J Baade Chief Financial Officer & Company Secretary

– No fixed term of agreement.
– Base salary, inclusive of superannuation, per annum as at 30 June 2014 of $237,114, 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 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.

C P Barrett VP – Business Development

– No fixed term of agreement.
– Base salary, inclusive of superannuation, per annum as at 30 June 2014 of $232,989, 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.

A Eglezos VP – Business Development

– No fixed term of agreement.
– Base salary, inclusive of superannuation, per annum as at 30 June 2014 of $229,838, 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.

D J Owen VP – Research
– No fixed term of agreement.
– Base salary, inclusive of superannuation, per annum as at 30 June 2014 of $231,134, 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.

J R Paull VP – Development and Regulatory Affairs
– No fixed term of agreement.
– Base salary, inclusive of superannuation, per annum as at 30 June 2014 of $235,970, 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.

Share-based payments

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 any director of the company and any 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 Jun 2009	29 Jun 2011	28 Jun 2014	$0.37	$0.23	100%

Options granted under the Plan carry no dividend or voting rights. There are no options outstanding at the end of the year. The weighted average remaining contractual life of share options outstanding at the end of the previous year was 1.00 year.

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	2014	2013	2014	2013
N J Baade	125,000	–	36,775	–
C P Barrett	125,000	–	36,775	–
D J Owen	125,000	100,000	27,400	120,190
J R Paull	–	125,000	–	52,400
B P Rogers	100,000	100,000	61,920	116,190

[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
2 Sep 2013; 22 May 2014; 18 Jun 2014	$0.37

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

Options granted to directors and key management personnel
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.

Option holdings
The numbers of options over ordinary shares in the company held during the financial year by executive directors and other key management personnel of the group, including their close family members and entities related to them, are set out below. No non-executive director held options in the current or prior year.

2014 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							
N J Baade	125,000	–	125,000	–	–	–	–
C P Barrett	125,000	–	125,000	–	–	–	–
A Eglezos[1]	–	–	–	–	–	–	–
D J Owen	125,000	–	125,000	–	–	–	–
J R Paull	–	–	–	–	–	–	–
B P Rogers[2]	100,000	–	100,000	–	–	–	–

[1] Appointed 12 August 2013.
[2] Retired 13 December 2013.

Performance rights
The number of rights over ordinary shares in the company provided as remuneration during the financial year to any of the executive directors and the key management personnel of the group, including their close family members and entities related to them, are set out below.

No non-executive director held share rights in the current or prior year. J K Fairley was granted 950,000 performance rights over ordinary shares following approval by shareholders at the 2013 annual general meeting.

2014 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[1]	960,000	950,000	200,000	(200,000)	1,510,000	–	1,510,000
Other key management personnel of the group							
N J Baade	90,000	100,000	40,000	–	150,000	–	150,000
C P Barrett	90,000	100,000	40,000	–	150,000	–	150,000
A Eglezos[2]	–	100,000	–	–	100,000	–	100,000
D J Owen	90,000	100,000	40,000	–	150,000	–	150,000
J R Paull	90,000	100,000	40,000	–	150,000	–	150,000
B P Rogers[3]	72,000	–	32,000	(40,000)	–	–	–

[1] The value of rights that were forfeited during the year was $31,350.
[2] Appointed 12 August 2013.
[3] Retired 13 December 2013. The value of rights that were forfeited during the year was $62,000.
[#] Other changes during the year relate to the forfeiture of rights.

The value at vesting date of performance rights that vested during 2014 was $370,960 (2013: $864,940).

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

Share-based payments (continued)

The terms and conditions of the grant of performance rights to 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
16 September 2013	16 September 2015	16 September 2016	500,000	Achievement of KPIs	$0.89	Nil
22 November 2013	30 September 2014	30 September 2015	500,000	Achievement of KPIs	$0.85	Nil
22 November 2013	22 November 2015	22 November 2016	50,000	Continued Employment	$0.85	Nil
22 November 2013	22 November 2015	22 November 2016	50,000	Index TSR	$0.55	Nil
22 November 2013	22 November 2015	22 November 2016	100,000	Index TSR +10%	$0.54	Nil
22 November 2013	22 November 2016	22 November 2017	100,000	Continued Employment	$0.85	Nil
22 November 2013	22 November 2016	22 November 2017	50,000	Index TSR	$0.58	Nil
22 November 2013	22 November 2016	22 November 2017	100,000	Index TSR +10%	$0.55	Nil

Information of the performance measures:

Achievement of KPIs:	The achievement of certain key business performance indicators linked to matters which the Board believes are key drivers of shareholder value.
Continued Employment:	Employee remains employed by the company until the vesting date.
Index TSR:	If the company achieves a total shareholder return (TSR), relative to the S&P/ASX 300 Accumulation Index (Index) for the vesting period, which is equal to or greater than the Index.
Index TSR + 10%:	If the company achieves a total shareholder return (TSR), relative to the S&P/ASX 300 Accumulation Index (Index) for the vesting period, which is which is 10% or more greater than the Index.

Ordinary shares

The number of ordinary shares in the company provided as remuneration during the financial year to any of the directors or the key management personnel of the group, including their close family members and entities related to them, 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 were granted to Australian-based permanent employees under the plan during the current and prior year.

2014 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						
R B Thomas[1]	170,000	–	–	–	100,000	270,000
P T Bartels[2]	332,930	–	–	–	–	332,930
J K Fairley	1,824,197	–	–	200,000	(360,000)[5]	1,664,197
P J Jenkins	1,537,462	–	–	–	–	1,537,462
R A Hazleton	157,616	–	–	–	–	157,616
Z Peach	3,000	–	–	–	–	3,000
P R Turvey	47,000	–	–	–	–	47,000
Other key management personnel of the group						
Ordinary Shares						
N J Baade	202,394	1,204	125,000	40,000	–	368,598
C P Barrett	159,268	1,204	125,000	40,000	–	325,472
A Eglezos[3]	–	1,204	–	–	–	1,204
D J Owen	110,916	1,204	125,000	40,000	–	277,120
J R Paull	220,831	1,204	–	40,000	–	262,035
B P Rogers[4]	209,449	–	100,000	32,000	(83,259)	258,190

[1] Appointed 4 December 2013 with a holding of 170,000 shares at the time of appointment.
[2] Retired 13 June 2014.
[3] Appointed 12 August 2013.
[4] Retired 13 December 2013.
[5] On market sale of shares to partially fund the tax liability associated with securities granted under the company's equity incentive plans.

Details of remuneration

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 25, 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 and performance rights vest over the specified periods provided 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	For-feited	Grant date value of shares granted during 2014[2]	Grant date value of rights granted during 2014[2,3]	Year granted	Vested	Forfeited	Financial years in which rights may vest	Maximum value yet to vest
Name	%	%	$	$		%	%		$
J K Fairley	100%	–	–	715,350	2014	–	–	30/06/2017	134,119
					2014	–	–	30/06/2016	85,922
					2014	–	–	30/06/2015	124,259
					2013	–	–	30/06/2016	144,385
					2013	–	–	30/06/2015	35,176
					2013	50%	50%	30/06/2014	–
N J Baade	–[1]	–	999	89,000	2014	–	–	30/06/2016	53,647
					2013	–	–	30/06/2015	7,642
					2012	100%	–	30/06/2014	–
C P Barrett	–[1]	–	999	89,000	2014	–	–	30/06/2016	53,647
					2013	–	–	30/06/2015	7,642
					2012	100%	–	30/06/2014	–
A Eglezos[4]	–[1]	–	999	89,000	2014	–	–	30/06/2016	53,647
D J Owen	–[1]	–	999	89,000	2014	–	–	30/06/2016	53,647
					2013	–	–	30/06/2015	7,642
					2012	100%	–	30/06/2014	–
J R Paull	–[1]	–	999	89,000	2014	–	–	30/06/2016	53,647
					2013	–	–	30/06/2015	7,642
					2012	100%	–	30/06/2014	–
B P Rogers[5]	–[1]	–	–	–	2013	–	100%	–	–
					2012	100%	–	–	–

[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 amortised amount. No options or performance rights will vest if the conditions are not satisfied, hence the minimum value yet to vest is nil.
[4] Appointed 12 August 2013.
[5] Retired 13 December 2013.

- End of remuneration report -

Shares under option

There are no unissued ordinary shares of Starpharma Holdings Limited under option at the date of this report.

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
29 Jun 2009	$0.37	635,000

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 cessation date	Number of rights granted	Balance of rights at date of report
13 Sep 2012	19 Sep 2014	19 Sep 2015	672,400	499,400
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
16 Sep 2013	16 Sep 2015	16 Sep 2016	1,261,600	1,151,600
22 Nov 2013	30 Sep 2014	30 Sep 2015	500,000	500,000
22 Nov 2013	22 Nov 2015	22 Nov 2016	200,000	200,000
22 Nov 2013	22 Nov 2016	22 Nov 2017	250,000	250,000

Performance 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. The shares are issued for nil consideration.

Date rights granted	Issue price of shares (Exercise price of right)	Number of shares issued
25 Nov 2011	$ -	410,000
13 Sep 2012	$ -	10,000
30 Nov 2012	$ -	200,000

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 company, its related practices and non-related audit firms.

Assurance Services	2014 $	2013 $
Audit or review of financial reports of the entity or any entity in the group under the *Corporations Act 2001*	92,106	87,600

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 27.

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.

Rob Thomas *AM*
Chairman
Melbourne, 13 August 2014

Auditor's Independence Declaration

As lead auditor for the audit of Starpharma Holdings Limited for the year ended 30 June 2014, 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
13 August 2014

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

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 2nd Edition 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 2nd Edition CGC Recommendations. All of these practices, unless otherwise stated, were in place for the entire financial year 2014. The ASX has released recent amendments to the 2nd Edition CGC Recommendations, incorporated in a 3rd Edition ("3rd Edition CGC Recommendations), which are effective from 1 July 2014. The company's compliance against the 3rd Edition CGC Recommendations will be described in the 2015 Annual Report. 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

Relationship between Board and Management
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.

Responsibilities of the Board
The responsibilities of the Board include:
(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 $250,000 ($100,000 until 29 August 2013);
– 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;

(g) 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.

Responsibilities of the CEO
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.

CEO and Senior Executive Performance
A performance assessment for senior executives was last conducted in April 2014. 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

2.1 Responsibilities of the Board
The Board operates in accordance with the broad principles of the charter. In addition to the responsibilities of the Board as set out above, the charter also details the Board's composition requirements as set out below.

2.2 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 maintains a mix of directors on the Board from different genders, age groups and professional backgrounds who have complementary skills and experience.
– The Board has established 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.

2.3 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.

2.4 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.

2.5 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.

2.6 Chairman and Chief Executive Officer (CEO)
The current Chairman, Mr Rob Thomas, is an independent non-executive director appointed in 2013. 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.

In accordance with current practice, the Board's policy is for the roles of Chairman and CEO to be undertaken by separate people.

2.7 Commitment
The Board held eleven meetings during the year. Meetings are usually held at the company's corporate offices. A summary of the number of meetings of the Board and of each Board committee held during the year ended 30 June 2014, 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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.11.1 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 R Thomas
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 the extent delegated by the Board, to:

- conduct periodic reviews of Board membership having regard to present and future needs of the company and make recommendations on Board composition and appointments;
- conduct periodic reviews 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 periodic 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, 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

Principle 2: Structure the Board to add value (continued)

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.

When an existing director is required to stand for re-election, the remuneration and nomination committee also reviews the range of skills, experience and expertise on the Board.

2.11.2 Audit and risk committee
The company also has an audit and risk committee. Further details about the committee are included on page 31.

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 (collectively "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 was approved by the Board 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 appropriate 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 2013-2014 financial year, and progress against these objectives are set out below:

Objective 1: Measurement - Continue to measure and track diversity of gender, age and country of origin, and continue to promote a corporate culture that accepts and 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 2013-2014 financial year, consistent with our regular review of all policies, to ensure they are inclusive in nature and consistent with the aims of the Diversity Policy. Previously established systems continue to be used to track and report diversity statistics including gender, country of origin and age.

At 30 June 2014, 52% of the company's employees were female, compared with 54% in July 2013. The table below shows the proportion of female employees in the whole organisation, in senior executive positions and on the Board, at 30 June 2014.

	Whole organisation	Senior Executive	Board
Total	33	8	6
Female	17	3	2
% female	52%	38%	33%

Objective 2: Development - 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: Professional development opportunities and options that are aligned with the company's needs and the individual's role are considered for all employees as part of the company's annual performance review process. Investments in formal/external development programs are made where possible and appropriate, as well as being provided via internal development opportunities where they exist. As in previous years, during the 2014 financial year the company supported participation of all female staff in an industry initiative "Connecting

Women in Biotechnology" run by the BioMelbourne Network industry group, which included presentations by industry role models.

Objective 3: **Family friendliness** –Maintain initiatives to smooth transitions before, during and after parental leave, and to retain employees after they have taken parental leave.

Progress towards objective: The company has a Parental Leave Policy which includes maternity leave and partner leave, and where possible, the provision of flexible working hours and part time arrangements to facilitate transitions associated with parental leave. Staff are encouraged to approach management to discuss their particular needs before and after parental leave. The company also has a number of part time roles reflecting both business needs and the company's support for flexible working arrangements.

Objective 4: **Pay parity** – Reduce the risk of unconscious gender bias and understand any gender differentials in remuneration relative to benchmarks analysing remuneration by gender.

Progress towards objective: During the annual staff remuneration review, gender based analyses of pre-and post-remuneration review differentials to benchmarks were completed. This confirmed that there are no significant gender differences in remuneration relative to role benchmarks.

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 R B Thomas
Mr R A Hazleton

Details of these directors' qualifications and attendance at committee meetings are set out in the directors' report on pages 13 to 17. The audit and risk committee members have appropriate financial expertise. 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, if any, 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

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

5.1. Continuous disclosure
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.

6.1 Electronic Communication
All ASX announcements are posted on the company's website as soon as practicable after release to the ASX.

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). The company's website also has an option for shareholders to register their email address for direct email updates which the company may send for material company matters which have previously been released to ASX and OTCQX.

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's culture and in the way activities are carried out at all levels of 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 & 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 Rules 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 2014:

– 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

8.1 Remuneration and nomination committee
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 2.11.1 of this Corporate Governance Statement.

8.2 Non-executive and executive remuneration
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 includes a 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 25.

Executive directors and senior management receive a mix between fixed and incentive pay, comprising both cash and eligibility to participate in equity incentive schemes. Non-executive directors receive fees only and are not eligible for bonus payments or participation in equity incentive schemes. Non-executive directors do not receive termination/retirement benefits, whereas executive directors and senior management are entitled to termination payments in accordance with the terms of their contracts (detailed on page 21 to 22).

8.3 Prohibition on hedging of unvested entitlements
Employees are prohibited from entering into transactions in products which limit the economic risk of participating in unvested entitlements under equity-based remuneration schemes. Details in relation to this policy are contained in the Securities Dealing Policy which is available in the Corporate Governance section of the company's website

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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 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 13 August 2014. 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 its website: www.starpharma.com.

Consolidated Income Statement for the year ended 30 June 2014

	Notes	30 June 2014 $'000	30 June 2013 $'000
Revenue from continuing operations	5	1,246	2,429
Other income	5	7	5
Administration expense	6	(4,890)	(4,149)
Research and development expense	6	(10,991)	(3,505)
Finance costs		(7)	(9)
Loss before income tax		**(14,635)**	**(5,229)**
Income tax expense	7	-	-
Loss from continuing operations attributable to members of Starpharma Holdings Limited		**(14,635)**	**(5,229)**

Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company		**$**	**$**
Basic loss per share	24	($0.05)	($0.02)
Diluted loss per share	24	($0.05)	($0.02)

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 2014

	Notes	30 June 2014 $'000	30 June 2013 $'000
Loss for the year		**(14,635)**	**(5,229)**
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Foreign exchange differences on translation of foreign operations	15	(110)	713
Other comprehensive income (loss)		**(110)**	**713**
Total comprehensive income (loss) for the year attributable to members of Starpharma Holdings Limited		**(14,745)**	**(4,516)**

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

Consolidated Balance Sheet as at 30 June 2014

	Notes	30 June 2014 $'000	30 June 2013 $'000
Current Assets			
Cash and cash equivalents	8	24,028	33,840
Trade and other receivables	9	4,570	5,492
Total Current Assets		**28,598**	**39,332**
Non-Current Assets			
Property, plant and equipment	10	509	411
Intangible assets	11	7,755	8,807
Total Non-Current Assets		**8,264**	**9,218**
Total Assets		**36,862**	**48,550**
Current Liabilities			
Trade and other payables	12	3,114	1,696
Borrowings	13	27	25
Provisions (employee entitlements)		659	627
Deferred income		44	111
Total Current Liabilities		**3,844**	**2,459**
Non-Current Liabilities			
Borrowings	13	48	75
Provisions (employee entitlements)		19	48
Total Non-Current Liabilities		**67**	**123**
Total Liabilities		**3,911**	**2,582**
Net Assets		**32,951**	**45,968**
Equity			
Contributed equity	14	140,349	140,081
Reserves	15	4,852	3,502
Accumulated losses	16	(112,250)	(97,615)
Total Equity		**32,951**	**45,968**

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 2014

	Notes	Contributed capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'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**
Loss for the year		-	-	(14,635)	(14,635)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations	15	-	(110)	-	(110)
Total comprehensive income (loss) for the year		-	**(110)**	**(14,635)**	**(14,745)**
Transactions with owners, recorded directly in equity					
Contributions of equity, net of transaction costs	14	235	-	-	235
Employee share plans	14	33	-	-	33
Employee performance rights plan	15	-	1,460	-	1,460
Total transactions with owners		**268**	**1,460**	**-**	**1,728**
Balance at 30 June 2014		**140,349**	**4,852**	**(112,250)**	**32,951**

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 2014

	Notes	30 June 2014 $'000	30 June 2013 $'000
Cash Flows from Operating Activities			
Receipts from trade and other debtors (inclusive of GST)		387	423
Grant income and R&D tax incentives (inclusive of GST)		4,707	5,453
Payments to suppliers and employees (inclusive of GST)		(16,108)	(17,270)
Interest received		1,208	1,609
Interest paid		(7)	(10)
Net cash outflows from operating activities	23	**(9,813)**	**(9,795)**
Cash Flow from Investing Activities			
Payments for property, plant and equipment		(251)	(156)
Net cash outflows from investing activities		**(251)**	**(156)**
Cash Flow from Financing Activities			
Proceeds from issue of shares		235	878
Share issue transaction costs		-	-
Lease repayments		(32)	(50)
Net cash inflows from financing activities		**203**	**828**
Net increase (decrease) in cash and cash equivalents held		**(9,861)**	**(9,123)**
Cash and cash equivalents at the beginning of the year		33,840	42,812
Effects of exchange rate changes on cash and cash equivalents		49	151
Cash and cash equivalents at the end of the year		**24,028**	**33,840**

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

Contents

1. 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 (the group).

(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 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

The group has applied the following standards and amendments for first time for the annual reporting period commencing 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- AASB 2012-10 *Amendments to Australian Accounting Standards - Transition Guidance and other Amendments* which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13*
- AASB 119 *Employee Benefits (September 2011)* and AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*, and
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

None of the new and amended standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

(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 2014, the consolidated entity has incurred losses of $14,635,000 (2013: $5,229,000) and experienced net cash outflows of $9,813,000 from operations (2013: $9,795,000), as disclosed in the balance sheet and statement of cash flows, respectively. The company is in the development phase, and given the entity's strategic plans, the directors are satisfied regarding the availability of working capital for the period up to at least August 2015. 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 2014 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 entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated 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 are not consolidated for tax purposes.

(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, and 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. They 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.

1. Significant Accounting Policies (continued)

(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 uncollectable 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

(i) 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.

(ii) 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 2 to 20 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 (being 1 year) or the estimated useful life of the improvement to the group, 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 is up to 20 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, and 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 personal 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 are 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.

(v) 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.

(vi) 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, performance rights 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.

1. Significant Accounting Policies (continued)

(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 the 30 June 2014 reporting period. 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 2017)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 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.

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 26 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, and Chief Financial Officer & 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 $0.9420 was as follows:

	30 June 2014 US $'000	30 June 2013 US $'000
Cash and cash equivalents	2,963	2,976
Trade and other receivables	13	99
Trade and other payables	3	299

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.

	30 June 2014 $'000	30 June 2013 $'000
Impact on profit / (loss) on a movement of the US Dollar:		
Australian dollar strengthens (increases) against the US Dollar by 10%	(285)	(266)
Australian dollar weakens (decreases) against the US Dollar by 10%	348	325

(ii) Cash Flow Interest Rate Risk

The group holds 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 term and at call deposits. Refer to note 8 for additional information.

	30 June 2014 $'000	30 June 2013 $'000
Term Deposits and deposits at call	22,559	32,337

Group Sensitivity

At 30 June 2014, 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 $113,000 higher or lower (2013 - change of 50 bps: $162,000 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 with banks and financial institutions, as well as credit exposures from royalty and licensing agreements. 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 tax incentives, 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 Judgements

Estimates and judgements 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 is up to 20 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 2014 is $7,755,000 (2013: $8,807,000).

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's 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 2014 the group has recorded a contra research and development expense of $4,222,000 (2013: $8,704,000). 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 covers a 3 year period from 1 July 2011.

(b) Critical accounting judgements 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 judgement. In making these judgements, 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.

5. Revenue and Other Income

Revenue and other income	30 June 2014 $'000	30 June 2013 $'000
Royalty, customer & licence revenue	273	840
Interest revenue	973	1,569
Other revenue	-	20
Total revenue	**1,246**	**2,429**
Government grants	7	5
Total other income	**7**	**5**
Total revenue and other income	**1,253**	**2,434**

Total revenue and other income for the year was $1,253,000, a reduction of $1,181,000 from the previous year, mainly due to lower interest revenue earned on cash deposits and lower revenue from commercial partners.

6. Expenses

Loss from continuing operations before income tax expense includes the following items:	30 June 2014 $'000	30 June 2013 $'000
R&D tax incentive (contra expense)[1]	(4,222)	(8,704)
Depreciation	153	159
Amortisation	943	891
Rental expense on operating leases	434	444
Defined contribution superannuation expense	437	402

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

7. Income Tax Expense

	30 June 2014 $'000	30 June 2013 $'000
(a) Income tax expense/(credit)		
Current Tax	–	–
Deferred Tax	–	–
Total income tax expense	**–**	**–**
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	–	–
	–	**–**

	30 June 2014 $'000	30 June 2013 $'000
(b) Numerical reconciliation to income tax credit prima facie tax payable		
Loss from continuing operations before income tax	(14,635)	(5,229)
Tax at the Australian tax rate of 30% (2013: 30%)	(4,390)	(1,569)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Eligible expenses claimed under R&D tax incentive	1,503	477
Amortisation of intangibles	174	170
Share-based payments	448	287
Unearned income	50	(74)
Sundry items	24	202
Difference in overseas tax rates	29	26
Previously unrecognised tax losses now recouped to reduce current tax expense	(5)	(179)
Future income tax benefits not brought to account	2,167	660
Income tax credit	**–**	**–**

7. Income Tax Expense (continued)

	30 June 2014 $'000	30 June 2013 $'000
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)	72,641	65,680
Potential tax benefit	**21,874**	**19,704**

(d) Unrecognised temporary differences		
Temporary differences for which no deferred tax asset has been recognised as recoverability is not probable	26,265	20,304
Unrecognised deferred tax relating to the temporary differences	**7,819**	**6,185**

(e) Deferred tax liabilities		
Deferred tax liabilities comprises temporary differences attributable to:		
Intangibles	1,458	1,659
Sundry items	464	111
Total deferred tax liabilities	**1,922**	**1,770**
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,922)	(1,770)
Net deferred tax liabilities	**–**	**–**
Deferred tax liabilities expected to be settled within 12 months	464	111
Deferred tax liabilities expected to be settled after 12 months	1,458	1,659
	1,922	**1,770**

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 2014 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 2014 which it believes will be satisfied.

8. Current Assets – Cash and Cash Equivalents

	30 June 2014 $'000	30 June 2013 $'000
Cash at bank and on hand	1,469	1,503
Term Deposits and deposits at call	22,559	32,337
	24,028	**33,840**

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

Term deposits and deposits at call
The term deposits have maturities of 3 months or less. Funds in deposits at call allow the group to withdraw funds on demand.

Cash not available
There is $415,023 (2013: $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.

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

30 June 2014		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	2,034	20,621	–	–	–	–	–	1,373	24,028	N/A
Receivables	9	–	–	–	–	–	–	–	4,570	4,570	4,570
		2,034	**20,621**	**–**	**–**	**–**	**–**	**–**	**5,943**	**28,598**	**4,570**
Weighted average interest rate		*2.7%*	*3.3%*	*–%*	*–%*	*–%*	*–%*	*–%*	*–%*		
Financial Liabilities											
Payables	12	–	–	–	–	–	–	–	3,114	3,114	3,114
Borrowings	13	–	27	30	18	–	–	–	–	75	75
		–	**27**	**30**	**18**	**–**	**–**	**–**	**3,114**	**3,189**	**3,189**
Weighted average interest rate		*–%*	*8.2%*	*8.2%*	*8.2%*	*–%*	*–%*	*–%*	*–%*		

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%*	*–%*	*–%*	*–%*		

9. Current Assets – Trade and Other Receivables

	30 June 2014 $'000	30 June 2013 $'000
Trade and grant receivables	4,211	4,869
Interest receivables	120	354
Prepayments	154	178
Other receivables	85	91
	4,570	**5,492**

Trade and grant receivables
Trade and grant receivables primarily comprise of $4,154,000 (2013: $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 2014, there were no trade and grant receivables that were past due (2013: nil). No receivables are considered impaired at 30 June 2014 (2013: 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

	Plant and Equipment $'000	Leasehold improvements $'000	Plant and Equipment under finance lease $'000	Total Plant and Equipment $'000
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**
Year ended 30 June 2014				
Opening net book amount	298	5	108	411
Additions	244	7	–	251
Disposals	–	–	–	–
Depreciation and amortisation	(115)	(8)	(30)	(153)
Closing net book amount	**427**	**4**	**78**	**509**
At 30 June 2014				
Cost	2,203	1,199	419	3,821
Accumulated depreciation and amortisation	(1,776)	(1,195)	(341)	(3,312)
Net book amount	**427**	**4**	**78**	**509**

11. Non-Current Assets – Intangible Assets

	Patents & Licences $'000	Goodwill $'000	Total Intangibles $'000
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**
Year ended 30 June 2014			
Opening net book amount	7,201	1,606	8,807
Exchange differences	(84)	(25)	(109)
Depreciation and amortisation	(943)	–	(943)
Closing net book amount	**6,174**	**1,581**	**7,755**
At 30 June 2014			
Cost	16,321	1,581	17,902
Accumulated depreciation and amortisation	(10,147)	–	(10,147)
Net book amount	**6,174**	**1,581**	**7,755**

(a) Impairment tests for goodwill
Goodwill is tested annually for impairment, and an impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.
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 the group'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 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 2014, 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 2014 and determined that there is no indication that the asset is impaired.

(d) Remaining useful life
The patents being amortised have a remaining useful life of 1-12 years as at 30 June 2014.

12. Current Liabilities – Trade and Other Payables

	30 June 2014 $'000	30 June 2013 $'000
Trade payables and accruals	2,586	1,208
Other payables	528	488
	3,114	**1,696**

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.

2014	Notes	Floating Interest rate	Fixed interest rate						
			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	–	27	30	18	–	–	–	75
Weighted average interest rate		–%	8.2%	8.2%	8.2%	–%	–%	–%	

2013	Notes	Floating Interest rate	Fixed interest rate						
			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%	–%	–%	

14. Contributed Equity

(a) Share capital

	2014 Shares	2013 Shares	2014 $'000	2013 $'000
Share Capital				
Ordinary shares – fully paid	285,109,680	283,814,948	140,349	140,081

(b) Movements in ordinary share capital

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**

Date	Details	Number of shares	Issue Price	$'000
1 Jul 2013		283,814,948		140,081
12 Jul 2013	Proceeds on exercise of employee options	50,000	$0.37	18
2 Sep 2013	Proceeds on exercise of employee options	100,000	$0.37	37
2 Oct 2013	Employee performance rights plan share issue	200,000	$ –	–
29 Nov 2013	Employee performance rights plan share issue	410,000	$ –	–
6 Dec 2013	Proceeds on exercise of employee options	40,000	$0.37	15
30 Jan 2014	Employee share plan ($1,000) issue	39,732	$0.83	33
19 Feb 2014	Employee performance rights plan share issue	10,000	$ –	–
22 May 2014	Proceeds on exercise of employee options	250,000	$0.37	93
18 Jun 2014	Proceeds on exercise of employee options	195,000	$0.37	72
	Balance at 30 June 2014	**285,109,680**		**140,349**

(c) Ordinary shares

As at 30 June 2014 there were 285,109,680 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, 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

	30 June 2014 $'000	30 June 2013 $'000
Share-based payments reserve	5,648	4,188
Foreign currency translation reserve	(3,011)	(2,901)
Asset revaluation reserve	2,215	2,215
	4,852	**3,502**

(b) Movement in reserves

Share-based payments reserve	30 June 2014 $'000	30 June 2013 $'000
Balance at 1 July	4,188	3,265
Performance right expense	1,460	923
Balance at 30 June	**5,648**	**4,188**

Foreign currency translation reserve		
Balance at 1 July	(2,901)	(3,614)
Currency translation differences arising during the year	(110)	713
Balance at 30 June	**(3,011)**	**(2,901)**

(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 Dendritic Nanotechnologies Inc. on the company's acquisition of the remaining share in October 2006 was recognised in reserves.

16. Accumulated Losses

	30 June 2014 $'000	30 June 2013 $'000
Accumulated losses balance at 1 July	(97,615)	(92,386)
Net loss for the year	(14,635)	(5,229)
Accumulated losses balance at 30 June	**(112,250)**	**(97,615)**

17. 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) 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.

(c) Key management personnel compensation

	30 June 2014 $	30 June 2013 $
Short-term employee benefits	2,226,843	2,101,668
Post-employment benefits	186,089	167,095
Other long term benefits	39,461	79,592
Share-based payments	978,306	588,661
	3,430,699	**2,937,016**

Detailed remuneration disclosures are provided in the remuneration report on pages 18 to 25.

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:

	30 June 2014 $	30 June 2013 $
Statutory audit services		
Audit or review of financial reports of the entity or any entity in the consolidated entity		
PricewaterhouseCoopers	92,106	87,600
Total remuneration for statutory audit services	**92,106**	**87,600**

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 2014 (2013: nil).

20. Commitments

(a) Capital Commitments

There is no capital expenditure contracted for, not recognised as liabilities at the reporting date (2013: nil).

(b) Lease Commitments

Operating leases

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

	30 June 2014 $'000	30 June 2013 $'000
Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:		
Not later than one year	380	366
Later than one year and not later than five years	70	450
Later than five years	–	–
Representing cancellable operating leases	**450**	**816**

Finance Leases

The group leases plant and equipment under a finance leases expiring within three (2013: four) years.

Commitments in relation to finance leases are payable as follows:	Notes	30 June 2014 $'000	30 June 2013 $'000
Not later than one year		32	32
Later than one year and not later than five years		51	84
Later than five years		–	–
Minimum lease payments		**83**	**116**
Future finance charges		(8)	(16)
Recognised as a liability		**75**	**100**
Representing finance lease liabilities:			
Current	13	27	25
Non-Current	13	48	75
		75	**100**

The weighted average interest rate implicit in the lease is 8.2% (2013: 8.2%).

(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).

Name of entity	Country of Incorporation	Class of Shares	Equity Holding 2014 %	Equity Holding 2013 %
Starpharma Pty Limited	Australia	Ordinary	100.00%	100.00%
Angiostar Pty Limited[1]	Australia	Ordinary	-%	100.00%
Viralstar Pty Limited[1]	Australia	Ordinary	-%	100.00%
Dendritic Nanotechnologies Inc.	USA	Ordinary	100.00%	100.00%

[1] Angiostar Pty Ltd and Viralstar Pty Ltd, were deregistered with ASIC on date 20 November 2013, these were non-operating subsidiaries.

22. Events Occurring After the Balance Sheet Date

The company commenced its phase 3 clinical trials of VivaGel® for the prevention of recurrent bacterial vaginosis after the protocol design received written approval in July 2014 under a Special Protocol Assessment (SPA) from the US Food and Drug Administration (FDA).

In July 2014, the VivaGel® condom received Conformity Assessment Certification from the Australian TGA. Ansell will launch the VivaGel® condom in the coming months under their brand Lifestyles® Dual Protect™, following listing on the Australian Register of Therapeutic Goods (ARTG).

No other matters or circumstances have arisen since 30 June 2014 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.

23. Reconciliation of Profit After Income Tax to Net Cash Inflow from Operating Activities

	30 June 2014 $'000	30 June 2013 $'000
Operating loss after tax	(14,635)	(5,229)
Depreciation and amortisation	1,096	1,050
Foreign exchange (gains) / losses	(49)	(151)
Non-cash employee benefits: share-based payments	1,493	955
Gain (loss) on sale of property, plant and equipment	–	(1)
Change in operating assets and liabilities, net of effects of acquisitions and disposals of entities:		
Decrease (increase) in receivables and other assets	928	(3,424)
Increase (decrease) increase in trade creditors	1,418	(2,796)
Increase in employee provisions	3	86
Increase (decrease) in deferred income	(67)	(285)
Net cash outflows from operating activities	**(9,813)**	**(9,795)**

24. Earnings Per Share

	30 June 2014	30 June 2013
Basic loss per share ($)	(0.05)	(0.02)
Diluted loss per share ($)	(0.05)	(0.02)
Net loss attributable to members of Starpharma Holdings Ltd used as the numerator in calculating diluted and basic earnings per share ($'000)	(14,635)	(5,229)
Weighted average number of ordinary shares outstanding during the year used as the denominator in calculating diluted and basic earnings per share	284,414,837	283,281,880

As at 30 June 2014 the company had on issue nil (30 June 2013: 635,000) share options and 3,161,000 (30 June 2013: 1,970,900) 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) 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.

25. Share-Based Payments (continued)

Set out below are summaries of options under the schemes:

2014

Grant Date	Expiry Date	Exercise Price $	Balance at start of the year Number	Exercised during the year Number	Forfeited during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity								
29 Jun 2009 [a]	28 Jun 2014	$0.37	635,000	635,000	–	–	–	–
Total			**635,000**	**635,000**	**–**	**–**	**–**	**–**
Weighted average exercise price			$0.37	$0.37	$ –	$ –	$ –	$ –

2013

Grant Date	Expiry Date	Exercise Price $	Balance at start of the year Number	Exercised during the year Number	Forfeited during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
Consolidated and parent entity								
21 Aug 2007 [b]	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

[a] Options granted under the Employee Option Plan.
[b] 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 2014 was $0.72 (2013: $1.44).

The weighted average remaining contractual life of share options outstanding at the end of the period was nil years (2013: 1.00 year).

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

(c) 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 2014 was $0.83 (2013: $1.235 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 2014 is as follows:

Share grant date	30 January 2014
Number of shares granted	39,732
Share price at grant date	$0.83
Assessed fair value	$0.83

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

Performance Rights

(a) Employee Performance Rights Plan
In 2010 the Board approved the introduction of the 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 2014 was $0.83 per right (2013: $1.08). There were 2,211,600 performance rights granted in the current year (2013: 1,682,400). 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:

2014

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
25 Nov 2011	25 Nov 2013	25 Nov 2014	410,000	–	410,000	–	–
13 Sep 2012	19 Sep 2014	19 Sep 2015	600,900	–	10,000	91,500	499,400
30 Nov 2012	30 Sep 2013	30 Sep 2014	400,000	–	200,000	200,000	–
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
16 Sep 2013	16 Sep 2015	16 Sep 2016	–	1,261,600	–	110,000	1,151,600
22 Nov 2013	30 Sep 2014	30 Sep 2015	–	500,000	–	–	500,000
22 Nov 2013	22 Nov 2015	22 Nov 2016	–	200,000	–	–	200,000
22 Nov 2013	22 Nov 2016	22 Nov 2017	–	250,000	–	–	250,000
Total			**1,970,900**	**2,211,600**	**620,000**	**401,500**	**3,161,000**

25. Share-Based Payments (continued)

2013

Grant Date	Vesting Date	Holding Lock Date	Balance at start of the year Number	Granted during the year Number	Converted during the year Number	Forfeited during the year Number	Balance at end of the year 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**

Information used in assessing the fair value of performance rights granted during the year ended 30 June 2014 is as follows:

Right grant date	16 September 2013	22 November 2013	22 November 2013	22 November 2013
Number of rights granted	1,261,600	500,000	50,000	50,000
Vesting date	16 September 2015	30 September 2014	22 November 2015	22 November 2015
Disposal Restriction until	16 September 2016	30 September 2015	22 November 2016	22 November 2016
Performance Measure	KPIs	KPIs	Continued Employment	Index TSR
Expected price volatility of the company's shares	50%	50%	50%	50%
Risk-free interest rate	2.7%	2.5%	2.7%	2.7%
Expected dividend yield	-	-	-	-
Share price at grant date	$0.89	$0.89	$0.89	$0.89
Assessed fair value	$0.89	$0.85	$0.85	$0.55

Right grant date	22 November 2013	22 November 2013	22 November 2013	22 November 2013
Number of rights granted	100,000	100,000	50,000	100,000
Vesting date	22 November 2015	22 November 2016	22 November 2016	22 November 2016
Disposal Restriction until	22 November 2016	22 November 2017	22 November 2017	22 November 2017
Performance Measure	Index TSR+10%	Continued Employment	Index TSR	Index TSR+10%
Expected price volatility of the company's shares	50%	50%	50%	50%
Risk-free interest rate	2.7%	3.0%	3.0%	3.0%
Expected dividend yield	-	-	-	-
Share price at grant date	$0.89	$0.89	$0.89	$0.89
Assessed fair value	$0.54	$0.85	$0.58	$0.55

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

Share price volatility and the risk-free interest rate are obtained through an independent valuation.

Expenses arising from share-based payment transactions

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

	30 June 2014 $'000	30 June 2013 $'000
Employee shares issued	33	32
Employee performance rights issued	1,460	923
	1,493	**955**

26. Parent Entity Financial Information

(a) Summary financial information

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

	Parent	
	30 June 2014	30 June 2013
	$'000	$'000
Balance Sheet		
Current assets	22,657	32,684
Total assets	39,342	49,821
Current liabilities	800	725
Total liabilities	800	725
Shareholders' equity		
Contributed equity	140,349	140,081
Reserves	5,139	3,678
Accumulated losses	(106,946)	(94,663)
Loss for the year	(12,283)	(10,088)
Total comprehensive income	(12,283)	(10,088)

(b) Contingencies of the parent entity

The parent entity has no contingent assets or liabilities at 30 June 2014 (2013: nil).

Directors' Declaration for the year ended 30 June 2014

In the directors' opinion:

(a) the financial statements and notes set out on pages 33 to 64 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 2014 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.

Rob Thomas *AM*
Chairman
Melbourne, 13 August 2014

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 2014, 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 (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

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 2014 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 25 of the directors' report for the year ended 30 June 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Anton Linschoten
Partner

Melbourne
13 August 2014

Shareholder Information

The shareholder information set out below was applicable as at 31 July 2014.

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	Performance rights
1 –1,000	737	–
1,001–5,000	1,691	–
5,001–10,000	906	–
10,001–100,000	1,397	21
100,000 and over	214	6
Total	**4,945**	**27**

There were 392 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	73,316,647	25.72
2.	National Nominees Limited	31,939,425	11.20
3.	JP Morgan Nominees Australia Limited	24,319,864	8.53
4.	Citicorp Nominees Pty Limited	12,731,952	4.47
5.	T & N Argyrides Investments P/L <Super Fund A/C>	5,410,449	1.90
6.	BNP Paribas Noms Pty Ltd <DRP>	4,164,654	1.46
7.	Mr Peter Malcolm Colman	3,855,968	1.35
8.	Kenneth Nominees Pty Ltd <Rayse Super Fund A/C>	3,422,053	1.20
9.	HSBC Custody Nominees (Australia) Limited <NT- Comnwlth Super>	3,106,060	1.09
10.	Applecross Secretarial Services Pty Ltd <Gorr Pension Plan A/C>	2,885,588	1.01
11.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,587,187	0.91
12.	UBS Wealth Management Australia Nominees Pty Ltd	2,498,620	0.88
13.	Mr Kingsley Bryan Bartholomew	2,000,000	0.70
14.	JPS Distribution Pty Ltd <Raff Family A/C>	1,863,255	0.65
15.	Commonwealth Scientific And Industrial Research Organisation	1,448,798	0.51
16.	Warbont Nominees Pty Ltd <Accumulation Entrepot A/C>	1,202,834	0.42
17.	Ms Jacinth Fairley	1,156,697	0.41
18.	HSBC Custody Nominees (Australia) Limited - A/C 2	1,124,196	0.39
19.	Applecross Secretarial Services Pty Ltd <L Gorr Family A/C>	1,118,588	0.39
20.	Mrs Wendy Jean Ayres	1,117,947	0.39
		181,270,782	**63.58**

Shareholder Information

	Unquoted equity securities over ordinary shares	
Name	**Number on issue**	**Number of holders**
Employee Performance Rights	3,161,000	27

C. Substantial Holders

Substantial shareholders as shown in substantial shareholder notices received by the company as at 31 July 2014:

	Ordinary shares
Name	**Number held**
Acorn Capital Limited	26,357,951
Allan Gray Australia Pty Ltd	41,319,032
M&G Investment Funds	37,069,789
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 31 July 2014:

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	
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, Taiwan, USA	Argentina, Canada, China, Europe, Hong Kong, India, Malaysia, South Korea
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, Brazil, Canada, China, Europe, India, Israel, Japan, South Korea, Mexico, Russia, USA
Drug Delivery Patent Portfolio			
Disulfide-containing dendritic polymers	Sep 30, 1996	USA	
Macromolecules Compounds Having Controlled Stoichiometry	25 October 2005 WO2007/048190	Australia, USA	Canada, Europe
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, Brazil, Canada, China, Europe, India, Japan, South Korea, USA
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

R B Thomas AM – *Chairman*
J K Fairley – *Chief Executive Officer*
P J Jenkins – *Deputy Chairman*
R A Hazleton
Z Peach
P R Turvey

Company Secretary

Nigel Baade

Registered office

Baker IDI Building
75 Commercial Road,
Melbourne, Victoria 3004 Australia

Telephone +61 3 8532 2700
Fax +61 3 9510 5955

Postal address

GPO Box 6535
Melbourne VIC 3004 Australia

Share register

Computershare Investor Services Pty Limited
452 Johnston Street, Abbotsford VIC 3067

GPO Box 2975
Melbourne, VIC 3001

1300 850 505 (within Australia)
+613 9415 4000 (outside Australia)
www.computershare.com

Auditor

PricewaterhouseCoopers
Freshwater Place
Southbank VIC 3006 Australia

Solicitors

Norton Rose Fulbright
RACV Tower, 485 Bourke Street
Melbourne VIC 3000 Australia

Stock exchange listing

ASX Limited
Level 45, North Tower, Rialto, 525 Collins Street,
Melbourne VIC 3000 Australia

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.

Website address

www.starpharma.com

starpharma

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