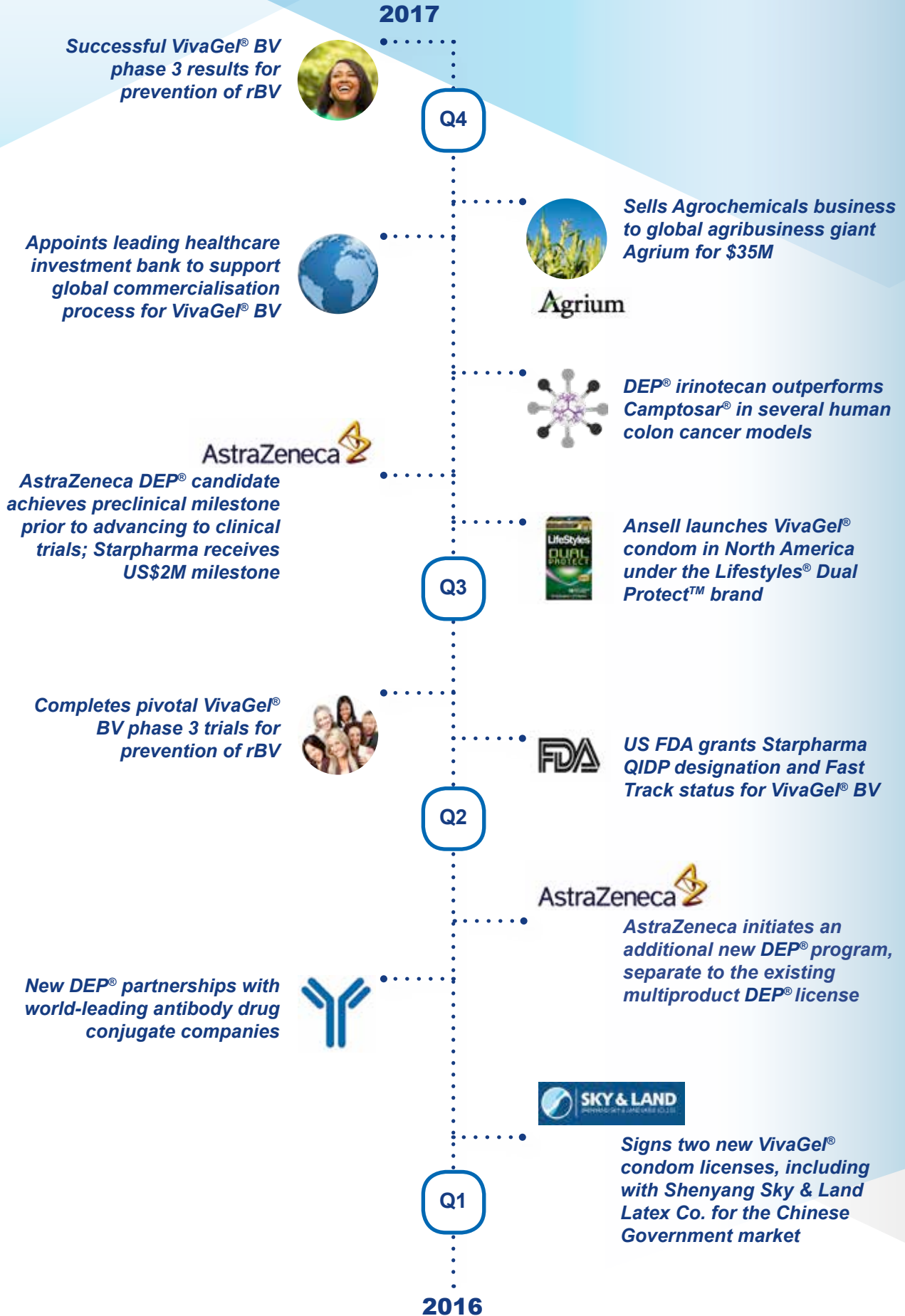




Annual Report 2017

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Highlights



Chairman's Letter



Mr Rob Thomas AM,
Chairman

Dear Shareholders,

On behalf of the Board, it is a great pleasure to present the 2017 annual report to our investors.

Starpharma is a world leader in the development of dendrimer products and its core strategy is to create value through the commercial exploitation of proprietary products based on this technology platform, using a combination of internally funded and partnered programs across the portfolio.

The year proved to be a period of significant achievements for Starpharma, in which the Company advanced its pipeline of compelling products closer to commercialisation. Starpharma continues to carefully manage its strategy to develop a deep pipeline of products, bringing in corporate partners where advantageous, while tactically balancing the opportunities for current and future returns with the risks involved with funding its products to the next value inflection point.

First and foremost, Starpharma's success in leveraging its dendrimer technology would not be possible without the work of its Chief Executive Officer, Dr Jackie Fairley, the executive management team and all our Starpharma people, who are determined and dedicated to achieving the Company's mission. We genuinely appreciate and admire the commitment and tenacity of our small team of around 40 to bring our novel products to market. Let me also acknowledge my fellow Board members for their contribution and expertise throughout this busy year.

The Company's breakthrough product for bacterial vaginosis, VivaGel® BV, recently demonstrated statistically significant efficacy in reducing the rates of BV recurrence in two pivotal phase 3 trials. The excellent trial data, together with the coveted prearranged Special Protocol Assessment, places Starpharma in a strong position to pursue FDA approval to market VivaGel® BV in the US. Given there are no approved products to address this chronic condition in the US, VivaGel® BV stands to become first in class in a large global market estimated at around US\$1 billion annually.

Of course the end-game of our development and regulatory activities is commercialisation. We have been actively engaged in licensing negotiations for the commercial rights to VivaGel® BV for some time and following the favourable revision to US regulatory guidance on BV treatment last year, we were able to expand this dialogue to global negotiations.

What's particularly satisfying about the development and commercialisation of VivaGel® BV is that Starpharma has successfully taken this product all the way from discovery to the end of phase 3, while retaining rights, which is an incredibly rare achievement for an Australian company.

In June 2017, Starpharma sold its agrochemicals business for \$35 million to Agrium Inc, one of the largest agribusinesses in the world. The sale was the culmination of our deliberate strategy to develop and then monetise the intellectual property associated with Priostar® technology via an established market-facing third party with a global presence, and to reinvest those funds into Starpharma. We negotiated a price which was four times the book value of the assets, and were able to do so without encroaching on the intellectual property of Starpharma's remaining pharmaceutical portfolios.

The sale exemplifies Starpharma's ability to take existing products and improve them with its unique platform technology to deliver an enhanced, differentiated commercial offering with high attraction value which translates into tangible shareholder value. The transaction freed up significant capital which will be used to underpin the expansion and acceleration of Starpharma's high-value internal DEP® programs.

Starpharma's internal drug delivery programs are borne out of its proprietary DEP® platform, which can modify and improve the performance of drugs through delivery. This innovative technology enables the dendrimer-enhanced drug to effectively target tumour tissue, in a way that reduces common side-effects of cancer treatments. Using this platform, the Company is developing its own patent-protected DEP® versions of several blockbuster oncology drugs. These candidates (e.g. DEP® docetaxel, DEP® cabazitaxel, DEP® irinotecan) have generated compelling preclinical and clinical data which validate the DEP® platform's reproducible benefits in efficacy and tolerability.

In creating these unprecedented benefits, DEP® continues to attract significant commercial interest from global pharmaceutical companies, including those seeking to extend the patent life of their drugs. High-value commercial partnerships for DEP® are already in place with several global pharmaceutical companies, including multiple programs fully funded by AstraZeneca. Advancement of AstraZeneca's first oncology candidate under development triggered a US\$2 million milestone payment this year and the program continues to perform exceptionally well. This long-term partnership between Starpharma and AstraZeneca is expected to yield greater milestones and royalties on product sales. It's just one example of the many DEP® deals that can be achieved thanks to the optionality associated with the broad application of the platform.

In terms of the year ahead, Starpharma is on the cusp of several near term catalysts: commercialisation of its VivaGel® BV products; commencement and progress of clinical trials for multiple DEP® candidates; and more DEP® partnerships. With more than \$60 million in the bank and further revenue expected from commercial deals, royalties on VivaGel® sales and DEP® milestones, this strong financial position enables Starpharma to accelerate and expand the development of its high-value DEP® portfolio, and positions the Company to capture value from its technology in the short to medium-term.

We are very proud of the role we play in creating innovative therapies which have the potential to profoundly improve patient health worldwide, and deliver value for our investors for many years to come. The support of our investors and your involvement in our Company is greatly valued by the Board, and we thank you and encourage your continued participation.

Yours Sincerely,

Rob Thomas AM
Starpharma Chairman

CEO's Report

I am pleased to report the Company's activities throughout the past year, in which Starpharma made substantial progress with the development of its novel VivaGel® and DEP® portfolios, and successfully sold its agrochemicals business. This year we achieved significant milestones which will transform the Company's future, including excellent results from the phase 3 VivaGel® rBV program, impressive results from multiple DEP® programs and monetisation of our Priostar® technology.

Our deep pipeline is now focussed on core pharmaceutical programs within our VivaGel® and DEP® portfolios.

The optionality with Starpharma's DEP® platform is considerable, enabling us to build a deep pipeline of DEP® enhanced drugs, and represents a very attractive commercial scenario for the Company.

Dr Jackie Fairley,
Chief Executive Officer



	VIVAGEL® PORTFOLIO	PRECLINICAL	CLINICAL	MARKET OPPORTUNITY
INTERNAL	VIVAGEL® BV BV Treatment	████████████████████	████████████████████	Licensed BV Treatment to Aspen in Aus/NZ & advanced global licensing negotiations in progress
	VIVAGEL® BV Prevention of recurrent BV (rBV)	████████████████████	████████████████████	Annual global market for BV treatment est. US\$750M / US\$1B for prevention of rBV
	VIVAGEL® CONDOM Anti-viral condom	████████████████████	████████████████████	Licensed to Ansell, Okamoto, Sky & Land, and Koushan
	VIVAGEL® ACTIVE Viral conjunctivitis	████████	████████████████████	Global viral conjunctivitis market US\$700M
	DEP® PLATFORM	PRECLINICAL	CLINICAL	MARKET OPPORTUNITY
INTERNAL	DEP® DOCETAXEL Oncology – various tumour types	████████████████████	████████████████████	Docetaxel (Taxotere®) peak sales ~US\$3.1B
	DEP® CABAZITAXEL Oncology – various tumour types	████████████████████	████████████████████	Cabazitaxel (Jevtana®) sales were ~US\$396M in 2016
	DEP® IRINOTECAN Oncology	████████████████████	████████████████████	Irinotecan (Camptosar®) peak sales ~US\$1.1B
	DEP® OTHER CANDIDATES Oncology	████████	████████████████████	Targeting various cancer types
	TARGETED DEP® Oncology	████████	████████████████████	ADC's Kadcyla® and Adcetris® had combined sales of ~US\$1.46B in 2016
PARTNER-FUNDED	ASTRAZENECA #1 DEP® CANDIDATE Oncology	████████████████████	████████████████████	First defined family of targets est. US\$450M (Milestones of US\$126M + royalties)
	ASTRAZENECA #2 DEP® CANDIDATE Oncology	████████	████████████████████	Subsequent products under multiproduct license (Milestones of US\$93M+ royalties)
	ASTRAZENECA OTHER DEP® PROGRAM Oncology	████████	████████████████████	Outside multiproduct license *Undisclosed*
	UNDISCLOSED ADC PARTNER TARGETED DEP® CANDIDATE Oncology	████████	████████████████████	*Undisclosed*
	UNDISCLOSED ADC PARTNER TARGETED DEP® CANDIDATE Oncology	████████	████████████████████	*Undisclosed*



VivaGel® BV is a wonderful product which specifically targets BV bacteria. My patients have called it a 'life-changing and miraculous treatment'.

*Dr Belvia Carter,
Principal investigator
& Obstetrician-
Gynaecologist
Memphis, Tennessee.
Principal Investigator
in the 017 US Trial.*

In light of the pathogenesis of BV, a therapy such as VivaGel® BV that disrupts biofilm would be most welcome for both the treatment and prevention of the condition.

Professor Jane Schwebke, MD Prof. of Medicine, Infectious Disease Division, University of Alabama and Birmingham. World authority on BV and Principal Investigator in the 017 US Trial.



VIVAGEL® PORTFOLIO

VIVAGEL® BV

VivaGel® BV is a water-based gel, with a novel mechanism of action, which has been successfully developed for two separate indications for bacterial vaginosis (BV): **BV treatment (short-term use) and prevention of recurrent BV (long-term use).**

During the period, Starpharma completed its two pivotal VivaGel® BV phase 3 trials for the prevention of recurrent BV (rBV). The two double-blind, randomised, placebo-controlled trials, SPL7013-017 US trial and SPL7013-018 European trial, were identical in design and enrolled 1,223 women who had a history of rBV. Trial participants used either VivaGel® BV or placebo gel on alternate days for 16 weeks.

The trials achieved their primary objective for VivaGel® BV, demonstrating statistically significant superiority compared to placebo in preventing rBV, and consistently reduced BV recurrence as assessed by the primary efficacy endpoint and five secondary efficacy measures. The majority of women who used VivaGel® BV remained BV-free during the 16-week treatment phase and sustained benefits for at least three months after cessation of treatment. In addition, VivaGel® BV also demonstrated excellent safety and tolerability, including very low rates of candidiasis (thrush).

These trial results strongly support marketing applications to the US FDA and other regulators for the prevention of rBV indication and add significant commercial value to VivaGel® BV. Starpharma is compiling a New Drug Application (NDA) to the FDA for VivaGel® BV to pursue approval for two separate BV indications – BV treatment and prevention of rBV. The NDA is already well-advanced and will include compelling efficacy data from the abovementioned phase 3 trials as well as previous trial data to support the treatment indication. The inclusion of the treatment indication reflects the favourable revision to FDA draft guidance on BV treatment in July 2016 which now aligns with results of Starpharma's 2012 VivaGel® BV treatment phase 3 trials. Data from the 2012 trials showed highly statistically significant clinical cure of BV 9–12 days after commencing treatment. This timing aligns with the FDA's revised guidance on the appropriate time point to assess clinical efficacy of a product for the treatment of BV.

VIVAGEL® BV	CURRENT BV THERAPIES
✓ Treatment and rapid symptom resolution	✗ Do not stop BV from recurring
✓ Non-antibiotic	✗ Antibiotic resistance is problematic
✓ Local effect, not systemically absorbed	✗ Antibiotics have side effects and other issues that inhibit usage (e.g. bad taste, yeast infections, patients unable to consume alcohol)
✓ Excellent tolerability	✗ No currently approved therapies for prevention of rBV
✓ Selective antimicrobial effect	



I'm impressed with the trial data for VivaGel® BV for prevention of rBV and believe that it will offer a new management tool for this very troublesome condition.

Professor George Kinghorn, OBE MD FRCP, Former consultant physician in genitourinary medicine and international medical expert in BV, Sheffield, UK



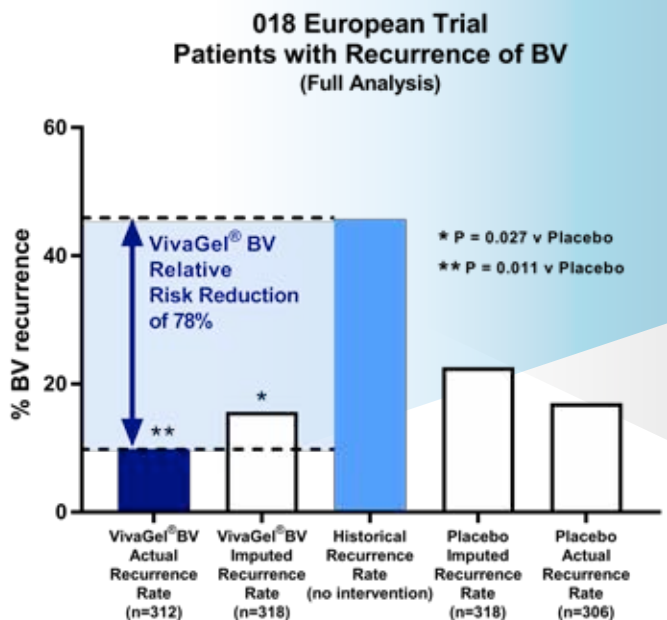
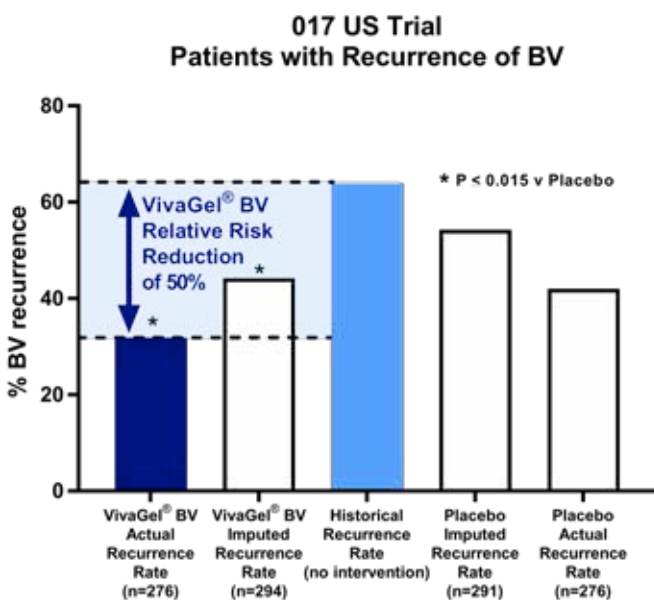
In January 2017, the FDA granted Starpharma two highly sought after designations for VivaGel® BV which are expected to significantly reduce the timeline for regulatory approval. QIDP and Fast Track designations were both granted independently for the VivaGel® BV treatment and prevention of rBV indications, and both carry significant benefits for regulatory approval and commercialisation of VivaGel® BV. The QIDP designation, which stands for Qualified Infectious Disease Product, is part of a deliberate program initiated by the FDA to stimulate the development and approval of new antimicrobials, and Starpharma is the first Australian company to achieve this designation, and indeed the only company in the world to have been granted the designation in the area of rBV.

These FDA designations also recognise the high unmet medical need in the management of BV and are designed to make new therapies available to patients as rapidly as possible. Benefits include priority FDA review and an additional five years of market exclusivity. The Fast Track designation enables more frequent interactions with the FDA and expedited review, leading to faster approval, and facilitates earlier market access for patients. Additionally, Starpharma has a Special Protocol Assessment (SPA) in place for VivaGel® BV which provides binding FDA agreement on the rBV phase 3 trial design.

The NDA will be submitted as soon as practicable. In parallel, the data from these trials will be submitted to other regulatory authorities, including in Europe, to expand the indications for VivaGel® BV to include prevention of rBV. VivaGel® BV is already approved in Europe for BV treatment, and in Australia, has been licensed to Aspen Pharmacare, who will be launching the product upon approval by the Therapeutic Goods Administration.

Starpharma is currently actively engaged in both global and regional negotiations for commercial rights to VivaGel® BV, with a number of term sheets under discussion. The Company recently appointed a leading global healthcare investment bank to facilitate the competitive process for finalising commercial arrangements with potential partners, especially in the valuable US market.

The relative risk reduction for VivaGel® BV (actual recurrence) compared to historical recurrence rates was 50% and 78%, respectively, in the two trials.



The Actual Recurrence Rate in the above graphs is where patients that drop out are excluded from the analysis; whereas the Imputed Recurrence Rate is where patients that drop out are deemed to have had BV, even if they were BV free. Therefore, the Actual Recurrence Rate is a better reflection of the everyday benefit of VivaGel® BV, compared to the more stringent Imputed Recurrence Rate.

VivaGel® BV demonstrated benefit across both these measures in the trials. The Historical Recurrence Rate is the rate of recurrence that would have been expected in this population in a 16-week period if they did not have a prevention therapy.

THE VIVAGEL® CONDOM


Ansell has the marketing rights for the VivaGel® condom in Australia and a number of other territories globally, including Canada. In April 2017, Ansell launched the VivaGel® condom in Canada under its LifeStyles® Dual Protect™ brand. This launch marked a major commercial milestone for the product given it is the first commercial launch in North America. The condoms carry the VivaGel® brand and Starpharma receives royalties based on sales.

In May 2017, Ansell announced its plans to sell its Sexual Wellness division to a buyer consortium: Humanwell Healthcare, a multi-billion dollar listed Chinese pharmaceutical and healthcare company and Citic, a well-known global venture capital firm. The change of ownership presents an opportunity to work with a partner that plans to invest aggressively in the condom business and provide greater focus in this area.


In the Japanese market, Starpharma and its partner, Okamoto, made significant headway with the regulatory process to allow launch of the VivaGel® condom in Japan.

Starpharma also signed two new partnering deals to launch a VivaGel® condom in other regions. The first license and supply agreement, with Shenyang Sky and Land Latex Co. (Sky & Land), is for the manufacture and sale of VivaGel® condoms for the Chinese Government Sector. The Chinese Government provides around 3 billion condoms per annum to the public through various initiatives and Sky & Land are a major supplier to government. Complementary to this deal, the new owner of Ansell's condom business, Humanwell, has a strong Asian market presence which is likely to add strategic opportunities to access this fast-growing region. The second deal for the VivaGel® condom was with Koushan Pharmed – one of Iran's fastest growing pharmaceutical companies. Iran represents a commercially attractive market for condoms, with over 60% of the 80 million population under 30 years of age.

VIVAGEL® CONDOM




World-first product based on innovative Australian technology



The only anti-viral condom with lubricant incorporating Starpharma's propriety anti-viral compound, VivaGel®



VivaGel® has been proven in laboratory studies to inactivate up to 99.9% of HIV, HSV and HPV



Now available in North America, global regulatory processes underway



DEP® DRUG DELIVERY PLATFORM

Starpharma is applying its dendrimer technology to improve the performance of drugs through better delivery. DEP® technology enables the drug to 'get to the right place', in a way that is more 'patient friendly'. Starpharma's DEP® versions of anti-cancer drugs have been shown to reduce important side effects of existing drugs, such as neutropenia and alopecia (hair loss). Preclinical and clinical studies undertaken by Starpharma and its partners are consistently reproducing the benefits of DEP® in delivering reduced toxicities and enhanced efficacy.

Over and above the therapeutic and clinical benefits, DEP® also provides a valuable commercial benefit to pharmaceutical partners through significant additional patent life. During the year, Starpharma achieved important milestones in both partnered and internal DEP® programs and exciting clinical and preclinical data from the Company's internal DEP® programs.

PARTNERED DEP® PROGRAMS

In April 2017, Starpharma announced the achievement of a key development milestone for its DEP® drug delivery technology in combination with an exciting proprietary oncology molecule from AstraZeneca, triggering a milestone payment of US\$2 million. This important milestone provides further validation of the utility and consistent performance of the DEP® platform and was achieved under the Company's multiproduct DEP® license with AstraZeneca. This is the final preclinical stage prior to advancing the first AstraZeneca DEP® candidate to clinical trials and follows the completion of extensive testing and scale-up activities. As this candidate moves forward, significant additional milestones will fall due.

During the year, AstraZeneca also initiated a new DEP® program, outside the scope of the existing multiproduct DEP® license and in addition to its current DEP® programs. This separate AstraZeneca program involves the application of the DEP® platform to an unrelated product from AstraZeneca's portfolio.

Starpharma also signed two new Targeted DEP® partnerships with world leading antibody-drug conjugate companies, which are progressing well and producing promising data. These additional partnering arrangements are examples of the broad optionality of Starpharma's DEP® platform which has potential application to many oncology and other therapeutic areas.

DEP® DOCETAXEL CLINICAL PROGRAM

DEP® docetaxel is Starpharma's dendrimer-enhanced version of the leading anti-cancer drug docetaxel (Taxotere®), and the Company's most advanced internal DEP® candidate. DEP® docetaxel is currently in the final stages of a phase 1 clinical trial and will soon enter phase 2. During the year, Starpharma added a large UK site to allow for recruitment of specific cancer types and enable rapid transition to phase 2. Starpharma plans to utilise an adaptive trial design to facilitate rapid start-up of phase 2 following completion of the final phase 1 cohort. Key preparations, such as product manufacture and CRO selection, are already complete for a seamless transition into phase 2 trials.

Thus far, results from the phase 1 DEP® docetaxel trial are showing promising efficacy signals in a significant proportion of patients, including in cancers not typically responsive to the commercially available docetaxel. In addition, no cases of neutropenia have been reported to date with DEP® docetaxel and the vast majority of patients have not reported any hair loss (alopecia). This profile is in stark contrast to these toxicities caused by docetaxel itself where rates of both side effects are high.

	IMPROVED EFFICACY	IMPROVED SAFETY	IMPROVED SURVIVAL	PATENT LIFE EXTENSION
DEP® docetaxel	✓	✓	✓	✓
DEP® cabazitaxel	✓	✓	✓	✓
DEP® irinotecan	✓	✓	✓	✓
DEP® partnered programs	✓	✓	✓	✓

The DEP® drug delivery platform has already demonstrated reproducible preclinical benefits across multiple drugs



ADDITIONAL INTERNAL DEP® PROGRAMS

A number of other dendrimer-enhanced or DEP® versions of existing drugs are being developed by Starpharma, including DEP® cabazitaxel, which reproduced excellent preclinical results during the year. DEP® cabazitaxel is Starpharma's version of the cancer drug Jevtana® (cabazitaxel). DEP® cabazitaxel demonstrated excellent anti-cancer activity in a human breast cancer model whilst protecting against the development of neutropenia typical of cabazitaxel. Jevtana® is a leading oncology agent currently marketed for advanced prostate cancer and is under development for breast cancer. It is marketed by Sanofi Aventis with 2016 sales of approximately US\$400M, growing at 12% per annum. Starpharma plans to commence a phase 1 clinical trial for DEP® cabazitaxel in 2H CY2017 for which product manufacture, site selection and CRO engagement are now in the final stages.

Starpharma has also created a DEP® version of the already marketed major cancer drug, irinotecan (marketed by Pfizer under the brand name Camptosar®). Irinotecan is primarily used to treat colorectal cancer, where there is a significant unmet need and an attractive market. Camptosar® achieved peak sales of US\$1.1 billion prior to losing patent exclusivity despite having a US FDA "Black Box"

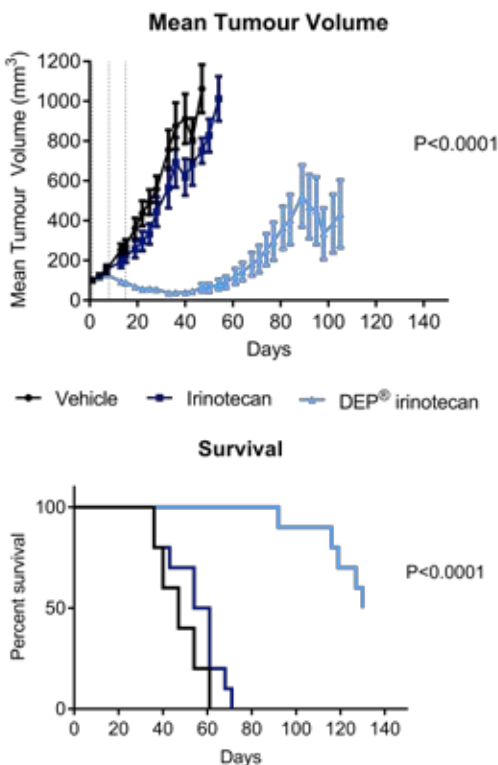
warning for severe diarrhoea and myelosuppression (including neutropenia). During the year, Starpharma's DEP® irinotecan demonstrated markedly improved anti-tumour activity and increased survival compared with irinotecan in a variety of human colon cancer models.

In Starpharma's studies, DEP® irinotecan administered on days 1, 8 and 15 significantly improved anti-tumour activity and enhanced survival compared to irinotecan (Camptosar®) in all cancer models tested. In the SW-620 colon cancer model, DEP® irinotecan resulted in complete tumour regression and 100% survival in animals treated. DEP® irinotecan was also shown to be very effective in another model – a colon cancer (HT-29) tumour model, which typically responds poorly to irinotecan (and did so in this study). In this model DEP® irinotecan treatment resulted in an 11.8-fold improvement in survival compared with irinotecan. These impressive results for DEP® irinotecan are very promising and entirely consistent with the performance of other DEP® candidates from Starpharma's internal and partnered programs.

DEP® SCALE-UP FACILITIES

Starpharma recently invested in DEP® scale-up facilities and expanded its in-house capabilities and facilities to accelerate the development of its internal candidates, such as DEP® cabazitaxel and DEP® irinotecan, as well as its partnered DEP® programs. The investment in these facilities enables the rapid manufacture of preclinical and clinical DEP® materials, and greater flexibility in sourcing clinical materials and their timing than with third-party manufacturers. The new facilities have already been used to manufacture DEP® cabazitaxel for upcoming trials, and further campaigns are underway for both internal and partnered programs.

DEP® irinotecan: significantly enhanced efficacy and survival in human colon cancer model (HT-29)



- Excellent efficacy demonstrated in two colon cancer models including HT-29 known to be resistant to irinotecan
- Significant tumor regression with DEP® irinotecan (vs no regression with irinotecan)
 - 62% regression in HT-29
 - 100% regression in SW620
- Significant survival benefits: DEP® irinotecan resulted in 100% survival (SW-620) and >100 days in (HT-29).

HT-29 (colon cancer) mouse xenograft Balb/c nude mice (n=10 /group). IV dosing with Vehicle, DEP® irinotecan or irinotecan on days 1, 8 and 15.



The sale of Starpharma Agrochemicals is an exciting milestone for the Company and places Starpharma in an excellent financial position to expand and accelerate the development of its internal DEP® programs, and increase shareholder value through its pharmaceutical portfolio.

*Dr Jackie Fairley
CEO, Starpharma*

AGROCHEMICALS BUSINESS SOLD FOR \$35M

In June 2017 Starpharma sold its agrochemicals and Priostar® business (Starpharma Agrochemicals) for \$35 million to Agrium Inc (NYSE: AGU, TSE: AGU), one of the largest agribusinesses in the world with a market capitalisation of ~US\$13 billion and 1,500 retail outlets globally. Starpharma Agrochemicals was comprised of key patents and technical know-how, and a small number of Starpharma staff dedicated solely to Priostar® dendrimers and the agrochemicals operations.

The Priostar® technology was proven to yield numerous benefits including better weed control capabilities, formulation stability and reduced environmental impacts. This transaction is consistent with the Company's deliberate strategy to develop and monetise the Priostar® intellectual property associated with Starpharma Agrochemicals via an established market facing third party with a significant global presence in the sector.

Importantly the sale does not impact Starpharma's IP in the VivaGel® and DEP® portfolios. The sale of Starpharma Agrochemicals enables the Company to focus resources and activities on its core pharmaceutical development programs, and proceeds from the sale place the Company in an excellent financial position to expand and accelerate the development of its internal DEP® programs.

This acquisition represents an exciting strategic technology platform... that will serve to further differentiate our proprietary product line and open new product development partnership opportunities.

*Chuck Magro
President & CEO
Agrium*



AGROCHEMICALS SOLD FOR \$35M CASH



Starpharma's improved formulations generated differentiated proprietary products & new patents

Technology proven to yield key product benefits: better weed control capabilities, formulation stability and reduced environmental impacts



No income tax payable

Allowing Starpharma to re-invest the full proceeds back into the business



Agrochemicals business sold to Agrium Inc for \$35M cash

Agrium Inc is one of the largest agribusinesses in the world with a market capitalisation of ~US\$13B and 1,500 retail outlets



No impact on VivaGel® or DEP® Intellectual Property

The sale of the agrochemicals technology does not impact the remaining IP portfolios for VivaGel® and DEP®



Sale is >4x book value

Sale amount represents more than four times the book value of \$7.5M



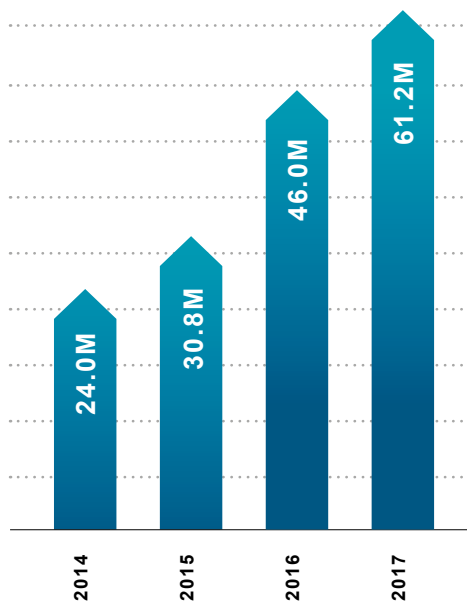
Global sale process

Extensive global sale process conducted by Starpharma and its advisers, Macquarie Capital

FINANCIAL SUMMARY

	2017 \$M	2016 \$M
Revenue, grant income & other income	3.0	3.9
Interest revenue	0.6	0.7
Total revenue and income	3.6	4.6
Expenditure	(18.8)	(25.9)
Loss from continuing operations	(15.2)	(21.3)
Profit/(loss) from discontinued operation	23.4	(1.4)
Profit/(loss) for the period	8.2	(22.7)
Net operating and investing cash inflows/ (outflows)	15.7	(17.8)
Net financing cash inflows	-	32.6
Cash and cash equivalents at end of year	61.2	46.0

CASH & CASH EQUIVALENTS \$M (AT 30 JUNE)



CEO's Report

OVERVIEW OF FINANCIAL RESULTS

Starpharma reported a net profit after tax of \$8.2 million, which includes a \$24.7 million gain on the sale of Starpharma Agrochemicals. The disposal of Starpharma Agrochemicals is reported as a discontinued operation, and VivaGel® and DEP® programs are reported as continuing operations.

Total revenue and other income from continuing operations is \$3.7 million, and includes a milestone payment from AstraZeneca for the first DEP® candidate under the multiproduct license.

The loss from continuing operations is \$15.2 million, an improvement of \$6.1 million over the prior year loss of \$21.3 million. The decrease is predominately due to the completion in the current year of the VivaGel® BV phase 3 clinical trials for the prevention of rBV.

The net operating and investing cash inflows for the year were \$15.7 million, and included the \$33.3 million net proceeds from the sale of Starpharma Agrochemicals. Starpharma ended the financial year to 30 June 2017 with cash reserves of \$61.2 million.

FUTURE OUTLOOK

I would like to say thank you to Starpharma's executive team, and all our staff, for their commitment and effort this past year. With your commitment and dedication we achieved many important commercial and regulatory milestones, executing a number of large and strategically important projects across our pipeline.

In the year ahead we look forward to commercialisation of our VivaGel® portfolio, strengthened by the valuable QIDP and Fast Track designations achieved this year and headway in regulatory activities across multiple regions. We will also be accelerating the clinical development of our internal DEP® programs, building on the number of DEP® candidates in the clinic. In terms of funding, the proceeds from the successful sale of Starpharma Agrochemicals, and expected revenues from product sales and milestone payments place Starpharma in an excellent financial position to fund the development of these high-value programs into the future.

The anticipated milestones for FY2018 will be transformative for the Company. Starpharma is committed to creating a pathway from innovative technology through to the diverse and compelling commercial products which will profoundly improve patient health worldwide and generate shareholder value.



Jackie Fairley
Chief Executive Officer

Corporate & Social Responsibility



Starpharma is a world leader in the development of dendrimer products for pharmaceutical applications, and aims to create value through the commercialisation of its proprietary products. In pursuing 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 work place 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 is viewed as important cultural elements within the collegiate team environment. The Board has adopted a diversity policy to provide a framework for Starpharma to achieve a number of diversity objectives, with an initial focus on gender.

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

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

OUR PARTNERS

Starpharma has established important business and scientific partnerships with leading global companies, international medical research organisations and key governmental and non-governmental departments and institutions. These relationships offer critical inputs from world experts 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 health and medical markets.

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

THE ENVIRONMENT

Starpharma is committed to conducting its operations in an environmentally responsible manner.

The Company ensures it has appropriate systems in place to comply with relevant Federal, State and Local regulations, and has adopted documented procedures and processes to ensure all waste products are disposed of strictly in accordance with relevant environment regulations.

In conducting the Company's operations, management and employees are conscious of reducing their environmental footprint, and actively participate in recycling and waste reduction initiatives.

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 2017.

Directors

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

R B Thomas (Chairman)
R A Hazleton

Z Peach
P R Turvey

J K Fairley (Chief Executive Officer)

Information on Directors

Rob B Thomas AM, BEc, MSA, SF Fin, FAICD

Independent non-executive director (appointed 4 December 2013)
Chairman from 13 June 2014

Experience

Mr Thomas has a strong background in financial services and capital markets and is non-executive director of several Australian listed companies. Formerly he was a partner of Potter Partners (now UBS) where he was also Head of Research.

He is the former CEO of County NatWest Securities and then became CEO and then Chairman of Citibank Corporate and Investment Bank in Australia. Mr Thomas has also held the position of Chairman at Australian Wealth Management Ltd (ultimately IOOF Ltd), TAL (Australia's largest life insurance company) and Heartware Inc, the second largest global manufacturer of left ventricular assist heart pumps.

For many years Mr Thomas was regarded as one of Australia's leading financial analysts and regularly lectured with FINSIA. He has considerable expertise in Mergers & Acquisition and capital markets including advising on the floats of Commonwealth Bank of Australia and Qantas, and vast experience in the area of Audit and Risk Management. Mr Thomas has served as the Chairman of the Audit and Risk Committee of Virgin Australia Limited for 11 years and at various times has Chaired the Audit Committees of Heartware Inc, REVA Medical Ltd and the State Library of NSW. He is also approved under the NSW prequalification scheme for Audit and Risk Committee Independent Chairs and Members for government/public sector agencies.

Mr Thomas holds a Bachelor of Economics from Monash University, a Diploma of Business (Accounting) from Swinburne and is a fellow of FINSIA. He is also a Master Stockbroker and a Fellow of the Australian Institute of Company Directors.

Committee membership

Member of Remuneration & Nomination Committee
Member of Audit & Risk Committee

Other current directorships of ASX listed entities: Virgin Australia Limited, REVA Medical Inc. and Biotron Limited.

Directorships of other ASX listed entities within last three years: None

Specific skills and experience areas

In addition to Mr Thomas' significant finance and capital markets experience, Mr Thomas' non-executive roles with various ASX listed companies have deepened his skills and experience in relation to financial accounting, audit and risk; licensing and commercialisation of innovation; governance; strategy and risk management; OH&S; and remuneration. He has also had significant experience with US based companies as they progress from research to commercialisation.

Interests in Starpharma Holdings Limited

625,000 ordinary shares

Jacynth (Jackie) K Fairley BSc, BVSc (Hons), MBA, GAICD

Chief Executive Officer and Director (appointed 1 July 2006)

Experience

Dr Jackie Fairley has more than 25 years of operational experience in the pharmaceutical and biotechnology industries working in senior management roles with companies including CSL and Faulding (now Pfizer). In those roles she had responsibilities which included clinical, regulatory, business development, product development management and general management. At Faulding she was responsible for Global Regulatory Affairs and International Business Development for Faulding's Hospital Business which operated in more than 60 countries. 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 she was the recipient of the prestigious Clemenger Medal. 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 Chair of its Remuneration and Nomination Committee. She is a member of the Federal Government's Commonwealth Science Council, and is a past member of the Federal Government's Pharmaceutical Industry Working Group and the Federal Ministerial Biotechnology Advisory Council. She is also a member of the Victorian Science, Medical Research and Technology Panel and on the Investment Committee of the Carnegie Innovation Fund.

Committees

Attends Board Committee meetings by invitation.

Other current directorships of ASX listed entities: None

Directorships of other ASX listed entities within the last three years: None

Specific skills and experience areas

With more than 25 years' experience in executive roles up to and including as CEO and executive director of ASX listed and unlisted pharmaceutical and biotechnology companies, Dr Fairley's experience covers all key areas described in Starpharma's Board skills matrix.

Interests in Starpharma Holdings Limited

3,286,072 ordinary shares
2,924,852 employee performance rights

Richard A Hazleton BScHE, MScHE, MBA, HonDrEng, HonDrCommSc

Independent non-executive director (appointed 1 December 2006)

Experience

Mr Hazleton is a former Chairman and CEO of US-based global corporation Dow Corning. He joined Dow Corning in 1965 and held numerous positions in engineering, manufacturing and finance, both in the US and Europe. He was appointed as CEO of the company in 1993, and Chairman of the Board of Directors and CEO in 1994. During his career with Dow Corning, Mr Hazleton performed the roles of European Area Vice President and Director of Finance, and after returning to the US, Corporate Controller and Chief Accounting Officer. In this latter global role he was responsible for the preparation of all public financial reports, and

Directors' Report

relationships with financial regulatory agencies and independent auditors. Mr Hazleton retired from Dow Corning in 2001.

Mr Hazleton is based in the US and brings to the table an international lens on product development, manufacturing, science and technology. He has significant experience in the areas of Strategy, Finance and Risk.

Mr Hazleton 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.

Committee membership

Member of Audit & Risk Committee

Member of Remuneration & Nomination Committee

Other current directorships of ASX listed entities: None

Directorships of other ASX listed entities within the last three years: None

Specific skills and experience areas

Having held various executive roles up to and including as Chairman and CEO of Dow Corning over a 36 year period as well as non-executive directorships, Mr Hazleton brings the following significant skills and experience to the Board of Starpharma – international experience; regulation/public policy, licensing and commercialisation of innovation, science and technology; governance; strategy and risk management; financial accounting, audit and risk; OH&S; and remuneration.

Interests in Starpharma Holdings Limited

208,466 ordinary shares

Zita Peach BSc, GAICD, FAMI

Independent non-executive director (appointed 1 October 2011)

Experience

Ms Peach has more than 20 years of commercial experience in the pharmaceutical, biotechnology, medical devices and health services industries. She worked for major industry players such as CSL Limited and Merck Sharp & Dohme, the Australian subsidiary of Merck Inc. Ms Peach's most recent executive position was as the Managing Director for Australia and New Zealand and Executive Vice President, South Asia Pacific for Fresenius Kabi, a leading provider of pharmaceutical products and medical devices to hospitals. Previously, Ms Peach was Vice President, Business Development, for CSL Limited, a position she held for ten years.

Ms Peach has international and local expertise in the areas of pharmaceutical/medical device product development, commercialisation of products and technologies, marketing and sales, licensing, M&A and international expansions. She has overseen manufacturing, logistics, regulatory affairs, quality assurance, clinical services, human resources, finance, information technology, public policy, business development, marketing and sales at Managing Director and CEO level.

Ms Peach is a Non-Executive Director of the ASX-listed AirXpanders, Inc., Monash IVF Group Limited, Pacific Smiles Group Limited and Visioneering Technologies, Inc. Ms Peach is also a member of the Hudson Institute of Medical Research Board and the Alpine Resort Management Board of Mt Buller and Mt Stirling.

Ms Peach is a graduate member of the Australian Institute of Company Directors.

Committee membership

Chair of the Remuneration & Nomination Committee

Other current directorships of ASX listed entities: AirXpanders, Inc., Monash IVF Group Limited, Visioneering Technologies, Inc. and Pacific Smiles Group Limited.

Directorships of other ASX listed entities within the last three years: Vision Eye Institute Limited (delisted from the ASX in December 2015).

Specific skills and experience areas

With over 20 years' experience in various senior executive roles within ASX listed and international pharmaceutical and

biotechnology companies, as well as numerous non-executive directorships in the biotechnology/pharmaceutical sector, Ms Peach's experience covers all key areas described in Starpharma's Board skills matrix.

Interests in Starpharma Holdings Limited

48,975 ordinary shares

Peter R Turvey BA/LLB, MAICD

Independent non-executive director (appointed 19 March 2012)

Experience

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, retiring in 2011.

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. In his senior executive role at CSL, Mr Turvey was actively involved in CSL's extensive M&A and equity capital raising activities over a 15 year period, including during the time of the float of CSL as a publically listed company. This experience has been further enhanced by Mr Turvey's non-executive directorships of various ASX listed biotechnology companies.

In addition to his expertise in corporate finance, audit and risk management, Mr Turvey has extensive experience in commercialisation and pharmaceutical product development.

Mr Turvey is currently a principal of Foursight Associates Pty Ltd, a non-executive director of ASX-listed Viralytics Limited, and a director of Victorian Government owned entity Agriculture Victoria Services Pty Ltd.

Committee membership

Chair of Audit & Risk Committee

Other current directorships of ASX listed entities: Viralytics Limited

Directorships of other ASX listed entities within the last three years: Admedus Limited

Specific skills and experience areas

With over 30 years of executive experience in the biotechnology industry of which 20 years were at CSL, followed by non-executive directorships at a number of ASX listed pharmaceutical and biotechnology companies, Mr Turvey has significant leadership skills and experience in healthcare and/or scientific research; pharmaceutical/product development; international experience and skills in regulation/public policy; licensing and commercialisation of innovation; business development; governance; strategy; risk management; and audit.

Interests in Starpharma Holdings Limited

131,838 ordinary shares

Company Secretary

The Company Secretary is Mr Nigel Baade, holding the position since 2013. Mr Baade also holds the position of Chief Financial Officer, which he has held since 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 (now Pfizer) and UMT (Fonterra). He holds qualifications from University of Tasmania and Monash University.

Mr Baade is a director of BioMelbourne Network Inc, serving as its Treasurer and Chairman of the Finance, Audit and Risk Committee. Mr Baade is a member of the Australian Institute of Company Directors.

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. Starpharma is also applying its proprietary dendrimers to drug delivery to create improved pharmaceuticals and have developed the valuable DEP[®] delivery platform.

Result

The financial report for the financial year ended 30 June 2017, and the results herein, have been prepared in accordance with Australian Accounting Standards.

The consolidated profit after income tax attributable to ordinary shareholders for the financial year ended 30 June 2017 was \$8,200,000 (2016: \$22,675,000 loss). The result consists of a profit from discontinued operation of \$23,417,000 (2016: \$1,383,000 loss), as a result of disposal of the agrochemicals business, and a loss from continuing operations of \$15,217,000 (2016: \$21,292,000).

The net operating cash outflows for the year were \$16,955,000 (2016: \$17,811,000), and net investing cash inflows for the year were \$32,656,000 (2016: \$29,000) which included the \$35 million gross proceeds from the sale of the agrochemicals business. The cash balance at 30 June 2017 was \$61,188,000 (June 2016: \$45,972,000).

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 2017 (2016: Nil).

Review of operations

Key highlights until the date of this report include:

Corporate

- Sale of agrochemicals business to Agrium Inc. for \$35 million in cash consideration; and
- Receipt of a \$3.5 million R&D tax incentive refund.

VivaGel[®] Portfolio

- VivaGel[®] BV demonstrated compelling efficacy in pivotal phase 3 trials for prevention of recurrent BV;
- VivaGel[®] BV granted Qualified Infectious Disease Product (QIDP) designation and Fast Track status by the US FDA;
- Partner Ansell launched the VivaGel[®] condom in Canada under the Lifestyles[®] Dual Protect[™] brand; and
- License and supply agreement signed with Shenyang Sky and Land Latex Co. who is a major provider of condoms to the Chinese Government.

DEP[®] Drug Delivery Platform

- AstraZeneca DEP[®] oncology candidate achieved final preclinical milestone prior to advancing to clinical trials for which Starpharma earned a A\$2.6 million milestone payment;
- DEP[®] docetaxel continues to show promising efficacy signals, with no neutropenia reported, currently in the final expansion stage of the phase 1 trial;
- Final preclinical studies complete for DEP[®] cabazitaxel with preparations for phase 1 trial well advanced;
- DEP[®] irinotecan significantly outperformed irinotecan in several preclinical models;
- AstraZeneca initiated an additional new DEP[®] program, separate to the existing multiproduct DEP[®] license;
- Commissioning of in-house DEP[®] scale-up facilities enabling faster manufacture of DEP[®] material for clinical studies; and
- Signed new DEP[®] partnerships with two world-leading antibody drug conjugate companies.

VivaGel[®] Portfolio

Starpharma completed and reported the topline results of its two pivotal phase 3 trials of VivaGel[®] BV for prevention of recurrent bacterial vaginosis (rBV). The results showed compelling efficacy - the majority of women who used VivaGel[®] BV remained BV-free during the 16-week treatment phase, and continued to sustain benefits three months after cessation of treatment. VivaGel[®] BV demonstrated statistically significant efficacy in preventing rBV in both trials. VivaGel[®] BV also continued to show excellent safety and tolerability.

These phase 3 trial results strongly support marketing applications for VivaGel[®] BV to US FDA and other regulators for the rBV indication. Starpharma's new drug application (NDA) is well-advanced for VivaGel[®] BV in both BV treatment and prevention of rBV indications. Starpharma also has a Special Protocol Assessment in place from the FDA which provides binding FDA agreement on the acceptability of the phase 3 trial design. The FDA has also granted Starpharma a Qualified Infectious Disease Product (QIDP) designation and Fast Track status which both carry significant benefits for regulatory approval and commercialisation, including increased dialogue with the FDA, priority regulatory review and an additional five years of market exclusivity.

Outside the US market, VivaGel[®] BV is already approved in Europe for BV treatment and is awaiting regulatory approval in Australia, where it has been licensed to Aspen Pharmacare. Starpharma has appointed a leading global healthcare investment bank to support the commercialisation of VivaGel[®] BV.

Starpharma's partner, Ansell, launched the VivaGel[®] condom in Canada during the year, following approval by the Canadian regulatory authority. Starpharma also signed a license and supply agreement with Shenyang Sky and Land Latex Co (Sky & Land) for the manufacture and sale of VivaGel[®] condoms for the Chinese Government sector. Sky & Land are a major supplier to government, with the Chinese Government providing approximately 3 billion condoms per annum to the public. In addition, Starpharma and Okamoto continue to finalise the regulatory process in Japan; and a deal was signed with Koushan Pharmed for Iran.

Drug Delivery Platform

Starpharma uses its DEP[®] dendrimer technology to improve the performance and delivery of pharmaceuticals. Starpharma is currently developing a number of DEP[®] enhanced products internally, in addition to its partnered programs through licenses and collaborations with leading global pharmaceutical companies.

The company's internal programs include DEP[®] docetaxel, Starpharma's most advanced internal DEP[®] program, which is currently in the final stages of a phase 1 clinical trial and will soon enter phase 2. Key preparations, such as product manufacture, and CRO selection were completed to enable the seamless transition to the phase 2 trial. DEP[®] docetaxel is a dendrimer-enhanced version of docetaxel (Taxotere[®]).

The company significantly advanced its DEP[®] cabazitaxel program towards human clinical trials, with final preclinical testing, clinical product manufacture, and site and CRO selection activities completed during the year. The DEP[®] cabazitaxel phase 1 trial is expected to commence in 2H CY2017.

Starpharma is also progressing DEP[®] irinotecan to the clinic. DEP[®] irinotecan, an enhanced version of irinotecan (Camptosar[®]), is a major anti-cancer drug used to treat colorectal cancer. DEP[®] irinotecan outperformed irinotecan – demonstrating significantly improved anti-tumour activity and increased survival compared with irinotecan in a variety of human colon cancer models.

From its partnered programs, Starpharma received \$2.6 million from AstraZeneca following the achievement of the final preclinical milestone prior to advancing to clinical trials for the first DEP[®] candidate under the multiproduct license. The candidate is an exciting novel oncology molecule from AstraZeneca's portfolio and results of the DEP[®] program are expected to be presented by AstraZeneca in the coming months.

Directors' Report Operating & Financial Review

Review of operations (continued)

The milestone follows the completion of extensive testing and scale-up activities by AstraZeneca.

During the year, testing was also conducted on an additional two AstraZeneca DEP[®] candidates - the latest of which is outside the scope of the existing multiproduct license. Importantly, the results from these partnered preclinical programs are consistently reproducing the benefits of DEP[®] in reducing toxicities and enhancing efficacy. In addition, significant commercial benefits are offered by DEP[®] through new intellectual property protection.

Starpharma also signed two new Targeted DEP[®] partnerships with world leading antibody-drug conjugate companies, which have progressed extremely well.

Agrochemicals

In June 2017, Starpharma sold its agrochemicals and Priostar[®] business to Agrium, Inc., (Agrium) (NYSE: AGU, TSE: AGU) for \$35 million in cash consideration. The business sold comprised of key patents and technical know-how as well as a small number of staff dedicated solely to Priostar[®] dendrimers and the agrochemical operations.

The transaction involved the sale of Starpharma's wholly-owned US subsidiary, Dendritic Nanotechnologies, Inc., and a newly created Australian subsidiary containing Priostar[®] and agrochemical intellectual property and business assets. Starpharma's agrochemicals business was entirely independent of Starpharma's DEP[®] and VivaGel[®] products and related intellectual property portfolios. The sale was undertaken via a global process, which was conducted by Starpharma and advised by Macquarie Capital.

The cash proceeds from the sale of the agrochemicals business further strengthened the balance sheet and allows Starpharma to focus its resources and activities on its core pharmaceutical development portfolios, including DEP[®] drug delivery. Starpharma intends to use the funds to accelerate the development and commercialisation of its higher-value pharmaceutical dendrimer-based products and to explore other opportunities in this area of the business.

Matters subsequent to the end of the financial year

On 7 August 2017, Starpharma reported the results of its two pivotal VivaGel[®] BV phase 3 trials for the prevention of recurrent bacterial vaginosis.

No other matters or circumstances have arisen since 30 June 2017 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

The company aims to create value for shareholders through the commercial exploitation of proprietary products based on its dendrimer technology in pharmaceutical applications. The company's key focus is to advance and broaden its product development pipeline, including internal and partnered DEP[®] programs and commercial opportunities for VivaGel[®]. 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, patent opportunity, 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.

While Starpharma's strategy remains consistent with previous years, the recent sale of its agrochemicals business has enabled the company to strengthen its focus on the development of its high-value DEP[®] portfolio and positioned the company to capture value from its technology in the short to medium term. Starpharma

has extensive expertise, strong intellectual property portfolio, deep product portfolio, a culture and ability to innovate and apply its technology platform to commercial opportunities, proven risk management practices, and a strong 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 2017	30 June 2016*
	\$'000	\$'000
Income statement		
<i>Continuing operations</i>		
Revenue	3,643	4,446
Other income	4	128
Administration expenses	(5,712)	(4,445)
Research and development expenses	(13,151)	(21,419)
Finance costs	(1)	(2)
Loss from continuing operations	(15,217)	(21,292)
Profit/(loss) from discontinued operation	23,417	(1,383)
Profit/(loss) for the period	8,200	(22,675)

*The prior year financial results are re-presented for the comparative results of the discontinued operation.

Income statement

The reported net profit after tax of \$8,200,000 (2016: \$22,675,000 loss) reflects the gain on the sale of the agrochemicals business in excess of the carrying value of the related net assets. The profit has been reported as discontinued operation; while the loss from continuing operations reflects the expensing of research and development expenditure for the VivaGel[®] and DEP[®] programs.

Total revenue and other income for the year was \$3,647,000 (2016: \$4,574,000), comprising revenue of \$2,992,000 (2016: \$3,767,000) for licensing, royalty and research revenue, interest income of \$651,000 (2016: \$679,000) and other income of \$4,000 (2016: \$128,000).

Research and development expenses include the costs of the VivaGel[®] BV and the internal DEP[®] drug delivery programs, including DEP[®] docetaxel, DEP[®] cabazitaxel, and DEP[®] irinotecan. R&D expenses were lower than the prior year predominately due to the completion in the current year of the VivaGel[®] BV phase 3 clinical trials for the prevention of BV.

A contra research and development expense of \$3,252,000 (2016: \$3,221,000) has been recorded for research and development activities eligible under the Australian Government's R&D tax incentive program.

Administration expenses include the share-based payments expense relating to employee equity plans and gain/loss on foreign currency held. The increase in administration expenses in the year reflects the effect of foreign currency movements of \$680,000 and additional share-based payments expense of \$416,000.

Balance sheet

At 30 June 2017 the group's cash position was \$61,188,000 (June 2016: \$45,972,000). Trade and other receivables of \$4,490,000 (June 2016: \$4,304,000) includes \$3,537,000 receivable from the Australian Government under the R&D tax incentive program. Trade and other payables have reduced primarily on lower accruals associated with the VivaGel[®] BV clinical program.

Directors' Report Operating & Financial Review

Statement of cash flows

The net operating cash outflows for the year were \$16,955,000 (2016: \$17,811,000). During the financial year \$3,522,000 (2016: \$3,422,000) was received from R&D tax incentives associated with eligible expenditure and activities from the prior financial year.

Net cash inflows from investing activities were \$32,656,000 (2016: \$29,000) and included the net proceeds from the sale of the agrochemicals business.

Earnings Per Share

	2017	2016
Basic & diluted earnings/(loss) per share		
From continuing operations	(\$0.04)	(\$0.06)
From discontinued operations	\$0.06	(\$0.01)
Total	\$0.02	(\$0.07)

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 & competitiveness – 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 may significantly impact the company. Insurance, at an acceptable cost, may not be available or be adequate to cover liability claims or any product recall costs (if any) if a 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 7.2 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. Updates on OH&S matters are provided at board meetings.

Environment and Regulation

The group is subject to environmental regulations and other licenses 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 2017 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 2017, and the numbers of meetings attended by each director were:

Directors	Board	Audit & Risk Committee	Remuneration & Nomination Committee
J K Fairley	9 of 9	N/A	N/A
R A Hazleton	9 of 9	2 of 2	3 of 3
Z Peach	8 of 9	N/A	3 of 3
R B Thomas	9 of 9	2 of 2	3 of 3
P R Turvey	9 of 9	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.

Directors' Report Remuneration Report

The remuneration report for the year ended 30 June 2017 sets out remuneration information for non-executive directors, executive directors and other key management personnel of the group.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Non-executive director remuneration policy
4. Executive remuneration policy
 - a) Actual remuneration of KMP executives
 - b) Approach to setting and reviewing remuneration
 - c) Remuneration principles and strategy
 - d) Details of executive equity incentive plans
 - e) Grant of equity incentives to KMP executives in FY17
5. Executive remuneration outcomes, including link to performance
6. Details of remuneration
7. Executive employment agreements
8. Additional disclosures relating to employee equity schemes

1. Introduction

Remuneration strategy

Starpharma aims to ensure that its remuneration strategy successfully aligns the interests of its executives and employees with those of its shareholders. In framing its remuneration strategy, the Board is conscious that Starpharma only has a small number of employees (35-40) so endeavours to keep its remuneration relatively straightforward. Staff are generally required to have a specialist knowledge and develop products over the medium to long-term. The fact that Starpharma operates in a global business environment also influences its remuneration strategy.

Starpharma continues to implement its corporate strategy to commercialise products from its dendrimer platform, with the company having either met or approaching important regulatory and commercial milestones.

Starpharma's remuneration structure is transparent and KPI driven to align with the interests of shareholders, to reward performance across multi-year timeframes related to product development value-adding milestones, such as commercial deals.

The structure and quantum of remuneration for FY17 remains largely consistent with the previous period, comprising fixed remuneration, short-term incentives in both cash and equity, and equity based long-term incentives.

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly including any director (whether executive or otherwise) of the parent.

The table below outlines the KMP of the group during the financial year ended 30 June 2017. The individuals were KMP for the entire financial year. For the purposes of this report, the term "KMP executives" includes the executive director and other KMP executives of the group. "Other KMP executives" refers to KMP executives excluding the CEO. Profiles for each of the directors and company secretary can be found at the beginning of the Directors' Report.

(i) Non-executive directors

R B Thomas	Non-executive Chairman
R A Hazleton	Non-executive Director
Z Peach	Non-executive Director
P R Turvey	Non-executive Director

(ii) Executive director

J K Fairley	Chief Executive Officer & Managing Director (CEO)
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(iii) Other KMP executives

N J Baade	Chief Financial Officer & Company Secretary
A Eglezos	VP, Business Development
D J Owen	VP, Research
J R Paull	VP, Development & Regulatory Affairs

There were no changes to the KMP after the reporting date up to the date of this report.

Directors' Report Remuneration Report

2. Remuneration governance

The Remuneration and Nomination Committee, consisting of three independent non-executive directors, advises the Board on remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for non-executive directors, KMP executives and other senior executives. Where required, external remuneration advice may be sought by the Remuneration and Nomination Committee or the Board.

Specifically, the Board approves the remuneration arrangements of the CEO including awards made under the STI and LTI plans, following recommendations from the Remuneration and Nomination Committee. The Board approves, having regard to recommendations made by the CEO to the Remuneration and Nomination Committee, the level of remuneration, including STI and LTI awards, for executives. The Board also sets the aggregate fee pool for non-executive directors (which is subject to shareholder approval) and non-executive director fee levels.

The company's remuneration structure aims to:

- Attract and retain exceptional people to lead and manage the group and to support internal development of executive talent within the company, recognising that Starpharma is operating in a global industry environment;
- Drive sustainable growth and returns to shareholders, as executives are set both short-term and long-term performance targets linked to the core activities necessary to build competitive advantages and shareholder value; and
- Motivate and reward superior performance by the executive team whilst aligning the interests of shareholders.

Benchmarking

Extensive salary and remuneration benchmarking is undertaken by Starpharma each year. Starpharma benchmarks fixed and total remuneration against employment positions of comparable specialisation, size and responsibility within the industry. Fixed remuneration is supplemented by providing incentives (variable remuneration) to enable top performers to achieve further remuneration based on company performance, business unit performance and demonstrated individual superior performance.

Performance reviews

All staff participate in a formal performance review consisting of an objective planning and development session at the commencement of the annual cycle and a performance and salary review at the end of the cycle. The objective of the salary review is to ensure that all employees are appropriately remunerated, that remuneration is competitive within the relevant industry sector, and that increases in employees' skills and responsibilities are recognised. During the year a performance review of all staff took place in accordance with this process. The purpose is to assess each employee's performance against their pre-agreed individual KPIs and/or business unit performance and corporate KPIs and to determine, subject to business considerations such as cash availability, if an incentive award is payable, and if so, at what level.

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 and Nomination Committee. No remuneration consultants have been engaged to provide such remuneration services during the financial year.

Voting at the company's 2016 Annual General Meeting (AGM)

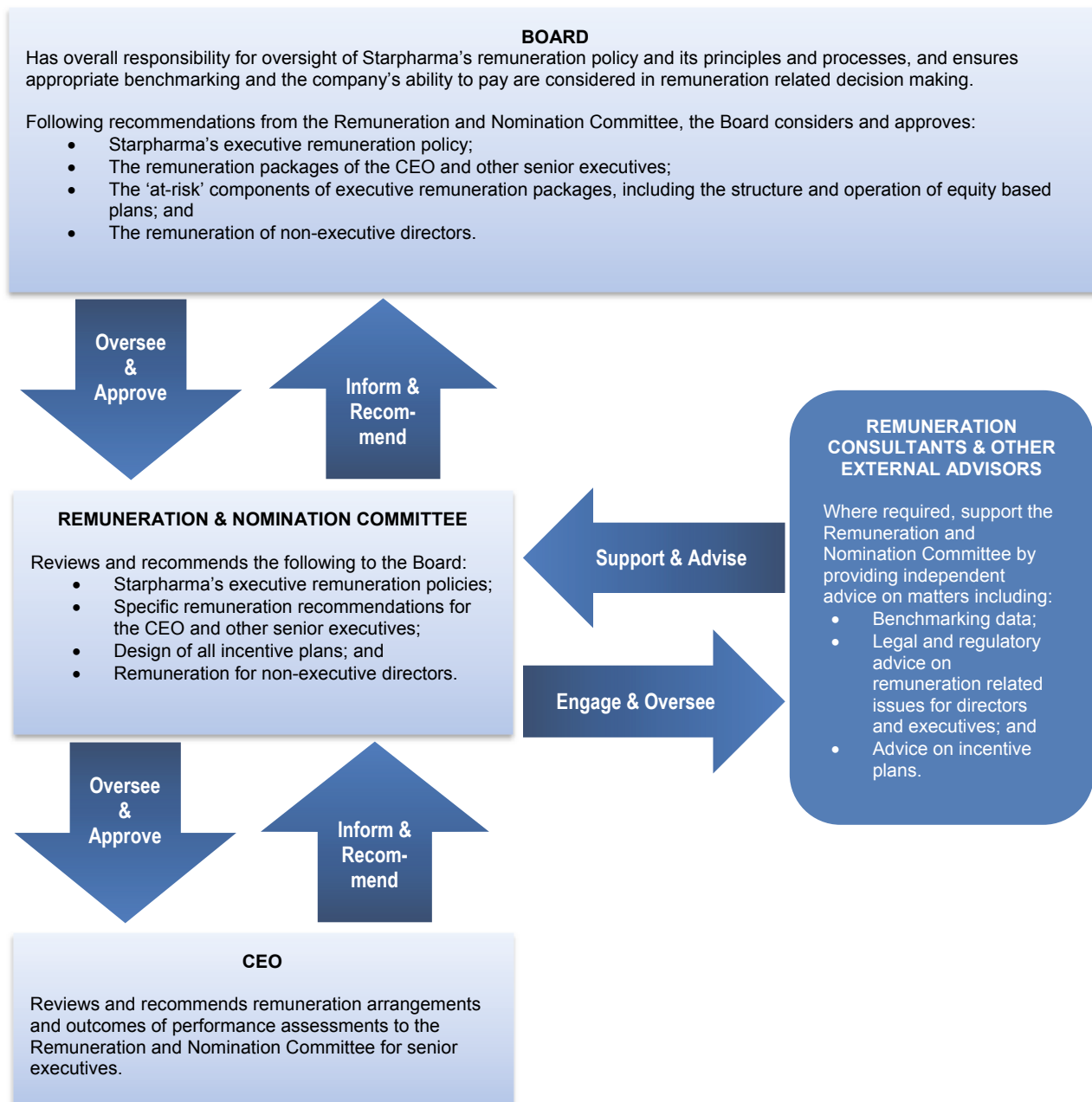
Of the votes cast on the company's remuneration report for the 2016 financial year, 92% were in favour of the resolution.

As part of the company's commitment to continuous improvement, the Remuneration and Nomination Committee and the Board consider comments made by shareholders and proxy advisers in respect of remuneration related issues. Members of the Remuneration and Nomination Committee routinely engage with proxy advisors to discuss a range of governance and remuneration matters.

Directors' Report Remuneration Report

2. Remuneration governance (continued)

Starpharma remuneration process summary



Further information on the Remuneration and Nomination Committee’s role, responsibilities and membership is outlined in the committee’s charter available at http://www.starpharma.com/corporate_governance.

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 dealing policy. All employees and directors are prohibited from entering into any hedging arrangements over unvested securities and from margin lending on Starpharma securities. Further information regarding the company’s dealing in securities policy is set out in the Corporate Governance Statement and the policy is available at http://www.starpharma.com/corporate_governance.

Clawback of remuneration

In the reasonable opinion of the Board, if a KMP executive has acted fraudulently or dishonestly, the Board may determine that any equity right (including an exercisable, vested right) should lapse.

Directors' Report Remuneration Report

3. Non-executive director remuneration policy

Determination of fees and the maximum aggregate fee pool

The Board seeks to set non-executive directors' fees at a level which provides the group with the ability to attract and retain non-executive directors of the highest calibre with relevant professional expertise and reflect the demands which are made on, and the responsibilities of, the non-executive directors, whilst incurring a cost which is acceptable to shareholders.

Non-executive directors' fees and the aggregate fee pool is reviewed annually by the Remuneration and Nomination Committee against fees paid to non-executive directors in approximately 15 comparable companies within the biotechnology sector and relevant companies in the broader ASX-listed market. The Chairman's fees are determined by the Remuneration and Nomination Committee independently of the fees of non-executive directors based on the same role, again using benchmarking data from comparable companies in the biotechnology sector. The Board is ultimately responsible for approving any changes to non-executive director fees, upon consideration of recommendations put forward by the Remuneration and Nomination Committee.

The company's constitution and the ASX listing rules specify that the non-executive directors' maximum aggregate fee pool shall be determined from time to time by a general meeting of shareholders. The latest determination was at the 2014 AGM held on 20 November 2014 when shareholders approved an aggregate fee pool of \$550,000. The Board will not seek any increase in the non-executive directors' maximum fee pool at the 2017 AGM.

Fee policy

Non-executive directors' fees consist of base fees and committee fees. The payment of committee fees recognises the additional time, responsibility and commitment required by non-executive directors who serve on board committees. The Chairman of the Board is a member of all committees but does not receive any additional committee fees in addition to his base fee.

Non-executive directors did not receive bonuses or forms of equity securities, or any performance-related remuneration during the financial year. Statutory superannuation contributions are required under the Australian superannuation guarantee legislation to be paid on any fees paid to Australian directors. There are no retirement allowances paid to non-executive directors. The non-executive directors' fees reported below include any statutory superannuation contributions.

Fees paid in FY17

The aggregate amount paid to non-executive directors for the year ended 30 June 2017 was \$343,000 (2016: \$359,840). The reduced amount paid in FY17, compared with the prior year, reflects one less non-executive director for seven months of the year. The details of remuneration for each non-executive director for the years ended 30 June 2017 and 30 June 2016 are outlined in the tables in section 6.

Proposed fee adjustments for FY18

Having reviewed benchmarking data for directors' fees, the Board proposes to increase the Chairman's fees by 1.6% and base fees for other non-executive directors by 2.3% from 1 July 2017. The amounts for both committees at \$8,000 and \$3,500 for committee chairs and members, respectively, remain unchanged. The proposed fees, compared to the current FY17 levels, are outlined in the table below. Non-executive directors' fees were last increased with effect from 1 July 2016.

Annual Non-Executive Directors' Fees	Proposed Fees from 1 July 2017	Actual Fees to 30 June 2017
Board fees	\$	\$
Chair (no additional fees for serving on Board committees)	130,000	128,000
Base fee for other non-executive directors	65,500	64,000
Committee fees		
Audit & Risk Committee	Chair	8,000
	Member	3,500
Remuneration and Nomination Committee	Chair	8,000
	Member	3,500

Directors' Report Remuneration Report

4. Executive remuneration policy

a) Actual remuneration of KMP executives

The actual remuneration earned by KMP executives in FY17 is set out below. Starpharma discloses actual remuneration voluntarily for increased transparency. This information is considered to be relevant as it provides shareholders with a view of the remuneration actually paid to KMP executives for performance in FY17 and includes the face value on the date of vesting of equity that vested during the period. This differs from the remuneration details prepared on page 32 of this report which are prepared in accordance with statutory obligations and accounting standards, and presents the expensing of the fair value of performance rights over their vesting period, and may include the expensing of rights that may ultimately never vest into ordinary shares.

2017 Name	Fixed remuneration (1)	STI cash paid in FY17 (2)	STI equity vested in FY17 (3)	LTI equity vested in FY17 (3)	Total actual remuneration earned	Total remuneration per Accounting Standards (4)
J K Fairley	512,578	181,500	403,051	70,000	1,167,129	1,286,581
N J Baade	256,864	47,500	87,611	–	391,975	464,911
A Eglezos	256,268	47,500	87,611	–	391,379	460,705
D J Owen	258,923	50,000	88,924	–	397,847	472,402
J R Paull	263,782	50,000	106,709	–	420,491	507,927

¹ Base salary, superannuation and non-monetary benefits such as novated motor vehicle lease, car park and communication allowances.

² STI cash paid during the financial year. The amount disclosed for FY17 reflects the FY16 STI paid in October 2016 following the release of the FY16 results.

³ Intrinsic value of equity rights that vested during the year, based on the opening price on the date of vesting. Vested rights will remain as rights in subsequent periods until exercised.

⁴ In accordance with statutory obligations and accounting standards in section 6 of this report, which includes expensing of rights over their vesting period, and rights that may ultimately never vest into ordinary shares.

b) Approach to setting and reviewing remuneration

The group aims to reward executives with a level and mix of remuneration appropriate to their position, experience and responsibilities, while being market competitive and enabling the company to structure awards that may conserve cash reserves.

The Remuneration and Nomination Committee, with the Board, actively reviews the group's remuneration structure and benchmarks the proportion of fixed remuneration, short-term incentives and long-term incentives against relevant comparators to ensure the policy objectives are met and are in-line with good corporate practice for Starpharma's size, industry and stage of development. Remuneration levels are considered annually through the remuneration review, which considers industry benchmarks and the performance of the group and individual. Other factors taken into account in determining remuneration include a demonstrated record of performance and the group's ability to pay. In the case of executives, the CEO provides recommendations to the Committee.

As in prior years, remuneration benchmarking was undertaken with reference to industry peers, together with, where appropriate, other benchmarking reports which apply to specific positions. Approximately 15 peer companies are included in the benchmarking exercise, from within the pharma/biotechnology sector. These peer companies include Acrux, Bionomics, Clinuvel, Impedimed, Innate Immunotherapeutics, Mayne Pharma, Mesoblast, Nanosonics, Pharmaxis, Phosphagenics, Prana Biotechnology, Prima BioMed, Reva Medical, Sirtex Medical and Viralytics. It is anticipated that amendments to this list will occur from year to year due to the volatility within the sector, and for some executive roles it may be necessary to add or alter the composition to ensure comparable roles are benchmarked.

In reviewing the benchmarking data and determining the level of CEO pay, the Board considers the calibre of its CEO in comparison to Starpharma's peers, ensuring that remuneration is commensurate with talent, skills and experience. There are no guaranteed base pay increases or bonuses in any executive contracts.

The CEO has a maximum cash bonus entitlement as a component of STI, which for FY17 was \$226,000. Other executives do not have a pre-specified maximum cash bonus entitlement; however bonuses are awarded from a maximum shared pool for executives which equates to approximately 20% of total fixed remuneration, based on personal and business unit KPIs and subject to cash availability. The Remuneration and Nomination Committee considers that this approach provides flexibility in rewarding superior executive performance and is appropriate for the size of the company at this time enabling it to manage its cash reserves as required. For FY17, the STI bonus pool for executives was expanded to 24% of fixed remuneration due to the significant outcomes as described in section 5 of this report. The Remuneration and Nomination Committee, in consultation with the CEO, annually reviews the appropriateness of this approach.

Directors' Report Remuneration Report

c) Remuneration principles and strategy

The group's executive remuneration strategy is designed to attract, motivate and retain high performing individuals and align the interests of executives with shareholders, recognising it is operating in the international marketplace, and is summarised below.

Remuneration strategy linkages to group objectives

Align the interests of executives with shareholders

- The remuneration framework incorporates "at risk" components, which are determined by performance, through STI and LTI
- Performance is assessed against a suite of measures relevant to the success of the group and generating growth and returns for shareholders

Attract, motivate and retain high performing individuals

- The remuneration offering is competitive for companies of similar size and complexity within the industry through benchmarking
- The mix of short and longer-term remuneration encourages retention and performance across multiple years as appropriate for the lifecycle of the group

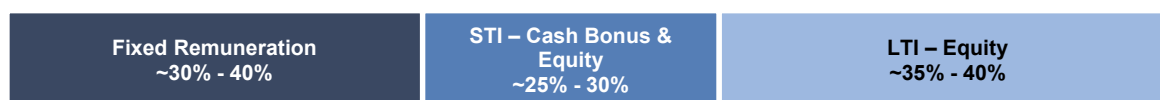


Component	Vehicle	Purpose	Link to Performance
Fixed remuneration	Base salary, superannuation contributions and other benefits (breakdown of fixed remuneration is at the executive's discretion).	To provide competitive fixed remuneration set with reference to the role, market and experience.	Group and individual performance are considered during the annual remuneration review.
Short-Term Incentives (STI) (Performance period of less than 3 years)	Cash and equity The equity instrument is currently performance rights, which is based on a performance assessment, with a one year performance period and deferred vesting of a further one year, subject to continued employment.	Rewards executives for their contribution to achievement of business outcomes. Deferred equity acts as a retention tool and aligns with interests of shareholders.	Allocation of cash bonuses and vesting of equity linked to internal KPIs, both business unit and corporate, over the medium term which are important drivers of value and typical within the biotechnology industry. For example, achievement of specified development, clinical, regulatory and commercial milestones.
Long-Term Incentives (LTI) (Performance period of 3 years or more)	Equity The equity instrument is currently performance rights with a 3-year performance period.	Rewards executives for their contribution to the creation of shareholder value over the longer term, acts as a retention tool and aligns with interests of shareholders.	Vesting of grants are dependent on internal measures, both business unit and corporate over the longer term; and total shareholder return (TSR) relative to the S&P/ASX300 Index.

The target remuneration mix is outlined in the table below. Having implemented several structural improvements in 2015, there has been a period of transition over multiple years as an increasing proportion of remuneration is directed to LTIs to achieve the desired target mix. The transition over this time has been conducted in a thoughtful and deliberate manner to take into account the impact in motivating and retaining executives.

Target Remuneration Mix

CEO



Other KMP executives



The STI and LTI components of remuneration are variable and are linked to pre-determined performance conditions, such as KPIs, that are designed to reward executives based on the Company's performance, the performance of the relevant business unit and demonstrated individual superior performance. The details are outlined on pages 24 to 27 of this report.

Directors' Report Remuneration Report

4. Executive remuneration policy (continued)

To achieve the target remuneration mix, the below performance pay structure was adopted in FY17 and is consistent with the prior year. The timeline and structure of the proposed performance related pay to be granted in FY18 to executives is consistent with this structure.

1 Jul 2016		30 Jun 2017		30 Jun 2018		30 Jun 2019	
	STI - Cash	‡					
* †	STI - Equity	‡	^				
* †	LTI - Equity					‡	^
	Sep 2016	Sep 2017	Sep 2018	Sep 2019			

Performance Period	STI - Cash	STI - Equity	LTI - Equity
Vesting/Deferral Period		STI - Equity	LTI - Equity

- * Grant Date of Equity (subject to shareholder approval)
- † Shareholder Approval at AGM
- ^ Vesting Date
- ‡ Review of performance for determining percentage achieved

d) Details of executive equity incentive plans

Starpharma Short-Term Incentives (STI) – includes cash bonus and short-term equity

The group operates an annual STI program available to executives and awards cash and equity incentives subject to the attainment of clearly defined KPIs.

Who participates?	Executives
How are STIs delivered?	<p>Cash bonus and performance rights, both based on a one year performance period, with the performance rights conditional upon a deferred vesting date of a further one year, subject to continued employment.</p> <p>By providing some rights that vest in the short-term, it allows the company to preserve cash by offering equity as a short-term incentive in addition to smaller cash bonuses. This is common practice for companies in the development phase of their life cycle.</p> <p>During FY17 the CEO and executives were awarded STI equity with a 1 year performance period (1 July 2016 to 30 June 2017), with a deferred vesting date of 30 June 2018 dependent on continued employment.</p>
What is the STI opportunity?	<p>The STI opportunity is a target of ~25-30% and ~15%-20% of total remuneration for the CEO and other KMP executives, respectively. The STI opportunity was within the target range for the CEO for FY17 (27%) and within 3% of being reached for other KMP executives (average 22%). Due to the transitional arrangements implemented the target for other KMP executives will not be achieved for FY17.</p> <p>The CEO target STI opportunity of 27% of total remuneration for FY17, comprised of a cash component (50%) and an equity component (50%). The cash component was equivalent to 34% of total fixed remuneration.</p> <p>In FY17, other KMP executives had an average target STI opportunity of 22% of total remuneration, split between cash (60%) and equity (40%). The cash bonuses to other KMP executives in FY17 were awarded from a shared pool for executives equating to an average of 24% (range 23%-26%) of total fixed remuneration, higher than the target (approximately 20% of total fixed remuneration).</p>

Directors' Report Remuneration Report

What are the STI performance conditions for FY17?	<p>Actual STI payments awarded to each executive depend on the extent to which they meet specific key performance indicators (KPIs) set at the beginning of the period. The KPIs are typical of a biotechnology company at Starpharma's stage of development, and may include Corporate KPIs and Business Unit KPIs relating to strategic and operational objectives. Details of the Corporate KPIs for performance, which was assessed during FY17, are explained in section 5 of the remuneration report. Given the company's stage of development, financial metrics (such as earnings per share) are not entirely relevant in linking pay to performance.</p> <p>The performance measures applicable in determining STI awards for the CEO and other executives are noted in the table below:</p> <table><thead><tr><th></th><th>Corporate KPIs</th><th>Business Units KPIs</th></tr></thead><tbody><tr><td>STI Cash Bonus</td><td>CEO 100%</td><td>Other executives 100%</td></tr><tr><td>STI Performance Rights</td><td>CEO 100% Other executives 30%</td><td>Other executives 70%</td></tr></tbody></table> <p>Details regarding LTI performance conditions are contained in the next table.</p>		Corporate KPIs	Business Units KPIs	STI Cash Bonus	CEO 100%	Other executives 100%	STI Performance Rights	CEO 100% Other executives 30%	Other executives 70%
	Corporate KPIs	Business Units KPIs								
STI Cash Bonus	CEO 100%	Other executives 100%								
STI Performance Rights	CEO 100% Other executives 30%	Other executives 70%								
How is performance assessed?	<p>At the end of each performance period (typically annually), after consideration of performance against KPIs, the Remuneration and Nomination Committee recommends the amount of STI to be paid from the maximum entitlement to the CEO for approval by the Board.</p> <p>For executives other than the CEO, the Remuneration and Nomination Committee seeks recommendations from the CEO, and then makes recommendations to the Board.</p>									
When is performance assessed and when are awards paid or vest?	<p>The end of the financial year corresponds with the end of each performance period. Performance is assessed following the end of the financial year to allow for timely disclosure in the annual remuneration report. This is usually within two months of the end of the financial year.</p> <p>The STI cash component is paid approximately three months following the end of the financial year and once the performance assessment review is complete.</p> <p>For STI equity, a proportion of rights, based on the performance assessment, will remain available (deferred) to vest on 30 June the following year. Any rights forfeited based on the performance assessment will be forfeited within the first three months of the new financial year following the performance assessment.</p> <p>The vesting of deferred rights on 30 June is subject to the continued employment condition being satisfied. Once vested, KMP executives can elect to convert vested rights into shares during prescribed exercise windows throughout future periods. The maximum period for the exercise of vested rights is 15 years from grant date.</p>									
Is performance against KPIs disclosed?	<p>Whilst the company's policy is not to disclose commercially sensitive information, consistent with best practice disclosure obligations, it will retrospectively disclose achievement of corporate KPIs to the extent commercially practicable.</p> <p>Specific metrics are applied to each KPI to assist in the assessment undertaken for each performance period. In some cases, the Board may exercise discretion to take account of events. For example, in FY17, the Board used its discretion to appropriately reward the effort and resources required to achieve the successful sale of the agrochemicals business and the installation and commissioning of the in-house DEP[®] scale up facilities.</p>									
Contractual entitlement?	<p>Only the CEO has a STI cash bonus entitlement whereby the maximum amount achievable is set. There is no predetermined STI equity entitlement. No other executive service agreements contain any contractual entitlement to STI cash or equity.</p>									
What happens if an executive leaves?	<p>If an employee ceases employment, all unvested rights lapse except for certain circumstances relating to "good leaver" provisions. The "good leaver" provisions allows the Board to determine the accelerated vesting of the rights if the employee ceases employment due to death, illness, permanent disability, redundancy or any other circumstance approved by the Board after considering the portion of the performance period that has elapsed and the extent to which performance conditions have been met.</p>									

Directors' Report Remuneration Report

4. Executive remuneration policy (continued)

What happens on a change of control?	Board discretion, after considering the portion of the performance period that has elapsed and the extent to which performance conditions have been met.
What happens in the case of fraud/dishonesty?	If, in the opinion of the Board, an employee has acted fraudulently or dishonestly, the Board may determine that any unvested right granted to that employee, or any vested right, not exercised, would lapse.
Re-testing	There is no re-testing of KPIs in subsequent years if performance conditions are not met.
How is the conversion of performance rights to shares satisfied?	As the company is currently in a development phase and not operating cash flow positive, the conversion of performance rights is currently satisfied by the issue of new shares, rather than a purchase of shares on market, to conserve the company's cash reserves. This is reviewed periodically and purchases of shares on market may be undertaken in the future if appropriate.
Are performance rights eligible for dividends?	Performance rights - whether unvested, or vested and not exercised - are not eligible to receive dividends.

Starpharma Long-Term Incentives (LTI) – Equity

Participation in these plans is at the Board's discretion. For key appointments, an initial allocation of long-term equity incentives may be offered as a component of the initial employment agreement.

Who participates?	Executives
How are LTIs delivered?	Performance rights with a performance/vesting period of 3 years or more. The LTI performance rights awarded during FY17 have 3 year performance periods for all executives. In FY15, LTIs for other KMP executives included both 3 and 4 year performance periods as part of the transition arrangements to the new executive remuneration structure.
What is the LTI opportunity?	The CEO has a target LTI opportunity of 32% of total remuneration for FY17. For other KMP executives, the range of the target LTI opportunity for FY17 was 22% to 24% of total remuneration. As outlined in section 4 of the remuneration report, the LTI opportunity has been progressively increased since 2015 towards a target of ~35-40% and ~20%-25% of total remuneration for the CEO and other KMP executives, respectively.
What are the LTI performance conditions for rights granted in FY17?	<p>Corporate KPIs reflect long-term (3 year) strategic, operational and financial management objectives. These relate to key value creating events and significant milestones that are linked to Starpharma's business areas, VivaGel[®], Drug Delivery and its former Agrochemicals business, as follows:</p> <ul style="list-style-type: none"> • The monetisation of the VivaGel[®], Drug Delivery and Agrochemical portfolios represented by the completion of a number of commercial deals and regulatory activity that build shareholder value and generate income; and • The development of new product candidates for the DEP[®] platform technology and/or the licensing of such candidates. <p>Due to the commercially sensitive nature of the specific performance metrics within these KPIs, Starpharma will retrospectively disclose achievement of corporate KPIs to the extent commercially practicable in the annual report.</p> <p>Maintaining the link between executive remuneration outcomes and the returns to shareholders, TSR is also a relevant performance condition in respect of LTIs. TSR reflects Starpharma's TSR compared to the S&P/ASX300 Accumulation Index (Index), and includes share price growth, and any dividends and capital returns. The Board has chosen this Index for the TSR comparator group as it provides an external, market-based performance measure to which the Company's performance can be compared in relative terms. The Index is considered appropriate as it provides a comparison of shareholder returns that is relevant to investors, and reflects the aspiration of the company. The Board considers that the Index is a more appropriate comparator than a customised group of peer companies due to the inherent volatility of each of these companies, typical within the biotechnology industry.</p> <p>The table below sets out the percentage of performance rights that will vest depending on the company's TSR compared to the Index over the relevant period.</p>

Directors' Report Remuneration Report

Annualised Starpharma TSR compared with the Index	Percentage of rights subject to the TSR performance condition which vest
Below Index	0%
Equal to Index	50%
Between Index and Index + 9.99%	Pro rata basis from 51% to 99%
At least 10% per annum above Index (or ≥ 30% over 3 years)	100%

For example, if the TSR of the Index is 10% per annum, then Starpharma would need to achieve a TSR of 20% per annum or more for all of the TSR related performance rights to vest. The above hurdle recognises the return that investors expect when investing in the biotechnology sector. The Board considers an additional return of 10% per annum (or 30% over 3 years) above the Index to be a realistic but stretching target for all TSR rights to vest. In the event that the Index has performed particularly poorly, the Board may exercise its discretion to prevent excessive executive awards in years of poor shareholder returns.

The performance measures applicable in determining LTI awards for the CEO and other executives are noted in the table below:

	Corporate KPIs	TSR	Business Unit KPIs
CEO	70%	30%	N/A
Other executives	15%	15%	70%

How is performance assessed?	<p>At the end of each performance period, after consideration of performance against KPIs, the Remuneration and Nomination Committee recommends the amount of LTIs to vest to the CEO for approval by the Board.</p> <p>For executives other than the CEO, the Remuneration and Nomination Committee seeks recommendations from the CEO, and then make recommendations to the Board.</p> <p>TSR is calculated independently by a professional services firm.</p>
When is performance assessed and when are awards paid or vest?	<p>The end of the financial year corresponds with the end of each performance period. Performance is assessed following the end of the financial year to allow for the timely disclosure in the annual remuneration report. This is usually within two months of the end of the financial year.</p> <p>For LTI equity, the rights will vest on 30 September following the performance assessment. Once vested, KMP executives can elect to convert vested rights into shares during prescribed exercise windows throughout future periods. The maximum period for the exercise of vested rights is 15 years from grant date.</p>
Is performance against KPIs disclosed?	Same as for STI.
Contractual entitlement?	There are no predetermined LTI equity entitlements.
What happens if an executive leaves?	Same as for STI.
What happens on a change of control?	Same as for STI.
What happens in the case of fraud/dishonesty?	Same as for STI.
Re-testing	Same as for STI.
How is the conversion of performance rights to shares satisfied?	Same as for STI.
Are performance rights eligible for dividends?	Same as for STI.

Directors' Report Remuneration Report

4. Executive remuneration policy (continued)

e) Grant of equity incentives to KMP executives in FY17

The below tables summarise the equity incentives granted in FY17:

CEO and Managing Director (J K Fairley)

	Deferred STI equity	LTI equity
Value to grant	\$155,000	\$533,354
Method for calculating number of rights	Total value of grant at fair value divided by the fair value of rights	
Number of Rights	223,022	876,978
Face Value of grant (based on VWAP of \$0.6950)	\$155,000	\$609,500
Performance Period	1 July 2016 to 30 June 2017	1 July 2016 to 30 June 2019
Deferral Period	12 months from end of performance period	Not applicable
Performance Conditions	100% Corporate KPIs	70% of the fair value subject to Corporate KPIs 30% of the fair value subject to TSR performance
Other Vesting Conditions	Remains employed until the vesting date and has not engaged in fraud or dishonesty	
Vesting Date	30 June 2018	30 September 2019

Other KMP executives

	Deferred STI equity	LTI equity	
J Paull	Value of grant	\$41,700	\$158,732
	Number of Rights	60,000	240,000
	Face Value of grant	\$41,700	\$166,800
N J Baade	Value of grant	\$38,225	\$145,505
	Number of Rights	55,000	220,000
A Eglezos	Value of grant	\$38,225	\$152,900
	Number of Rights	55,000	220,000
D J Owen	Value of grant	\$38,225	\$152,900
	Number of Rights	55,000	220,000
Performance Period	1 July 2016 to 30 June 2017	1 July 2016 to 30 June 2019	
Deferral Period	12 months from end of performance period	Not applicable	
Method for calculating number of rights	Total value of grant at fair value divided by the fair value of rights		
Face Value of grant	Based on VWAP of \$0.6950		
Performance Conditions	70% Business Unit KPIs 30% Corporate KPIs	70% Business Unit KPIs 15% Corporate KPIs 15% TSR performance	
Other Vesting Conditions	Remains employed until the vesting date and has not engaged in fraud or dishonesty		
Vesting Date	30 June 2018	30 September 2019	

The value to grant in the above tables is the fair value based on the volume weighted average price (VWAP) of the company's shares traded on the ASX over the 3 month period to 30 June 2016, which reflects the beginning of the performance period. The VWAP (before applying any discount) for each right was \$0.6950. In accordance with accepted valuation standards, the VWAP is not discounted for the rights that are subject to KPIs, and is discounted in respect of the LTI equity subject to the TSR performance condition. The undiscounted VWAP is considered the face value for the purpose of disclosing the face value of the grant of rights.

The 3 month period has been determined to be the appropriate duration for the calculation of the VWAP as it limits any unintended consequences of short-term volatility in the company's share price and is consistent with the duration used in the calculation of TSR for the TSR performance condition. Starpharma engages an independent expert to calculate the fair value of performance rights.

For accounting purposes, including for the tables in section 6, a valuation at the date of grant in accordance with AASB 2 *Share-based payments* is undertaken and the fair value of these rights expensed in accordance with Accounting Standards. This may lead to a discrepancy in the fair value amount recorded in the remuneration disclosures as required for accounting purposes and those stated in the above tables which is the basis on which the Board made the determination.

Directors' Report Remuneration Report

5. Executive remuneration outcomes, including link to performance

Given the company's stage of development, financial metrics (such as profitability) are not necessarily an appropriate measure of executive 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 development, regulatory and commercial milestones, and therefore performance goals are not necessarily linked to typical financial performance measures utilised by companies operating in other market segments. However, the Board recognises that share price performance is clearly relevant to the extent that it reflects shareholder returns, and as such Starpharma's TSR against the S&P/ASX300 Index is used as a relevant metric for portions of executive equity awards. The impact of share price performance on the vesting of certain performance rights is detailed in the table below.

	FY17	FY16	FY15	FY14	FY13
Closing price 30 June	\$0.73	\$0.645	\$0.73	\$0.58	\$0.82
Share price high	\$0.88	\$0.98	\$0.99	\$1.11	\$1.75
Share price low	\$0.59	\$0.54	\$0.41	\$0.54	\$0.77
Number of performance rights forfeited by CEO based on share price, with the performance period ending 30 June (or otherwise in the FY).	244,500	430,000	150,000	200,000	250,000
% of performance rights forfeited by CEO based on share price (as a percentage of total performance rights with the performance period ending 30 June, or otherwise in the FY).	13%	50%	21%	50%	67%

Fixed remuneration:

The average increase in KMP executive fixed remuneration for FY17 was 3.4% (FY16: 3.7%). There was an increase above 5% in the total fixed remuneration package for one KMP executive in the year after extensive benchmarking (as described in section 2) was undertaken. The revised total fixed remuneration is consistent with similar roles in the sector and reflects the greater responsibility associated with the expansion and depth of the drug delivery portfolio.

Short-term incentives (STI):

Summary of performance pay related to FY17 for the CEO

	STI Cash (\$)	STI Equity (# of Rights)
Maximum Available	\$226,000	223,022
STI Achieved	\$175,150	172,842
% Achieved	77.5%	77.5%

STI awards (cash and equity) for the CEO in FY17 were based on the scorecard measures and weightings as disclosed below. These targets were set by the Remuneration and Nomination Committee and the Board at the beginning of the performance period and align to the company's strategic, operational and financial objectives. The Remuneration and Nomination Committee and the Board determined that the CEO had achieved a performance assessment of 77.5% of STI awards for the performance period 1 July 2016 to 30 June 2017. The KPIs are reviewed annually and updated.

Summary of performance pay related to FY17 for Other KMP executives

For STI awards for other KMP executives, the CEO assesses the other KMP executives' performance against predetermined KPIs relevant to their business unit. These business unit KPIs relate directly to the corporate KPIs, with 30% of STI equity awards based on the percentage achievement of corporate KPIs as disclosed above. The achievement of corporate KPIs requires significant input and superior performance from the executive team. The CEO makes recommendations to the Remuneration and Nomination Committee and the Board in respect of the STI performance assessment and amounts to be awarded.

The Remuneration and Nomination Committee and the Board determined that other KMP executives had achieved a median performance assessment of 86.3% of STI awards (between 83.5% and 89.8%) for the performance period 1 July 2016 to 30 June 2017.

Directors' Report Remuneration Report

5. Executive remuneration outcomes, including link to performance (continued)

Long-term incentives (LTI):

Summary of performance pay related to FY17 for the CEO

	LTI Equity (# of Rights)	% Achieved
Maximum Available	1,000,000	
LTI Achieved		
Continued employment to 22 November 2016	100,000	100%
Index TSR related to 22 November 2016	–	0%
Index TSR +10% related to 22 November 2016	–	0%
KPIs for 3 years to 30 June 2017	426,000	74%
TSR for 3 years to 30 June 2017	130,500	58%
Total LTI Achieved	656,500	
% Achieved	66%	

The LTI equity awarded for continued employment and TSR to 22 November 2016 was granted at the AGM in November 2013. LTI equity awards granted are no longer granted solely based on continued employment, following changes to remuneration structure in 2015.

Performance assessment of TSR

The company's TSR was tested against the performance of the S&P/ASX300 Index for the three-year performance period ended 22 November 2016. The company's TSR for this period was -27.7% compared to the S&P/ASX300 Index TSR of 1.3%. Given the performance condition was not achieved, no LTI equity vested related to this TSR period.

The company's TSR was also tested against the performance of the S&P/ASX300 Index for the three-year performance period ended 30 June 2017. The company's TSR for this period was 3.7% compared to the S&P/ASX300 Index TSR of 2.0%. As a result, 58% of the TSR component vested.

The TSR calculations were performed by an independent professional services firm.

Summary of performance pay related to FY17 for Other KMP executives:

For LTI awards for other KMP executives, the CEO assesses their performance against predetermined KPIs relevant to their business unit. These business unit KPIs relate directly to the corporate KPIs, with 15% of LTI equity awards based on the percentage achievement of corporate KPIs, with the remaining 15% based on TSR (as disclosed above). The achievement of corporate KPIs requires significant input and superior performance from the executive team. The CEO makes recommendations to the Remuneration and Nomination Committee and the Board in respect of the LTI performance assessment and amounts to be awarded.

The Remuneration and Nomination Committee and the Board determined that other KMP executives had achieved a performance assessment of 89.9% for the performance period 1 July 2014 to 30 June 2017 for determining LTI awards.

In the assessment of STI and LTI KPIs, the Board took account of the significant achievements obtained in the performance periods and the effort and dedication required to accomplish these milestones. These achievements include the sale of the agrochemicals business, the completion (and ultimate success) of the phase 3 rBV trials, and the installation and commissioning of the in-house DEP[®] scale-up facilities which will provide both financial and timing advantages.

Directors' Report Remuneration Report

Performance Assessment		Performance period			
		1 July 2016 to 30 June 2017		1 July 2014 to 30 June 2017	
		STIs		LTIs	
Performance category	Metric	Weighting	Satisfied	Weighting	Satisfied
VivaGel® BV phase 3 trials for prevention of recurrence of Bacterial Vaginosis (BV)	Completion of phase 3 trials and progress with regulatory submission	5%	Met		
Commercialisation of VivaGel® BV for prevention of recurrent BV	Advancement with regulatory submissions and progress with partnering deals in selected territories	10%	Partially Met	10%	Partially Met
Commercialisation of VivaGel® BV for symptomatic relief of BV	Regulatory filings, approvals and advancement with partnering deals in selected territories	15%	Partially Met	10%	Partially Met
VivaGel® condom	Launch activities for product in additional selected markets	5%	Partially Met	10%	Partially Met
DEP® docetaxel clinical development	Progress with phase 1 trial and phase 2 commencement, in parallel with partnering discussions	20%	Partially Met	15%	Partially Met
Advance further DEP® candidate(s)	Advanced preclinical studies (e.g. commencement of toxicology) on another DEP® candidate, preparation for clinical trials	10%	Partially Met	10%	Met
New partnering deals/licenses for DEP® candidates	Completion of new partnering deals or expanded field/products with existing partner	15%	Partially Met		
Commercial arrangements in agrochemicals	New contracts and/or divestment of Agrochemicals business, and Board discretion applied to the LTI component	10%	Met	5%	Met
Capital management and people	Manage company's capital in a prudent manner and develop personnel	10%	Met	10%	Met
TSR	Against the performance of the S&P/ASX300 Index	-		30%	Partially Met
		100%		100%	

In making this assessment, the Remuneration and Nomination Committee and the Board considered the following factors (other commercially sensitive matters were also taken into account):

- VivaGel® BV: Completion of phase 3 trials for prevention of recurrent BV. Significant progress in preparation of the NDA submission, after discussions with the FDA and the granting of QIDP and Fast Track designations by the FDA for both indications of VivaGel® BV. These clinical and regulatory achievements provides the platform for the ongoing partner discussion for global and regional rights.
- VivaGel® condom: Launch of condom in Canada (the first North American market) and two new commercial deals signed in other regions. Regulatory progress in other markets.
- Expansion of DEP® docetaxel phase 1 trial through the addition of a UK site to recruit the final cohort of patients and allow the rapid commencement of an adaptive phase 2 program. Necessary activities for phase 2 are in place, including clinical material manufacture, to facilitate rapid transition into phase 2.
- Additional internal DEP® candidates have demonstrated impressive positive preclinical results for DEP® cabazitaxel, DEP® irinotecan and Targeted DEP®. The first of these, DEP® cabazitaxel, rapidly progressing towards the clinic. Phase 1 clinical trial material for DEP® cabazitaxel was able to be manufactured utilising the newly commissioned in-house scale-up facilities. Other clinical aspects, such as protocol design, site and CRO selection are near complete. DEP® irinotecan is expected to follow DEP® cabazitaxel into the clinic.
- DEP® partnered programs: Receipt of \$2.6 million on the achievement of development milestone from the multiproduct license with AstraZeneca. An additional program with AstraZeneca, separate to the existing multiproduct license, commenced ; as well as two further partnered Targeted DEP® programs with world leading antibody-drug conjugate companies.
- Monetised Priostar® intellectual property through the successful sale of the Agrochemicals business to Agrium for \$35 million.
- Attained a very robust financial position and maintained the stable, highly dedicated and skilled work-force.

In the assessment of STI and LTI KPIs, the Board took account of the significant achievements obtained in the performance periods and the effort and dedication required to accomplish these milestones. These achievements include the sale of the agrochemicals business, the completion (and ultimate success) of the phase 3 rBV trials, and the installation and commissioning of the in-house DEP® scale-up facilities which will provide both financial and timing advantages.

Directors' Report Remuneration Report

6. 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. As required by the Accounting Standards, the value of performance rights included in the remuneration tables relates to the fair value of the performance rights (which may include performance rights granted in prior years), rather than their face value.

2017	Cash salary & fees [†] \$	Short-term benefits		Post-employment	Long-term benefits	Share-based payments		Total \$
		Cash bonus ^{**} \$	Non-monetary benefits \$	Superannuation \$	Long service leave \$	Performance Rights [#] \$		
Name								
Non-executive directors								
R B Thomas	116,895	–	–	11,105	–	–	–	128,000
R A Hazleton	71,000	–	–	–	–	–	–	71,000
Z Peach	65,753	–	–	6,247	–	–	–	72,000
P R Turvey	65,753	–	–	6,247	–	–	–	72,000
Executive director								
J K Fairley	446,480	175,150	35,482	30,616	11,666	587,187		1,286,581
Other Key Management Personnel (group)								
N J Baade	236,953	62,000	295	19,616	1,646	144,401		464,911
A Eglezos	229,123	60,000	7,529	19,616	475	143,962		460,705
D J Owen	239,022	62,000	285	19,616	7,958	144,401		472,381
J R Paull	195,240	67,500	41,543	26,999	7,057	168,687		507,927
Totals	1,666,219	426,650	85,134	140,062	28,802	1,188,638		3,535,505

[†] Increases in overall total fixed remuneration packages for KMP executives were under 5% in the year, with the exception of D J Owen, an increase of 6.0%, reflecting the expansion of the drug delivery portfolio and consistent with extensive benchmarking of similar roles in the industry. Executives may elect to salary sacrifice part of their total fixed remuneration package. Cash salary & fees represents gross salary earned less any salary sacrifice amounts. The three forms of salary sacrifice in FY17 were sacrificing into superannuation, leasing a motor vehicle under a novation arrangement, and the use of a car park. These amounts are reported in the superannuation and non-monetary benefits respectively, and these amounts for cash salary & fees next may vary from one year to the next, depending on the elections chosen.

[#] All performance related remuneration, including cash bonuses and performance rights granted are determined to be an 'at risk' component of total remuneration.

* The cash bonus reported relates to amounts assessed to be paid for the performance period 1 July 2016 to 30 June 2017. The actual cash payment of the bonuses will occur in the following financial year.

2016	Cash salary & fees [†] \$	Short-term benefits		Post-employment	Long-term benefits	Share-based payments		Total \$
		Cash bonus ^{**} \$	Non-monetary benefits \$	Superannuation \$	Long service leave \$	Performance Rights [#] \$		
Name								
Non-executive directors								
R B Thomas	114,155	–	–	10,845	–	–	–	125,000
P J Jenkins	27,867	–	–	2,647	–	–	–	30,514
R A Hazleton	66,826	–	–	–	–	–	–	66,826
Z Peach	46,233	–	–	21,267	–	–	–	67,500
P R Turvey	63,927	–	–	6,073	–	–	–	70,000
Executive director								
J K Fairley	439,141	181,500	28,066	31,208	11,379	595,857		1,287,151
Other Key Management Personnel (group)								
N J Baade	207,787	47,500	12,938	30,000	4,846	99,558		402,629
C P Barrett ¹	55,640	7,000	172	4,567	(7,585)	(10,274)		49,520
A Eglezos	228,200	47,500	2,510	19,308	491	99,558		397,567
D J Owen	224,690	50,000	337	19,308	7,692	99,558		401,585
J R Paull	187,201	50,000	43,378	25,000	1,187	117,641		424,407
Totals	1,661,667	383,500	87,401	170,223	18,010	1,001,898		3,322,699

¹ C P Barrett ceased employment on 18 September 2015 and forfeited his performance rights. Any share based payment expense previously recognised under AASB 2 in respect of the rights has been reversed.

Directors' Report Remuneration Report

† Increases in overall total fixed remuneration packages for KMP executives were under 5% in the year, with the exception of A Eglezos, an increase of 6.9%, due to the increase in responsibility in the business development function following the resignation of C P Barrett during the year. Executives may elect to salary sacrifice part of their total fixed remuneration package. Cash salary & fees represents gross salary earned less any salary sacrifice amounts. The three forms of salary sacrifice in the year were sacrificing into superannuation, leasing a motor vehicle under a novation arrangement, and the use of a car park. These amounts are reported in the superannuation and non-monetary benefits respectively, with the impact that the reported numbers and the amount for cash salary & fees next may vary from one year to the next, depending on these elections.

All performance related remuneration, including cash bonuses and performance rights granted are determined to be an 'at risk' component of total remuneration.

* The cash bonus reported are the amounts assessed to be paid for the performance period 1 July 2015 to 30 June 2016. The actual cash payment of the bonuses will occur in the following financial year.

The relative proportions of remuneration for 2017 that are linked to performance and those that are fixed are as follows:

		Fixed remuneration	At risk - STI cash	At risk - STI Equity ¹	At risk - STI Total	At risk - LTI Equity ¹
CEO	Target	30%-40%			25%-30%	35%-40%
J K Fairley	Actual	41%	13%	14%	27%	32%
Other KMP Executives	Target	55%-65%			15%-20%	20%-25%
N J Baade	Actual	56%	13%	9%	22%	22%
A Eglezos	Actual	56%	13%	9%	22%	22%
D J Owen	Actual	56%	13%	9%	22%	22%
J R Paull	Actual	54%	13%	10%	23%	23%

¹ Where applicable, the expenses include negative amounts for expenses reversed during the year due to a failure to satisfy the vesting conditions.

As depicted in the table above, the target remuneration mix for the CEO and other KMP executives for FY17 were within 3% of all target ranges.

Directors' Report Remuneration Report

6. Details of remuneration (continued)

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

For each cash bonus and grant of equity included in the tables on pages 32 to 37, 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 performance objectives is set out below. Performance rights vest over the specified periods provided vesting criteria are met. No rights will vest if the conditions are not satisfied, hence the minimum value of the rights yet to vest is nil. The maximum value of the rights yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed. The CEO was paid 77.5% of her maximum cash bonus entitlement of \$226,000 in FY17, with the balance of 22.5% forfeited. The bonuses for other KMP executives are paid at the absolute discretion of the Board based on an individual's performance within the year, hence there is no component forfeited to report.

Name	Grant date fair value of rights granted during 2017 ^{1,2}	Year granted	Vested	Forfeited	Performance rights	
					Financial years in which rights may vest	Maximum fair value yet to vest
	\$		%	%		\$
J K Fairley	677,877	2017	-	-	30/06/20	417,564
		2017	-	-	30/06/18	95,724
		2016	-	-	30/06/19	269,921
		2016	83%	17%	30/06/17	-
		2015	-	-	30/06/18	36,008
		2015	90%	10%	30/06/17	-
		2014	40%	60%	30/06/17	-
		2014	40%	60%	30/06/17	-
N J Baade	179,029	2017	-	-	30/06/20	107,473
		2017	-	-	30/06/18	21,817
		2016	-	-	30/06/19	59,218
		2016	84%	16%	30/06/17	-
		2015	-	-	30/06/19	11,289
		2015	-	-	30/06/18	3,957
		2015	97%	3%	30/06/17	-
A Eglezos	179,029	2017	-	-	30/06/20	107,473
		2017	-	-	30/06/18	21,817
		2016	-	-	30/06/19	59,218
		2016	84%	16%	30/06/17	-
		2015	-	-	30/06/19	11,289
		2015	-	-	30/06/18	3,957
		2015	97%	3%	30/06/17	-
D J Owen	179,029	2017	-	-	30/06/20	107,473
		2017	-	-	30/06/18	21,817
		2016	-	-	30/06/19	59,218
		2016	84%	16%	30/06/17	-
		2015	-	-	30/06/19	11,289
		2015	-	-	30/06/18	3,957
		2015	97%	3%	30/06/17	-
J R Paull	195,305	2017	-	-	30/06/20	117,243
		2017	-	-	30/06/18	23,800
		2016	-	-	30/06/19	71,061
		2016	88%	12%	30/06/17	-
		2015	-	-	30/06/19	13,547
		2015	-	-	30/06/18	4,749
		2015	97%	3%	30/06/17	-

¹ The value at grant date calculated in accordance with AASB 2 *Share-based Payments* of performance rights granted during the year as part of remuneration.

² The maximum value of performance rights is determined at grant date and is amortised over the applicable vesting period. The amount which will be included in a given KMP executive's remuneration for a given year is consistent with this amortised amount. No performance rights will vest if the conditions are not satisfied, hence the minimum value yet to vest is nil.

Directors' Report Remuneration Report

7. Executive employment agreements

Remuneration and other terms of employment for executives are formalised in employment agreements which set out duties, rights and responsibilities, and entitlements on termination. All executives also have a formal position description for their role.

Major provisions of the agreements relating to remuneration are set out below for those KMP executives who are employed at the date of this report.

CEO and Managing Director (J K Fairley)

- No fixed term of agreement.
- Base salary, inclusive of superannuation, per annum as at 30 June 2017 of \$509,000, to be reviewed annually by the Remuneration and Nomination Committee.
- A cash bonus up to \$226,000 for the year to 30 June 2017 allocated proportionately on the achievement of predetermined KPIs.
- The CEO is entitled to participate in an equity STI and LTI plan, subject to receiving any required or appropriate shareholder approval.
- Fringe benefits consist of on-site car parking.

The CEO's termination provisions are as follows:

	Notice Period	Payment in lieu of notice	Treatment of equity STI	Treatment of LTI
Resignation	12 months	N/A	Unvested awards forfeited	Unvested awards forfeited
Termination for cause	None	None	Unvested awards (including an exercisable, vested right) forfeited	Unvested awards including an exercisable, vested right) forfeited
Termination without cause, including redundancy	12 months	6 months payment in lieu of notice with 6 month notice period	Unvested awards lapse unless the Board determines otherwise after considering the portion of the performance period that has elapsed and the extent to which performance conditions have been met. Vesting of the rights may be accelerated in this case.	Unvested awards lapse unless the Board determines otherwise after considering the portion of the performance period that has elapsed and the extent to which performance conditions have been met. Vesting of the rights may be accelerated in this case.
Termination in cases of death, disablement or other cause approved by the Board	N/A	N/A	Unvested awards lapse, unless the Board determines otherwise after considering the portion of the performance period that has elapsed and the extent to which performance conditions have been met. Vesting of the rights may be accelerated in this case.	Unvested awards lapse, unless the Board determines otherwise after considering the portion of the performance period that has elapsed and the extent to which performance conditions have been met. Vesting of the rights may be accelerated in this case.

Other KMP executives

Standard executive termination provisions are as follows:

	Notice Period	Payment in lieu of notice	Treatment of equity STI	Treatment of LTI
Resignation	3 months	N/A	Same as for CEO	Same as for CEO
Termination for cause	None	None	Same as for CEO	Same as for CEO
Termination without cause, including redundancy	Typically 3 months (range 3-6 months)	3 months (3-6 months)	Same as for CEO	Same as for CEO
Termination in cases of death, disablement, or other cause approved by the Board	N/A	N/A	Same as for CEO	Same as for CEO

Directors' Report Remuneration Report

8. Additional disclosures relating to employee equity schemes

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. The table may also reflect changes to shareholdings which are unrelated to remuneration.

2017 Name	Balance at the start of the year	Granted during the year as compensation	On exercise of performance rights during the year	Other changes during the year*	Balance at the end of the year
Directors of Starpharma Holdings Limited					
R B Thomas	550,000	–	–	75,000	625,000
J K Fairley	2,781,072	–	505,000	–	3,286,072
R A Hazleton	208,466	–	–	–	208,466
Z Peach	48,975	–	–	–	48,975
P R Turvey	131,838	–	–	–	131,838
Other key management personnel of the group					
N J Baade	450,416	–	84,875	–	535,291
A Eglezos	117,358	–	84,875	8,000	210,233
D J Owen	428,938	–	84,875	–	513,813
J R Paull	183,853	–	101,850	(30,000)	255,703

* Other changes relate to market transactions

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 KMP of the group, including their close family members and entities related to them, are set out below. No non-executive director held performance rights in the FY17 or the prior year.

2017

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	Total Unvested
Directors of Starpharma Holdings Limited							
J K Fairley ¹	2,563,246	1,100,000	(505,000)	(233,394)	2,924,852	181,001	2,743,851
Other key management personnel of the group							
N J Baade	500,000	275,000	(84,875)	(10,500)	679,625	42,125	637,500
A Eglezos	500,000	275,000	(84,875)	(10,500)	679,625	42,125	637,500
D J Owen	500,000	275,000	(84,875)	(8,750)	681,375	43,875	637,500
J R Paull	600,000	300,000	(101,850)	(10,500)	787,650	52,650	735,000

¹ The market value of rights that were forfeited during the year was \$273,644.

[#] Other changes during the year relate to the forfeiture of rights.

The market value at vesting date of performance rights that vested into shares during 2017 was \$843,906 (2016: \$674,246). 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 KMP of the group.

The market value is calculated using the opening share price on the respective vesting/exercise date or forfeit date.

Dilutionary impact of performance rights on issue

As at 30 June 2017 there were 9,419,740 performance rights on issue, of which 5,753,127 were held by KMP. These rights represent 2.6% and 1.6%, respectively, of shares on issue (based on the 369,091,652 shares at 30 June 2017).

Directors' Report Remuneration Report

8. Additional disclosures relating to employee equity schemes

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 or which impact future years are as follows:

Grant date	Vesting date	Holding lock expiry date	Number of rights granted	Performance measure	Fair value per right at grant date	% vested
22 November 2013	22 November 2016	22 November 2017	100,000	Continued Employment	\$0.85	100
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
20 November 2014	30 September 2016	30 September 2017	450,000	Achievement of KPIs	\$0.49	Nil
20 November 2014	30 September 2017	30 September 2018	210,000	Achievement of KPIs	\$0.52	Nil
20 November 2014	30 September 2017	30 September 2018	90,000	TSR	\$0.44	Nil
20 November 2014	30 September 2017	-	315,000	Achievement of KPIs	\$0.52	Nil
20 November 2014	30 September 2017	-	135,000	TSR	\$0.44	Nil
30 January 2015	30 September 2016	-	455,000	Achievement of KPIs	\$0.46	Nil
30 January 2015	30 September 2017	-	386,750	Achievement of KPIs	\$0.46	Nil
30 January 2015	30 September 2017	-	68,250	TSR	\$0.25	Nil
30 January 2015	30 September 2018	-	331,500	Achievement of KPIs	\$0.46	Nil
30 January 2015	30 September 2018	-	58,500	TSR	\$0.27	Nil
11 November 2015	30 June 2017	-	210,000	Achievement of KPIs	\$0.72	86
11 November 2015	30 September 2018	-	714,000	Achievement of KPIs	\$0.72	Nil
11 November 2015	30 September 2018	-	126,000	TSR	\$0.50	Nil
19 November 2015	30 June 2017	-	219,395	Achievement of KPIs	\$0.76	83
19 November 2015	30 September 2018	-	625,696	Achievement of KPIs	\$0.76	Nil
19 November 2015	30 September 2018	-	268,155	TSR	\$0.54	Nil
13 October 2016	30 June 2018	-	225,000	Achievement of KPIs	\$0.68	Nil
13 October 2016	30 September 2019	-	765,000	Achievement of KPIs	\$0.68	Nil
13 October 2016	30 September 2019	-	135,000	TSR	\$0.43	Nil
29 November 2016	30 June 2018	-	223,022	Achievement of KPIs	\$0.68	Nil
29 November 2016	30 September 2019	-	613,885	Achievement of KPIs	\$0.68	Nil
29 November 2016	30 September 2019	-	263,093	TSR	\$0.41	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.	
TSR:	Annualised Starpharma TSR compared with the Index	Percentage of Rights subject to the TSR performance condition which vest
	Below Index	0%
	Equal to Index	50%
	Between Index and Index + 9.99%	Pro rata basis from 51% to 99%
	At least 10% above Index	100%

- end of remuneration report -

Directors' Report

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
20 Nov 2014	30 Sep 2017	30 Sep 2018	300,000	300,000
20 Nov 2014	30 Sep 2017	N/A	450,000	450,000
30 Jan 2015	30 Sep 2017	N/A	1,084,125	833,875
30 Jan 2015	30 Sep 2018	N/A	929,250	714,750
11 Nov 2015	30 Jun 2017	N/A	519,200	402,413
11 Nov 2015	30 Sep 2018	N/A	2,076,800	1,785,600
19 Nov 2015	30 Jun 2017	N/A	219,395	181,001
19 Nov 2015	30 Sep 2018	N/A	893,851	893,851
13 Oct 2016	30 Jun 2018	N/A	594,450	519,650
13 Oct 2016	30 Sep 2019	N/A	2,377,800	2,078,600
29 Nov 2016	30 Jun 2018	N/A	223,022	223,022
29 Nov 2016	30 Sep 2019	N/A	876,978	876,978

Performance rights and the resultant shares are granted for nil 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
22 Nov 2013	\$ -	100,000
20 Nov 2014	\$ -	405,000
30 Jan 2015	\$ -	1,091,308
11 Nov 2015	\$ -	206,144
13 Oct 2016	\$ -	146,656

Insurance of officers

During the financial year, Starpharma Holdings Limited paid a premium to insure the directors and executive officers of the company and related bodies corporate, against certain liabilities and expenses.

In accordance with normal commercial practice, the disclosure of the amount of premium payable, and the nature of the liabilities and expenses covered by the policy, is prohibited by a confidentiality clause in the contract.

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 services provided during the year is set out below. There were no non-audit services provided by the auditor during the financial year.

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.

	2017	2016
	\$	\$
Assurance Services		
Audit or review of financial reports of the entity or any entity in the group under the <i>Corporations Act 2001</i>	104,754	99,297

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 39.

Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding Financial/Directors' Reports) Instrument 2016/191, 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 Instrument 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, 28 August 2017



Auditor's Independence Declaration

As lead auditor for the audit of Starpharma Holdings Limited for the year ended 30 June 2017, 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.

A handwritten signature in black ink, appearing to read 'J. Roberts' with a stylized flourish at the end.

Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
28 August 2017

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 (3rd Edition) (“the 3rd 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 3rd Edition CGC Recommendations. All of these practices, unless otherwise stated, were in place for the entire financial year 2017. 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 the 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.

1.1 Responsibilities of the Board

The responsibilities of the Board include oversight, accountability and approval in relation to certain:

- Strategic issues;
- Shareholding items;
- Financial items;
- Expenditure items;
- Audit related items; and
- Board and senior management, delegation and succession.

Other Board responsibilities include:

- 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.

Further details regarding the responsibilities of the Board are detailed in the board charter. The Board’s conduct is governed by the company’s constitution. Both documents are available at www.starpharma.com/corporate_governance

1.2 Director appointment and election

Before appointing a director or putting forward a candidate to shareholders for election, the Remuneration and Nomination Committee will undertake appropriate background checks. The Remuneration and Nomination Committee will also provide all material information which is relevant to whether or not a person should be elected or re-elected as a director to the Board for provision to shareholders (including in relation to independence and a recommendation regarding support or otherwise to the candidate’s appointment or election).

The commitments of non-executive directors are routinely reviewed by the Board in addition to being considered by the Remuneration and Nomination Committee prior to their appointment to the Board and are reviewed at least annually. 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.

The company’s constitution specifies that all non-executive directors must retire from office no later than three years or the third annual general meeting (AGM) following their last election (whichever is longer), and that an election of directors must take place each year. Any director, excluding the Managing Director (CEO) who has been appointed during the year must stand for election at the next AGM.

In relation to director tenure, the Board charter provides that 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.

Starpharma’s policy on director tenure is consistent with ASX guidance which acknowledges that shareholders are likely to be served well by a mix of directors, including some with a longer tenure who have accumulated experience and developed a ‘corporate memory’ over a substantial period. Starpharma is more concerned with the average tenure of independent directors on the Board, which is around six years, as a meaningful metric for evaluating Board refreshment and director succession.

Director	Date first elected by shareholders
Robert Thomas	November 2014
Richard Hazleton	November 2007*
Zita Peach	November 2011
Peter Turvey	November 2012
Jackie Fairley	N/A appointed by the Board in 2006

* Mr Hazleton was appointed in 2006 prior to being elected by shareholders the following year. The Board has considered the tenure of Mr Hazleton as part of its independence assessment of all directors. Despite the length of time served on the Board Mr Hazleton has been assessed as ‘independent’. In determining this, the Board took into consideration his limited contact with Starpharma’s management team and physical location in the US, whereby there is no suggestion that he is involved in the day to day operations of Starpharma.

No new directors were appointed to the Board during FY17.

1.3 Written agreements with Directors and Senior Executives

New directors receive a letter of appointment, which outlines the company’s expectations of the director in relation to their participation, time commitments and compliance with policies and regulatory requirements.

Senior executives and all employees are required to sign employment agreements which set out the key terms of their employment. All roles have formal position descriptions.

1.4 Responsibilities of the Company Secretary

The Company Secretary supports the effective functioning of the Board and its committees. The Company Secretary is accountable directly to the Board, through the Chair, on all matters related to the proper functioning of the Board. The specific responsibilities of the Company Secretary are detailed in the board charter, which is available at www.starpharma.com/corporate_governance

1.5 Diversity objectives and achievement

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.

The Board last revised its Diversity Policy in March 2017, 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 at www.starpharma.com/corporate_governance

Independent of external corporate governance initiatives, the company has embraced a culture of inclusion and equal opportunity across diversity areas recognised as potentially

Corporate Governance Statement

impacting upon equality in the workplace, with a focus on gender but without limiting other aspects of diversity.

The company recognises the corporate benefits of diversity of its workforce and the Board, and realises the importance of being able to attract, retain and motivate employees from the widest possible pool of available talent. 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.

Objectives set by the Board for the 2017 financial year, and progress against these objectives is set out below:

Objective	Measurement	FY17 Performance
Female participation/talent pipeline	Achieve greater than 40% female participation for direct reports to the CEO or senior executives (CEO minus 2). Actively support and encourage training, networking and development opportunities for high potential employees.	52% of CEO minus 2 positions are held by females. 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 and as needed during the year. Investments in formal/external development programs are made where appropriate and in FY17, 24 professional development programs including conferences were attended by female employees across all levels of the organisation. The Company also continued to support participation of all female staff in a biotech industry networking initiative, which included presentations by industry role models.
Equal opportunity employer	Inclusion of female candidates in recruitment process for each role with female applicants, including for Board appointments. Consistent and merit-based selection criteria and recruitment processes used when choosing successful candidates in all cases.	Female candidates participated in every recruitment process throughout FY17. 67% of the positions advertised and filled externally were filled with female candidates. 100% of successful candidates were selected on merit-based criteria after taking part in Starpharma's selection process.
Pay parity	Ensure no significant pay difference for individuals in similar roles, based on gender.	Analysis was completed of pre- and post-remuneration review "remuneration differentials to benchmarks" by gender, and confirmed there were no significant gender differences in remuneration relative to role benchmarks.
Flexible working arrangements	Employees working under flexible working arrangements (including part time). Granting a majority of requests for flexible work arrangements for family responsibilities.	20% of employees work under flexible working arrangements. Mutually satisfactory flexible work arrangements were agreed between the requesting employee and the company in 100% of cases during FY17.
Support a return to work after parental leave	Target a return to work following primary care parental leave of 75%.	Two employees (100%) returned from primary care parental leave during FY17.

Approximately half of Starpharma's employees are female, maintaining a similar gender representation to that of previous years. As captured in Starpharma's diversity objectives (above), the company strives to put in place measures, such as flexible working arrangements, specifically to encourage female participation. The table below sets out the proportion of female employees in the whole organisation, in leadership/management roles, in senior executive positions and on the Board as at July 2017.

It is noted that Starpharma currently has a high level of both gender and general diversity, however given the relatively small number of total employees, a change of one or few employees may have a significant impact on the company's performance in respect of the measurable diversity objectives.

Starpharma is also proud of the ethnic diversity of our employee population, with 35% of all employees born outside Australia in 13 different countries.

% Female	2017	2016
Whole organisation (staff and Board)	51% (21/41)	53% (24/45)
Leadership/management roles	50% (10/20)	45% (9/20)
Senior executive (CEO & direct reports)	43% (3/7)	43% (3/7)
Board	40% (2/5)	40% (2/5)

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1.6 Board, committee and director performance

The performance of the Board and its committees are reviewed each year by the Chairman based on the completion of a formal feedback questionnaire by each director. The summarised results are then reported back to the Board. This performance evaluation took place in FY17.

1.7 CEO and senior executive performance

Performance assessments for senior executives took place during the year. Performance review timing of executives occur

throughout July/August in respect of the prior financial year. The process for these assessments is described in the remuneration report under the heading "Remuneration governance" on page 19 of this report.

As part of the Board discussion on executive performance, directors give consideration to succession planning to ensure continuity and a smooth leadership transition in the event of senior executive movements.

Principle 2: Structure the Board to add value

2.1 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.

The committees established by the Board are:

- Remuneration and Nomination Committee; and
- Audit and Risk Committee.

Each committee's charter sets out its role, responsibilities, composition and structure. The committee charters are reviewed annually and were last reviewed in March 2017. Committee charters are available at

www.starpharma.com/corporate_governance

Both committees report regularly to the Board and minutes of committee meetings are provided to the Board.

2.1.1 Remuneration and Nomination Committee

The Remuneration and Nomination Committee is composed of three independent non-executive directors. At the date of this report the committee consisted of the following:

Ms Z Peach (Chairman)
Mr R Thomas
Mr R Hazleton

Details of these directors' qualifications and attendance at committee meetings are set out in the directors' report on pages 13 to 17.

The charter of the Remuneration and Nomination Committee deals with items, to the extent delegated by the Board, related to reviewing and making recommendations to the Board in respect of the following:

- Board and director candidate identification, appointments, elections, composition, independence, tenure and succession;
- Remuneration and incentive policies and practices generally;
- Remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors;
- The succession of the CEO and other senior executives;
- Diversity related items;
- Board skills matrix;
- Background checks for director candidates; and
- Provision and oversight of induction and training and development opportunities for directors.

The Remuneration and Nomination Committee charter is available at www.starpharma.com/corporate_governance

2.1.2 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.

Each member of the Audit and Risk Committee is financially literate, and jointly possess a number of relevant finance qualifications, and experience. As a collective, the members of the Audit and Risk Committee between them have substantial financial, accounting and risk management related/technical expertise, as well as a sufficient understanding of the biotechnology industry to be able to discharge the committee's mandate effectively. Members have held relevant senior positions in finance and risk management in large, complex international companies and are members of other ASX-listed company audit committees. Such positions include financial controller, director of finance, chief accounting officer and broker/analyst roles.

The Board continually reviews committee membership to ensure the appropriate qualifications, skills and experience. Given the nature of Starpharma's activities and its relatively straight-forward financials, the current composition of members is considered to be more than adequate. In future years, as the company's operations develop, the committee's composition will be regularly assessed by the Board as outlined in Section 2.2.

The committee meets at least twice a year, and has direct access to the company's auditors.

The charter of the Audit and Risk Committee deals with items, to the extent delegated by the Board, related to reviewing and making recommendations to the Board in respect of the following:

- Annual report, half-year financial report and financial forecasts or guidance given to the market;
- Systems of risk management and internal controls;
- All aspects related to the external auditor;
- Related party transactions; and
- Insurance.

The Audit and Risk Committee charter is available at www.starpharma.com/corporate_governance

2.2 Board skills

Part of the role of the Remuneration and Nomination Committee is to assist the Board to review Board composition and succession planning. Both the Board and the Remuneration and Nomination Committee work to ensure that the Board continues to have the right balance and mix of diversity (including gender), skills, experience, background and independence necessary to discharge its responsibilities.

The current composition of Starpharma's Board includes directors with core industry experience, as well as senior finance experience, essential for the Audit and Risk Committee.

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A skills and experience matrix is used to review the combined capabilities of the Board. A mix of general and specialty skills and experience areas critical to the success of the company are selected for directors to assess themselves against. These areas are updated as required to reflect the company's evolution. In FY17 the Board reviewed and updated the skills and experience included in the Board skills matrix to reflect the change and advancement of the company in its lifecycle, as well as input from proxy advisers. Each area is closely linked to the Company's core objectives and strategy.

The directors rated the depth of their skill and experience in each of the following areas:

1. Leadership in Healthcare and/or Scientific Research;
2. Pharmaceutical/Product Development;
3. International experience;
4. Regulation/Public Policy;
5. Licensing and commercialisation of innovation;
6. Science and Technology
7. Sales, Marketing and Business Development;
8. Governance;
9. Strategy & Risk Management;
10. Financial Accounting, Audit and Risk;
11. Health, Safety & Environment; and
12. Remuneration.

The results of the matrix show there are three or more directors with intermediate to deep skills and experience in each of the twelve areas above.

The breadth and depth of the desired skills and experience represented by the directors is notable considering the size of the Board, and no existing or projected competency gaps have been identified. This process provides an important input to succession planning for the Board.

Having regards to the current and future activities of the company, the Board considers that collectively it has the appropriate skills and experience in each area.

There are further disclosures in Section 2.1.2 and directors' biographies on pages 13 and 14 respectively which outline the extensive financial, accounting and risk skills and experience of the members of the Audit and Risk Committee, which are considered appropriate to the company's circumstances.

2.3 Board members

Details of the members of the Board, their experience, qualifications, term of office and independence status are set out in the directors' report under the heading "Information on Directors". There are four 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:

Principle 3: Act ethically and responsibly

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

- 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 appropriate for the company and conducive to effective discussion and efficient decision-making.

The Board reviews the commitments of each non-executive director, such as other directorships, to consider each director's capacity to dedicate sufficient time to the company.

2.4 Directors' independence

The board charter contains guidelines for assessing the materiality of directors' relationships that may affect their independence. These guidelines are aligned with the 3rd Edition CGC Recommendations. The board charter is available at www.starpharma.com/corporate_governance

The Board reviews the independence of directors before they are appointed, on an annual basis and at any other time where the circumstances of a director change such as to require reassessment. The Board has determined that all non-executive directors are independent at the date of this report.

The CEO is not considered independent by virtue of being an executive director and a member of management.

2.5 Chairman and Chief Executive Officer (CEO)

The current Chairman, Mr Rob Thomas, is an independent non-executive director appointed in 2013 and Chairman in June 2014. 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.

2.6 Director induction and professional development

The Remuneration and Nomination Committee oversees, reviews and make recommendations to the Board in relation to the induction, training and development of non-executive directors, to ensure they have access to appropriate learning and development opportunities to develop and maintain the skills and knowledge required to effectively perform in their role as a director.

The Board receives regular updates at board meetings and board workshops which assist directors in keeping up to date with relevant market and industry developments.

company. The code of conduct is reviewed periodically and was last updated in March 2017. The code of conduct covers employment practices, equal opportunity, harassment and bullying, conflicts of interest, use of company assets, disclosure of confidential information and whistleblowing. The code of conduct is available at www.starpharma.com/corporate_governance

Principle 4: Safeguard integrity in financial reporting

4.1 Audit and Risk Committee

The company has established an Audit and Risk Committee consisting of three independent non-executive directors. Details regarding composition, meetings and charter are set out in section 2.1 and 2.1.2 of this Corporate Governance Statement.

4.2 CEO and CFO Declarations for financial statements

Before the Audit and Risk Committee recommends, and the Board approves, the company's financial statements for the half year or full year, the CEO and CFO are required to provide a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the

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opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

These declarations have been provided by the CEO and CFO to the Audit and Risk Committee and the Board in respect of the 2017 half year financial statements and the 2017 full year financial statements which are included in this annual report.

4.3 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, PricewaterhouseCoopers, 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 FY15. An analysis of fees paid to the external auditors is provided in note 19 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 attends each AGM and is available to answer questions shareholders may have in relation to the Auditor's Report and the conduct of the audit.

Principle 5: Make timely and balanced disclosures

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.

The Board has appointed the Company Secretary as the person responsible for disclosure of information to the ASX. The CEO and Company Secretary are responsible for ensuring that all announcements made by Starpharma to the ASX are factual, do not omit material information, and are expressed in a clear and objective manner.

The policy also sets out the requirements 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.

Except in exceptional circumstances, all ASX announcements (other than standard compliance announcements or newsletters with no new material information) require the approval of the Chairman, or another non-executive director in his absence.

A copy of the policy is available on the company's website at www.starpharma.com/corporate_governance

Principle 6: Respect the rights of shareholders

6.1 Information on website

The company provides ready access to its shareholders and members of the public to information about the company and its governance on its website at www.starpharma.com

6.2 Communication with investors

The company recognises that shareholders may not be aware of all company developments at all times, notwithstanding the release of information to the ASX in accordance with the company's continuous disclosure policy and the law. In addition to ensuring that all ASX announcements and company reports are available on the company's website as soon as possible following confirmation by the ASX of receipt of the announcement, the company will send to each shareholder who has so requested, either by post or email to their nominated address, annual reports and company newsletters.

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.

6.3 Participation at Annual General Meetings

The Annual General Meeting (AGM) is generally held in November each year. The Notice of Meeting and related Explanatory Notes

are distributed to shareholders in accordance with the requirements of the Corporations Act.

The AGM provides an opportunity for the Board to communicate with shareholders through the Chairman's address and the CEO's presentation.

Shareholders are given the opportunity, through the Chairman, to ask general questions of the Board. Shareholders who are unable to attend the meeting in person may submit written questions together with their proxy form, to be put to the meeting by the Chairman. The external auditor attends each AGM and is available to answer questions shareholders may have in relation to the Auditor's Report and the conduct of the audit.

6.4 Electronic communication with the company and its share registry

Shareholders and other interested parties are able to subscribe to Starpharma news via the company's website or to certain information via the company's share registry. Significant ASX announcements and financial reports are emailed to subscribers promptly following confirmation by the ASX of receipt of the relevant report or announcement.

Shareholders are also able to contact the company or submit questions or comments to the company's investor relations email address, and where appropriate, a response will be provided. No price sensitive information will be provided unless previously released to the ASX.

Principle 7: Recognise and manage risk

7.1. Audit and Risk Committee

The company has established an Audit and Risk Committee consisting of three independent non-executive directors. Details regarding composition, meetings and charter are set out in section 2.1 and 2.1.2 of this Corporate Governance Statement.

7.2 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

Corporate Governance Statement

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 product liability, 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, 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. A summary of the policy is available on the company's website at www.starpharma.com/corporate_governance

The CEO and CFO & Company Secretary are responsible to the Board through the Audit and Risk Committee for the overall

Principle 8: Remunerate fairly and responsible

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 sections 2.1 and 2.1.1 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 role has a position description which is reviewed by the CEO (or the committee in the case of 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 37.

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.

7.3 Internal audit function

Given the size of the company, there is no internal audit function. As detailed in section 7.2, detailed risk assessments are carried out in respect of a wide range of items, and where appropriate and possible, risk mitigation strategies are implemented to minimise the chance of the risks occurring, and to minimise any impact where a risk eventuates.

7.4 Sustainability risks and management

The company's key economic, environmental and social sustainability risks are outlined on page 17 of the directors' report under the heading 'Material Business Risks'.

In addition to the risk assessment and management strategies outlined in section 7.2 and set out in the Corporate & Social Responsibility Report on page 12 of the annual report, the company utilises a number of risk mitigation strategies including employing qualified staff and consultants, external advisors, maintaining a portfolio/pipeline of products and applications, and holding insurance in a number of areas.

Executive directors and senior management receive a mix of fixed and variable pay, comprising both cash and equity incentives.

Non-executive directors receive fees only and do not receive bonus payments or equity incentives. 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 35).

8.3 Prohibition on hedging of unvested/restricted entitlements

Employees are prohibited from entering into transactions in products which limit the economic risk of any equity granted under an employee incentive scheme which are unvested or subject to a disposal restriction. Details in relation to this policy are contained in the securities dealing policy which is available at www.starpharma.com/corporate_governance

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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
4-6 Southampton Crescent
Abbotsford, Victoria, 3067
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 28 August 2017. 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 2017

	Notes	30 June 2017 \$'000	30 June 2016* \$'000
Continuing operations			
Revenue	5	3,643	4,446
Other income	5	4	128
Administration expense	6	(5,712)	(4,445)
Research and development expense	6	(13,151)	(21,419)
Finance costs		(1)	(2)
Loss before income tax		(15,217)	(21,292)
Income tax expense	7	-	-
Loss from continuing operations		(15,217)	(21,292)
Profit/(loss) from discontinued operation (attributable to equity holders of the company)	23	23,417	(1,383)
Profit/(loss) for the period		8,200	(22,675)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company		\$	\$
Basic loss per share	26	(\$0.04)	(\$0.06)
Diluted loss per share	26	(\$0.04)	(\$0.06)
Profit/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the company		\$	\$
Basic profit/(loss) per share	26	\$0.02	(\$0.07)
Diluted profit/(loss) per share	26	\$0.02	(\$0.07)

*The prior year financial results are re-presented for the comparative results of the discontinued operations.

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 2017

	Notes	30 June 2017 \$'000	30 June 2016* \$'000
Profit/(loss) for the period		8,200	(22,675)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Other comprehensive income arising from discontinued operation	23	1,118	267
Other comprehensive income for the period		1,118	267
Total comprehensive income for the period		9,318	(22,408)
Total comprehensive income for the period attributable to owners of Starpharma Holdings Limited arise from			
Continuing operations		(15,217)	(21,292)
Discontinued operations		24,535	(1,116)
		9,318	(22,408)

* The prior year financial results are re-presented for the comparative results of the discontinued operations.

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

Consolidated Balance Sheet as at 30 June 2017

	Notes	30 June 2017 \$'000	30 June 2016 \$'000
Current Assets			
Cash and cash equivalents	8	61,188	45,972
Trade and other receivables	9	4,490	4,304
Total Current Assets		65,678	50,276
Non-Current Assets			
Property, plant and equipment	10	913	690
Intangible assets	11	-	8,073
Total Non-Current Assets		913	8,763
Total Assets		66,591	59,039
Current Liabilities			
Trade and other payables	12	4,670	8,839
Finance lease liabilities	13	23	18
Provision for employee benefits	14	817	718
Deferred income		11	-
Total Current Liabilities		5,521	9,575
Non-Current Liabilities			
Finance lease liabilities	13	47	-
Provision for employee benefits	14	39	40
Total Non-Current Liabilities		86	40
Total Liabilities		5,607	9,615
Net Assets		60,984	49,424
Equity			
Contributed capital	15	193,549	193,512
Reserves	16	10,896	9,787
Accumulated losses	17	(143,461)	(153,875)
Total Equity		60,984	49,424

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 2017

		Contributed capital	Reserves	Accumulated losses	Total equity
	Notes	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2015		160,884	7,874	(131,200)	37,558
Loss for the period		-	-	(22,675)	(22,675)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations	16	-	267	-	267
Total comprehensive income (loss) for the year		-	267	(22,675)	(22,408)
Transactions with owners, recorded directly in equity					
Contributions of equity, net of transaction costs	15	32,596	-	-	32,596
Employee share plans	15	32	-	-	32
Employee performance rights plan	16	-	1,646	-	1,646
Total transactions with owners		32,628	1,646	-	34,274
Balance at 30 June 2016		193,512	9,787	(153,875)	49,424
Profit for the year		-	-	8,200	8,200
Other comprehensive income					
Foreign exchange differences on translation of discontinued operations	16	-	1,118	-	1,118
Asset revaluation reserve transferred to accumulated losses on disposal of discontinued operations	16	-	(2,215)	2,215	-
Total comprehensive income (loss) for the year		-	(1,097)	10,415	9,318
Transactions with owners, recorded directly in equity					
Employee share plans	15	37	-	-	37
Employee performance rights plan	16	-	2,206	-	2,206
Total transactions with owners		37	2,206	-	2,243
Balance at 30 June 2017		193,549	10,896	(143,461)	60,984

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 2017

		30 June 2017	30 June 2016
	Notes	\$'000	\$'000
Cash Flows from Operating Activities			
Receipts from trade and other debtors (inclusive of GST)		3,309	4,074
Grant income and R&D tax incentives (inclusive of GST)		3,523	3,430
Payments to suppliers and employees (inclusive of GST)		(24,421)	(25,982)
Interest received		635	670
Interest paid		(1)	(3)
Net cash outflows from operating activities	25	(16,955)	(17,811)
Cash Flow from Investing Activities			
Receipts for property, plant and equipment		-	1
Payments for property, plant and equipment		(625)	(97)
Proceeds from the sale of agrochemical business	23	33,281	-
Proceeds from sale of available-for-sale financial assets		-	125
Net cash inflows (outflows) from investing activities		32,656	29
Cash Flow from Financing Activities			
Proceeds from issue of shares		-	33,915
Share issue transaction costs		-	(1,319)
Finance lease payments		(21)	(32)
Net cash inflows (outflows) from financing activities		(21)	32,564
Net increase (decrease) in cash and cash equivalents held		15,680	14,782
Cash and cash equivalents at the beginning of the year		45,972	30,848
Effects of exchange rate changes on cash and cash equivalents		(464)	342
Cash and cash equivalents at the end of the year		61,188	45,972

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

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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 the first time for the annual reporting period commencing 1 July 2016:

- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012 – 2014 cycle, and
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure initiative: Amendments to AASB 101.

None of the new and amended standards that are mandatory for the first time for the financial year beginning 1 July 2016 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 2016.

(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 2017, the consolidated entity has incurred losses from continuing operations of \$15,217,000 (2016: \$21,292,000) and experienced net cash outflows of \$16,955,000 from operations (2016: \$17,811,000), as disclosed in the income statement 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 31 August 2018. 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 2017 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.

1. Significant Accounting Policies (continued)

(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. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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. License 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 license income is amortised over the anticipated period of the associated research program. Unamortised license 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.

(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 21). 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 21). 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 of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

(j) Cash and cash equivalents

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

(k) Trade Receivables

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

(l) Investments and other financial assets

(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. 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 remaining notice period under the premises lease (being 1.25 years at the balance date) 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 licenses

Costs associated with patents are charged to profit or loss in the periods in which they are incurred. Licenses 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 licenses 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) Finance Lease Liabilities

Finance lease liabilities are initially recognised at fair value, net of transaction costs incurred. Finance lease liabilities 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 finance lease liability using the effective interest method. Finance lease liabilities 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.

1. Significant Accounting Policies (continued)

(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 employees via an Employee Performance Rights Plan and an Employee Share Plan (\$1,000 Plan). Information relating to these plans is set out in note 27 and in the remuneration report under the directors' report.

The fair value of 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. Depending on the performance

measure of the right vesting, the fair value at grant date represents either a volume weighted average price (VWAP) of shares leading up to the grant date, or a value calculated using a hybrid Monte-Carlo-trinomial option pricing model taking into account the absolute TSR target, the term of the right, the share price at grant date, the risk free rate, the expected dividend yield, expected share price volatility, the volatility of the relevant index, and the correlation between the share price and that index. 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.

Notes to the Consolidated Financial Statements 30 June 2017

(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 ASIC Corporations (Rounding Financial/Directors' Reports) Instrument 2016/191, 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 Instrument 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 2017 reporting period. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is effective for annual reporting periods beginning after 1 January 2018. The group has not yet decided when to apply AASB 9.

It is expected there to be immaterial impact on the accounting for financial instruments as the group does not have any debt instruments classified as available-for-sale financial assets, financial liabilities that are designated at fair value through profit or loss or hedging instruments. A simplified approach of the expected credit loss model will be adopted for trade receivables.

(ii) AASB 15 *Revenue from Contracts with Customers* will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard is effective for annual reporting periods beginning after 1 January 2018. The group has not yet decided when to apply AASB 15.

Management is currently assessing the impact of AASB 15 on the measurement and recognition of revenue from existing and future contractual arrangements.

(iii) AASB 16 *Leases* will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard is effective for annual reporting periods beginning after 1 January 2018. The group has not yet decided when to apply AASB 16.

Management is currently assessing the impact of AASB 16 on the measurement and recognition of lease assets and liabilities.

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 28 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 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 the closing US exchange rate as at 30 June 2017 of \$0.7692 was as follows:

	30 June 2017 US \$'000	30 June 2016 US \$'000
Cash and cash equivalents	7,977	12,148
Trade and other receivables	-	3
Trade and other payables	1,943	4,565

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 2017 \$'000	30 June 2016 \$'000
Impact on profit / (loss) on a movement of the US Dollar:		
Australian dollar strengthens (increases) against the US Dollar by 10%	(713)	(1,487)
Australian dollar weakens (decreases) against the US Dollar by 10%	872	1,818

(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 2017 \$'000	30 June 2016 \$'000
Term Deposits and deposits at call	57,837	44,645

Group Sensitivity

At 30 June 2017, 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 \$290,000 higher or lower (2016 - change of 50 bps: \$226,000 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 banks. All cash and deposits are held with major Australian banks, with the majority being held with the National Australia Bank. 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 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) Income Taxes

The group is subject to income taxes in Australia. 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 from carried forward losses, due to the realisation of such benefits being 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.

ii) 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 2017 the group has recorded a contra research and development expense of \$3,252,000 (2016: \$3,221,000, restated to present comparative results of the discontinued operations). The total R&D Tax Incentive receivable recorded at 30 June 2017 is \$3,537,000 (2016: \$3,522,000), and includes the tax incentive receivable with respect to the discontinued operation.

Notes to the Consolidated Financial Statements 30 June 2017

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

	30 June 2017 \$'000	30 June 2016* \$'000
Revenue and other income from continuing operations		
Royalty, customer & license revenue	2,992	3,767
Interest revenue	651	679
Total revenue from continuing operations	3,643	4,446
Other income (including government grants)	4	128
Total revenue and other income from continuing operations	3,647	4,574

*The prior year financial results are re-presented for the comparative results of the discontinued operations.

Total revenue and other income for the year was \$3,647,000 and includes a milestone payment from AstraZeneca under a drug delivery licensing agreement.

6. Expenses

Loss from continuing operations before income tax expense includes the following items:	30 June 2017 \$'000	30 June 2016* \$'000
R&D tax incentive (contra expense) ¹	(3,252)	(3,221)
Employee benefits expenses (including share-based payments)	7,780	6,818
Depreciation	318	288
Rental expense on operating leases	553	537

*The prior year financial results are re-presented for the comparative results of the discontinued operations.

¹ Included within the research and development expense line item in the consolidated income statement. The total R&D tax incentive for the year was \$3,537,000, with \$285,000 included in the profit reported from discontinued operations. Refer to Note 3 a) ii) for further information.

7. Income Tax Expense

	30 June 2017 \$'000	30 June 2016 \$'000
(a) Income tax expense/(credit)		
Current Tax	–	–
Deferred Tax	–	–
Total income tax expense	–	–
Income tax attributable to continuing operations	–	–
Income tax attributable to continuing operations	–	–

Notes to the Consolidated Financial Statements 30 June 2017

	30 June 2017 \$'000	30 June 2016 \$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(15,217)	(21,292)
Profit/(loss) from discontinuing operation before income tax expense	23,417	(1,383)
	8,200	(22,675)
Tax at the Australian tax rate of 30% (2016: 30%)	2,460	(6,803)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Eligible expenses claimed under R&D tax incentive	1,379	1,290
Amortisation of intangibles	45	49
Share-based payments	673	503
Gain on sale of subsidiaries (see note 23)	(6,082)	-
Recycling of foreign currency translation reserve on sale of subsidiary (see note 23)	(335)	-
Unearned income	(5)	(3)
Sundry items	(15)	(159)
Difference in overseas tax rates	7	1
Previously unrecognised tax losses now recouped to reduce current tax expense	-	(299)
Future income tax benefits not brought to account	1,873	5,421
Income tax expense	-	-
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)	108,434	111,370
Potential tax benefit	32,530	33,793
(d) Unrecognised temporary differences		
Temporary differences for which no deferred tax asset has been recognised as recoverability is not probable	4,443	4,109
Unrecognised deferred tax relating to the temporary differences	1,333	1,207
(e) Deferred tax liabilities		
Deferred tax liabilities comprises temporary differences attributable to:		
Intangibles	-	1,574
Sundry items	22	18
Total deferred tax liabilities	22	1,592
Set-off of deferred tax assets pursuant to set-off provisions	(22)	(1,592)
Net deferred tax liabilities	-	-
Deferred tax liabilities expected to be settled within 12 months	22	18
Deferred tax liabilities expected to be settled after 12 months	-	1,574
	22	1,592

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 2017 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 has made an assessment as to the satisfaction of deductibility conditions at 30 June 2017 which it believes will be satisfied.

Notes to the Consolidated Financial Statements 30 June 2017

8. Current Assets – Cash and Cash Equivalents

	30 June 2017 \$'000	30 June 2016 \$'000
Cash at bank and on hand	3,351	1,327
Term Deposits and deposits at call	57,837	44,645
	61,188	45,972

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 \$787,000 (2016: \$766,000) of cash not available for use due to restrictions associated with a bank guarantee on the premises lease, and other restrictions for finance lease and credit card facilities; all of which are guaranteed by term deposits.

Interest rate risk

Current receivables are non-interest bearing.

30 June 2017		Floating interest rate		Fixed interest maturing		Non-interest bearing	Total \$'000	Contractual cash flows
		\$'000	1 year or less \$'000	1 to 2 years \$'000	2 to 3 years \$'000			
Notes								
Financial Assets								
Cash & deposits	8	9,143	48,862	–	–	3,183	61,188	N/A
Receivables	9	–	–	–	–	4,490	4,490	4,490
		9,143	48,862	–	–	7,673	65,678	4,490
Weighted average interest rate		1.1%	2.5%	–%	–%	–%		
Financial Liabilities								
Payables	12	–	–	–	–	4,670	4,670	4,670
Finance lease liabilities	13	–	23	24	23	–	70	70
		–	23	24	23	4,670	4,740	4,740
Weighted average interest rate		–%	5.8%	5.8%	5.8%	–%		

30 June 2016		Floating interest rate		Fixed interest maturing		Non-interest bearing	Total \$'000	Contractual cash flows
		\$'000	1 year or less \$'000	1 to 2 years \$'000	2 to 3 years \$'000			
Notes								
Financial Assets								
Cash & deposits	8	18,691	26,447	–	–	834	45,972	N/A
Receivables	9	–	–	–	–	4,304	4,304	4,304
		18,691	26,447	–	–	5,138	50,276	4,304
Weighted average interest rate		0.4%	2.9%	–%	–%	–%		
Financial Liabilities								
Payables	12	–	–	–	–	8,839	8,839	8,839
Finance lease liabilities	13	–	18	–	–	–	18	18
		–	18	–	–	8,839	8,857	8,857
Weighted average interest rate		–%	8.2%	–%	–%	–%		

9. Current Assets – Trade and Other Receivables

	30 June 2017 \$'000	30 June 2016 \$'000
Trade and grant receivables	3,838	3,938
Interest receivables	64	48
Prepayments	284	178
Other receivables	304	140
	4,490	4,304

Trade and grant receivables

Trade and grant receivables primarily comprise of \$3,537,000 (2016: \$3,522,000) of expenditure reimbursable under the Australian Government's R&D tax incentive scheme. Other trade receivables largely consist of royalty and research fees and are subject to normal terms of settlement within 30 to 60 days.

Credit risk

The group considers that there is no significant credit risk with respect to current receivables. Grant receivables are with government bodies and trade receivables are from large, well respected companies.

Impaired receivables

As at 30 June 2017, there were no material trade and grant receivables that were past due (2016: nil). No receivables are considered impaired at 30 June 2017 (2016: nil) .

Other receivables

Other receivables comprise sundry debtors and GST claimable and are subject to normal terms of settlement within 30 to 60 days.

Notes to the Consolidated Financial Statements 30 June 2017

10. Non-Current Assets – Property, Plant and Equipment

	Plant and Equipment \$'000	Leasehold improvements \$'000	Total \$'000
At 30 June 2015			
Cost	2,795	379	3,174
Accumulated depreciation	(2,190)	(74)	(2,264)
Net book amount	605	305	910
Year ended 30 June 2016			
Opening net book amount	605	305	910
Additions	80	18	98
Disposals	(6)	–	(6)
Depreciation	(181)	(131)	(312)
Closing net book amount	498	192	690
At 30 June 2016			
Cost	2,857	397	3,254
Accumulated depreciation	(2,359)	(205)	(2,564)
Net book amount	498	192	690
Year ended 30 June 2017			
Opening net book amount	498	192	690
Additions	372	206	578
Disposals	(19)	–	(19)
Depreciation	(166)	(170)	(336)
Closing net book amount	685	228	913
At 30 June 2017			
Cost	3,099	602	3,701
Accumulated depreciation	(2,414)	(374)	(2,788)
Net book amount	685	228	913

Plant and equipment includes the following amounts where the group is a lessee under a finance lease (refer to Note 13 for further details):

Leased equipment	30 June 2017 \$'000	30 June 2016 \$'000
Cost	72	419
Accumulated depreciation	(2)	(399)
Net book amount	70	20

Notes to the Consolidated Financial Statements 30 June 2017

11. Non-Current Assets – Intangible Assets

	Patents & Licenses \$'000	Goodwill \$'000	Total Intangibles \$'000
At 30 June 2015			
Cost	19,028	1,939	20,967
Accumulated amortisation	(12,574)	–	(12,574)
Net book amount	6,454	1,939	8,393
Year ended 30 June 2016			
Opening net book amount	6,454	1,939	8,393
Exchange differences	233	66	299
Amortisation	(619)	–	(619)
Closing net book amount	6,068	2,005	8,073
At 30 June 2016			
Cost	19,529	2,005	21,534
Accumulated amortisation	(13,461)	–	(13,461)
Net book amount	6,068	2,005	8,073
Year ended 30 June 2017			
Opening net book amount	6,068	2,005	8,073
Exchange differences	(104)	(34)	(138)
Amortisation	(570)	–	(570)
Disposal of business (see note 23)	(5,394)	(1,971)	(7,365)
Closing net book amount	–	–	–

The historical book value of goodwill, patents and licenses associated with the Priostar® portfolio was initially recognised as part of the acquisition of Dendritic Nanotechnologies Inc in October 2006. On 13 June 2017, the group sold Dendritic Nanotechnologies Inc as part of the disposal of the Agrochemicals business (see Note 23).

The group has amortised the value of patents and licenses up until the date of sale using the straight-line method based on the useful life of the patents. The useful life remaining was approximately 10 years at 30 June 2016.

12. Current Liabilities – Trade and Other Payables

	30 June 2017 \$'000	30 June 2016 \$'000
Trade payables and accruals	4,034	8,210
Other payables	636	629
	4,670	8,839

Trade payables and accruals

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

Notes to the Consolidated Financial Statements 30 June 2017

13. Current and Non-Current Liabilities – Finance Lease Liabilities

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.

2017		Floating Interest rate	Fixed interest rate			Total \$'000
	Notes		1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	
Lease liabilities	21	–	23	24	23	70
Weighted average interest rate		–%	5.8%	5.8%	5.8%	

2016		Floating Interest rate	Fixed interest rate			Total \$'000
	Notes		1 year or less \$'000	Over 1 to 2 years \$'000	Over 2 to 3 years \$'000	
Lease liabilities	21	–	18	–	–	18
Weighted average interest rate		–%	8.2%	–%	–%	

14. Current and Non-Current Liabilities – Provision for Employee Benefits

	30 June 2017 \$'000	30 June 2016 \$'000
Leave obligations		
Current	817	718
Non-current	39	40
	856	758

The leave obligations cover the group's liability for long service leave and annual leave. The current portion of this liability includes all of the accrued annual leave, and the unconditional entitlements to long service leave where employees have completed the required period of service. However, based on past experience, the group does not expect all employees to take the full amount of current accrued leave or require payment within the next 12 months. Current leave obligations expected to be settled after 12 months is \$554,000 (2016: \$480,000).

Refer to Note 1(s) for further information.

Notes to the Consolidated Financial Statements 30 June 2017

15. Contributed Equity

(a) Share capital

	2017 Shares	2016 Shares	2017 \$'000	2016 \$'000
Share Capital				
Ordinary shares – fully paid	369,091,652	367,107,521	193,549	193,512

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price	\$'000
1 Jul 2016		367,107,521		193,512
7 Oct 2016	Employee performance rights plan share issue	405,000	\$ –	–
13 Oct 2016	Employee performance rights plan share issue	924,245	\$ –	–
5 Dec 2016	Employee performance rights plan share issue	100,000	\$ –	–
25 Jan 2017	Employee share plan (\$1,000) issue	51,023	\$0.73	37
14 Jun 2017	Employee performance rights plan share issue	503,863	\$ –	–
	Balance at 30 June 2017	369,091,652		193,549

Date	Details	Number of shares	Issue Price	\$'000
1 Jul 2015		319,138,501		160,884
28 Sep 2015	Employee performance rights plan share issue	1,058,560	\$ –	–
9 Oct 2015	Employee performance rights plan share issue	278,250	\$ –	–
4 Dec 2015	Employee performance rights plan share issue	130,000	\$ –	–
16 Dec 2015	Share Placement	43,835,617	\$0.73	32,000
	less transaction costs			(1,303)
22 Jan 2016	Share Purchase Plan	2,623,361	\$0.73	1,915
	less transaction costs			(16)
25 Jan 2016	Employee share plan (\$1,000) issue	43,232	\$0.74	32
	Balance at 30 June 2016	367,107,521		193,512

(c) Ordinary shares

As at 30 June 2017 there were 369,091,652 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 27.

(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 27.

(f) 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.

Notes to the Consolidated Financial Statements 30 June 2017

16. Reserves

(a) Reserves

	30 June 2017 \$'000	30 June 2016 \$'000
Share-based payments reserve	10,896	8,690
Foreign currency translation reserve	–	(1,118)
Asset revaluation reserve	–	2,215
	10,896	9,787

(b) Movement in reserves

<i>Share-based payments reserve</i>	30 June 2017 \$'000	30 June 2016 \$'000
Balance at 1 July	8,690	7,044
Performance right expense	2,206	1,646
Balance at 30 June	10,896	8,690

Foreign currency translation reserve

Balance at 1 July	(1,118)	(1,385)
Currency translation differences arising during the year	(140)	267
Reclassification to the income statement on disposal of discontinued operation	1,258	–
Balance at 30 June	–	(1,118)

<i>Asset revaluation reserve</i>	30 June 2017 \$'000	30 June 2016 \$'000
Balance at 1 July	2,215	2,215
Transferred to accumulated losses on disposal of discontinued operations	(2,215)	–
Balance at 30 June	–	2,215

(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 cumulative amount was reclassified to the income statement on the disposal of Dendritic Nanotechnologies Inc.

(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. On disposal of the Dendritic Nanotechnologies in June 2017 the reserve is transferred to accumulated losses.

Notes to the Consolidated Financial Statements 30 June 2017

17. Accumulated Losses

	30 June 2017 \$'000	30 June 2016 \$'000
Accumulated losses balance at 1 July	(153,875)	(131,200)
Net profit (loss) for the year	10,415	(22,675)
Accumulated losses balance at 30 June	(143,461)	(153,875)

18. 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 22.

(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 2017 \$	30 June 2016 \$
Short-term employee benefits	2,178,003	2,132,568
Post-employment benefits	140,062	170,223
Other long-term benefits	28,802	18,010
Share-based payments	1,188,638	1,001,898
	3,535,505	3,322,699

Detailed remuneration disclosures are provided in the remuneration report on pages 18 to 37.

19. Remuneration of Auditors

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditors 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 2017 \$	30 June 2016 \$
Statutory audit services		
Audit or review of financial reports of the entity or any entity in the consolidated entity		
PricewaterhouseCoopers	104,754	99,297
Total remuneration for statutory audit services	104,754	99,297

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

20. Events Occurring After the Balance Sheet Date

On 7 August 2017, Starpharma reported the successful results of its two pivotal VivaGel® BV phase 3 trials for the prevention of recurrent bacterial vaginosis.

There are no other matters or circumstances have arisen since 30 June 2017 that have significantly affected, or may significantly affect:

- the consolidated entity's operations in future financial years, or
- the results of those operations in future financial years, or
- the consolidated entity's state of affairs in future financial years.

Notes to the Consolidated Financial Statements 30 June 2017

21. Commitments

(a) Capital Commitments

There is no capital expenditure contracted for, not recognised as liabilities at the reporting date (2016: nil).

(b) Lease Commitments

Operating leases

As at the reporting date the group leases laboratory and offices space under an operating lease until 19 December 2017, where the rental commitment is inclusive of outgoings. The group also leases office equipment generally over a three to five year term.

	30 June 2017 \$'000	30 June 2016 \$'000
Commitments for minimum lease payments in relation operating leases are payable as follows:		
Not later than one year	290	600
Later than one year and not later than five years	13	308
Later than five years	–	–
Representing cancellable operating leases	303	908

Subsequent to the reporting date the group executed a new operating lease for laboratory and offices space at the same location, with a further lease term of five years. During the year, the group executed a short term sub-lease of laboratory space with the purchaser of the Agrochemicals business.

Finance Leases

The group leases plant and equipment under a finance leases expiring within three (2016: one) years.

	Notes	30 June 2017 \$'000	30 June 2016 \$'000
Commitments in relation to finance leases are payable as follows:			
Not later than one year		26	19
Later than one year and not later than five years		50	–
Later than five years		–	–
Minimum lease payments		76	19
Future finance charges		(6)	(1)
Recognised as a liability		70	18
Representing finance lease liabilities:			
Current	13	23	18
Non-Current	13	47	–
		70	18

The weighted average interest rate implicit in the lease is 5.8% (2016: 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, the orderly close out of activities 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.

Notes to the Consolidated Financial Statements 30 June 2017

22. 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	
			2017 %	2016 %
Starpharma Pty Limited	Australia	Ordinary	100.00%	100.00%
Dendritic Nanotechnologies Inc. (note 23)	USA	Ordinary	–%	100.00%

23. Discontinued Operation

(a) Description

The Agrochemicals business and associated Priostar[®] related assets were reorganised into Dendritic Nanotechnologies Inc. and a newly incorporated subsidiary, Priostar Pty Ltd. On 13 June 2017 the group completed the sale of its Agrochemicals business, including the sale of these subsidiaries. The sale is reported in these financial statements as a discontinued operation. Financial information relating to the discontinued operation for the period to date of disposal is set out below.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the period 1 July 2016 to 13 June 2017 and the year ended 30 June 2016.

	13 June 2017 \$'000	30 June 2016 \$'000
Revenue	58	58
Expenses	(1,306)	(1,441)
Loss before income tax	(1,248)	(1,383)
Income tax expense	-	-
Loss after income tax of discontinued operation	(1,248)	(1,383)
Gain on sale of subsidiary after income tax	24,665	-
Profit/(loss) from discontinued operation	23,417	(1,383)
Exchange differences on translation of discontinued operation	1,118	267
Other comprehensive income from discontinued operation	1,118	267
Net cash outflow from operating activities	(461)	(612)
Net cash inflow from investing activities (2017 includes \$33,405,000 net disposal consideration (see note 23(c)) less \$124,000 cash transferred on disposal of the Agrochemicals business)	33,281	-
Net cash flow from financing activities	-	-
Net cash inflow/(outflow) generated	32,820	(612)

Notes to the Consolidated Financial Statements 30 June 2017

23. Discontinued Operation (continued)

(c) Details of the sale of the subsidiaries

	13 June 2017 \$'000	30 June 2016 \$'000
Consideration received:		
Gross	35,000	-
Transaction costs	(1,596)	-
Total disposal consideration	33,405	-
Carrying amount of net assets sold	(7,481)	-
Gain on sale before income tax and reclassification of foreign currency translation reserve	25,924	-
Reclassification of foreign currency translation reserve	(1,258)	-
Income tax expense on gain	-	-
Gain on sale after income tax	24,665	-

The carrying amounts of assets and liabilities as at the date of sale (13 June 2017) were:

	\$'000
Cash	124
Property, plant and equipment	18
Trade receivables	11
Intellectual property	7,365
Total assets	7,518
Employee benefit obligations	(37)
Total liabilities	(37)
Net assets	7,481

24. Contingencies

The company has no contingent assets or liabilities at 30 June 2017 (2016: nil).

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

	30 June 2017 \$'000	30 June 2016 \$'000
Operating profit/(loss) after tax	8,200	(22,675)
Depreciation and amortisation	318	931
Foreign exchange (gains) / losses	464	(342)
Non-cash employee benefits: share-based payments	1,996	1,678
Net gain (loss) on sale of property, plant and equipment	(1)	(5)
Net (gain) loss on sale of available for sale financial assets	-	(125)
Net (gain) loss on sale agrochemical business (Note 23)	(23,417)	-
Change in operating assets and liabilities, net of effects of acquisitions and disposals of entities:		
Decrease (increase) in receivables and other assets	(344)	(93)
Increase (decrease) increase in trade creditors	(4,281)	2,906
Increase in employee provisions	99	(12)
Increase (decrease) in deferred income	11	(74)
Net cash outflows from operating activities	(16,955)	(17,811)

Notes to the Consolidated Financial Statements 30 June 2017

26. Earnings Per Share

	30 June 2017	30 June 2016
Basic earnings/(loss) per share / Diluted earnings/(loss) per share		
From continuing operations attributable to the ordinary equity holders of the company (\$)	(0.04)	(0.06)
From discontinued operation (\$)	0.06	(0.01)
Total earnings/(loss) per share attributable to the ordinary equity holders of the company (\$)	0.02	(0.07)
Reconciliations of earnings/(loss) used in calculating earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations (\$'000)	(15,217)	(21,292)
From discontinued operation (\$'000)	23,417	(1,383)
Total (\$'000)	8,200	(22,675)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share		
	368,164,540	345,043,187

As at 30 June 2017 the company had on issue 9,419,740 (30 June 2016: 7,826,746) performance rights. The rights are not included in the determination of basic earnings per share. The rights are also not included in the determination of diluted earnings per share. They are not considered dilutive as their conversion would not increase loss per share from continuing operations.

27. Share-Based Payments

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 and 2014 annual general meetings. 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 2017 was \$0.65 per right (2016: \$0.74). There were 4,072,250 performance rights granted in the current year (2016: 3,709,246).

The estimated fair value at grant date of rights with a Total Shareholder Return (TSR) performance measure have been valued using a hybrid Monte-Carlo-trinomial option pricing model taking into account the absolute TSR target, the term of the right, the share price at grant date, the risk free rate, the expected dividend yield, expected share price volatility, the volatility of the relevant index, and the correlation between the share price and that index. All other rights incorporate Key Performance Indicator (KPI) measures, and the fair value at grant date of these rights represents a volume weighted average price (VWAP) of shares leading up to the grant date.

Notes to the Consolidated Financial Statements 30 June 2017

27. Share-Based Payments (continued)

Set out below are summaries of performance rights:

2017

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
22 Nov 2013	22 Nov 2016	22 Nov 2017	250,000	–	100,000	150,000	–
20 Nov 2014	30 Sep 2016	30 Sep 2017	450,000	–	405,000	45,000	–
20 Nov 2014	30 Sep 2017	30 Sep 2018	300,000	–	–	–	300,000
20 Nov 2014	30 Sep 2017	–	450,000	–	–	–	450,000
30 Jan 2015	30 Sep 2016	–	944,125	–	924,245	19,880	–
30 Jan 2015	30 Sep 2017	–	944,125	–	97,125 ¹	13,125	833,875
30 Jan 2015	30 Sep 2018	–	809,250	–	69,938 ¹	24,562	714,750
11 Nov 2015	30 Jun 2017	–	513,200	–	42,800 ¹	51,987	418,413
11 Nov 2015	30 Sep 2018	–	2,052,800	–	147,344 ¹	55,856	1,849,600
19 Nov 2015	30 Jun 2017	–	219,395	–	–	38,394	181,001
19 Nov 2015	30 Sep 2018	–	893,851	–	–	–	893,851
13 Oct 2016	30 Jun 2018	–	–	594,450	42,800 ¹	16,000	535,650
13 Oct 2016	30 Sep 2019	–	–	2,377,800	103,856 ¹	131,344	2,142,600
29 Nov 2016	30 Jun 2018	–	–	223,022	–	–	223,022
29 Nov 2016	30 Sep 2019	–	–	876,978	–	–	876,978
Total			7,826,746	4,072,250	1,933,108	546,148	9,419,740

¹ Performance rights were accelerated for transferring employees on the sale of the agrochemicals business in June 2017.

2016

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
30 Nov 2012	30 Nov 2015	30 Nov 2016	360,000	–	80,000	280,000	–
16 Sep 2013	16 Sep 2015	16 Sep 2016	1,061,600	–	1,058,560	3,040	–
22 Nov 2013	22 Nov 2015	22 Nov 2016	200,000	–	50,000	150,000	–
22 Nov 2013	22 Nov 2016	22 Nov 2017	250,000	–	–	–	250,000
20 Nov 2014	30 Sep 2015	30 Sep 2016	300,000	–	278,250	21,750	–
20 Nov 2014	30 Sep 2016	30 Sep 2017	450,000	–	–	–	450,000
20 Nov 2014	30 Sep 2017	30 Sep 2018	300,000	–	–	–	300,000
20 Nov 2014	30 Sep 2017	–	450,000	–	–	–	450,000
30 Jan 2015	30 Sep 2016	–	1,084,125	–	–	140,000	944,125
30 Jan 2015	30 Sep 2017	–	1,084,125	–	–	140,000	944,125
30 Jan 2015	30 Sep 2018	–	929,250	–	–	120,000	809,250
11 Nov 2015	30 Jun 2017	–	–	519,200	–	6,000	513,200
11 Nov 2015	30 Sep 2018	–	–	2,076,800	–	24,000	2,052,800
19 Nov 2015	30 Jun 2017	–	–	219,395	–	–	219,395
19 Nov 2015	30 Sep 2018	–	–	893,851	–	–	893,851
Total			6,469,100	3,709,246	1,466,810	884,790	7,826,746

Notes to the Consolidated Financial Statements 30 June 2017

Information used in assessing the fair value of performance rights granted during the year ended 30 June 2017 is as follows:

Right grant date	13 October 2016	13 October 2016	13 October 2016	29 November 2016
Number of rights granted	594,450	2,202,810	174,990	223,022
Earliest vesting date	30 June 2018	30 September 2019	30 September 2019	30 June 2018
Performance Measure	KPIs	KPIs	TSR	KPIs
Expected price volatility of the company's shares	50%	50%	50%	50%
Risk-free interest rate	1.51%	1.69%	1.69%	1.57%
Expected dividend yield	–	–	–	–
Share price at grant date	\$0.68	\$0.68	\$0.68	\$0.68
Assessed fair value	\$0.68	\$0.68	\$0.43	\$0.68

Right grant date	29 November 2016	29 November 2016
Number of rights granted	613,885	263,093
Earliest vesting date	30 September 2019	30 September 2019
Performance Measure	KPIs	TSR
Expected price volatility of the company's shares	50%	50%
Risk-free interest rate	1.85%	1.85%
Expected dividend yield	–	–
Share price at grant date	\$0.68	\$0.68
Assessed fair value	\$0.68	\$0.41

Information used in assessing the fair value of performance rights granted during the year ended 30 June 2016 is as follows:

Right grant date	11 November 2015	11 November 2015	11 November 2015	19 November 2015
Number of rights granted	519,200	1,914,800	162,000	219,395
Earliest vesting date	30 June 2017	30 September 2018	30 September 2018	30 June 2017
Performance Measure	KPIs	KPIs	TSR	KPIs
Expected price volatility of the company's shares	50%	50%	50%	50%
Risk-free interest rate	1.97%	2.00%	2.00%	1.97%
Expected dividend yield	–	–	–	–
Share price at grant date	\$0.74	\$0.74	\$0.74	\$0.86
Assessed fair value	\$0.72	\$0.72	\$0.50	\$0.76

Right grant date	19 November 2015	19 November 2015
Number of rights granted	625,696	268,155
Earliest vesting date	30 September 2018	30 September 2018
Performance Measure	KPIs	TSR
Expected price volatility of the company's shares	50%	50%
Risk-free interest rate	2.00%	2.00%
Expected dividend yield	–	–
Share price at grant date	\$0.86	\$0.86
Assessed fair value	\$0.76	\$0.54

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

27. Share-Based Payments (continued)

Shares

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

All staff 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 2017 was \$0.73 (2016: \$0.74 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 2017 is as follows:

Share grant date	25 January 2017
Number of shares granted	51,023
Share price at grant date	\$0.73
Assessed fair value	\$0.73

There was no allocation of shares to key management personnel in the 25 January 2017 issue.

Information used in assessing the fair value of shares granted during the year ended 30 June 2016 is as follows:

Share grant date	25 January 2016
Number of shares granted	43,232
Share price at grant date	\$0.74
Assessed fair value	\$0.74

There was no allocation of shares to key management personnel in the 25 January 2016 issue.

Expenses arising from share-based payment transactions

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

	30 June 2017 \$'000	30 June 2016 \$'000
Employee shares issued	37	32
Employee performance rights issued	2,206	1,646
	2,243	1,678

28. Parent Entity Financial Information

(a) Summary financial information

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

	30 June 2017	Parent 30 June 2016
	\$'000	\$'000
Balance Sheet		
Current assets	57,675	44,486
Total assets	57,675	64,138
Current liabilities	910	820
Total liabilities	910	820
<i>Shareholders' equity</i>		
Contributed equity	193,549	193,512
Reserves	10,387	8,181
Accumulated losses	(147,171)	(138,375)
Loss for the year	(8,795)	(17,319)
Total comprehensive income	(8,795)	(17,319)

(b) Contingencies of the parent entity

The parent entity has no contingent assets or liabilities at 30 June 2017 (2016: nil).

Directors' Declaration for the year ended 30 June 2017

In the directors' opinion:

- (a) the financial statements and notes set out on pages 46 to 77 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 2017 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, 28 August 2017



Independent auditor's report

To the shareholders of Starpharma Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Starpharma Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2017
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

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individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The Group operates in the biotechnology industry, undertaking development of dendrimer technology for pharmaceutical, life science and other applications. The Group owns a portfolio of proprietary technology with applications in different stages between development and commercialisation.



<i>Materiality</i>	<i>Audit scope</i>	<i>Key audit matters</i>
<ul style="list-style-type: none"> • For the purpose of our audit we used overall Group materiality of \$0.76 million, which represents approximately 5% of the Group’s adjusted loss before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group adjusted loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted for the impact of the gain on disposal of Starpharma Agrochemicals as the financial statement line item is not expected to reoccur and has a disproportionate impact on the earnings result for the period. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable profit related thresholds in the biotechnology industry. 	<ul style="list-style-type: none"> • Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • All audit procedures are performed by PwC Australia, consistent with the location of Group management and financial records. • We tailored the scope of our audit taking into account the accounting processes and controls, and the industry in which the Group operates. 	<ul style="list-style-type: none"> • Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> – Disposal of Starpharma Agrochemicals – Research and development tax incentive • These are further described in the <i>Key audit matters</i> section of our report.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
<p>Disposal of Starpharma Agrochemicals (Refer to note 23)</p> <p>During June 2017 the Group disposed of the Starpharma Agrochemical business and associated net assets with carrying value of \$7.5m for a cash consideration of \$35 million, as described in note 23, realising a gain of \$24.7 million within the consolidated income statement.</p> <p>On disposal the accumulated foreign currency translation reserve (FCTR) of \$1.3 million related to Dendritic Nanotechnologies Inc has been recycled to the consolidated income statement.</p> <p>This is a key audit matter due to the fact that the transaction is material to the financial statements.</p>	<p>We read the Starpharma Agrochemicals share sale and purchase agreement (SPA) to obtain an understanding of the terms of the transaction and performed the following procedures:</p> <ul style="list-style-type: none">• Assessed the presentation and disclosure of the Agrochemicals business as a discontinued operation against the requirements of the relevant Australian Accounting Standards.• Obtained managements calculation of the gain on disposal and agreed:<ul style="list-style-type: none">○ Cash proceeds to the SPA and bank records○ Material transaction costs incurred to bank records○ Net assets transferred to the SPA and their value to the Group's financial records○ FCTR to the Group's financial records• Agreed the calculation of the results of discontinued operations for both the current year and prior year to the Group's financial records.• Assessed management's rationale and judgement in determining the classification of the gain on disposal in the Group's income tax provision calculations.



Key audit matter

How our audit addressed the key audit matter

Research and development tax incentive (Refer to note 3 critical accounting estimates)

Starpharma's research and development (R&D) activities are eligible for a refundable tax offset under an Australian Government tax incentive. Management has assessed these activities and expenditure to determine their eligibility under the incentive scheme. The R&D Tax Incentive receivable recorded for the year ended 30 June 2017 was \$3.5 million.

This is a key audit matter due to the fact that the amount accrued in the financial statements is material and there is a degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.

We tested management's estimate of the R&D Tax Incentive receivable to assess the amount accrued as at 30 June 2017. As part of our procedures we:

- Compared the estimate recorded in the financial statements as at 30 June 2016 to the amount of cash received after lodgement of the R&D Tax Incentive claim to assess historical accuracy of the estimate.
- Compared the nature of the R&D expenditure included in the current year estimate to the prior year estimate.
- Assessed the nature of the expenses against the eligibility criteria of the R&D Tax Incentive programme.
- Agreed the eligible expenditure in the estimate to the general ledger.
- Obtained copies of correspondence with the ATO related to the claim and agreed the assessment to management's estimate.
- Obtained copies of correspondence with the company's external tax specialist and agreed the advice to the current calculation and the 2016 lodgement.
- Assessed the classification of the amount in the financial statements.



Other information

The directors are responsible for the other information. The other information comprises the Chairman's Letter to shareholders, CEO's Report, Corporate and Social Responsibility, Director's Report, Operating and Financial Review, Corporate Governance Statement, Shareholder Information, Intellectual Property Report and Corporate Directory included in the Group's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors 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 *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.



Report on the remuneration report

Our opinion on the remuneration report

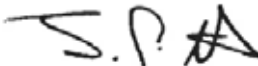
We have audited the remuneration report included in pages 18 to 37 of the directors' report for the year ended 30 June 2017.

In our opinion, the remuneration report of Starpharma Holdings Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.


PricewaterhouseCoopers



Jon Roberts
Partner

Melbourne
28 August 2017

Shareholder Information

The shareholder information set out below was applicable as at 23 August 2017.

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	780	–
1,001–5,000	1,488	–
5,001–10,000	835	–
10,001–100,000	1,420	19
100,000 and over	249	17
Total	4,772	36

There were 404 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:

Name	Number held	Ordinary shares
		Percentage of issued shares
1. HSBC Custody Nominees (Australia) Limited	126,009,550	34.14
2. JP Morgan Nominees Australia Limited	38,300,306	10.38
3. Citicorp Nominees Pty Limited	28,538,389	7.73
4. National Nominees Limited	8,724,690	2.36
5. T & N Argyrides Investments P/L <Super Fund A/C>	5,472,592	1.48
6. BNP Paribas Noms Pty Ltd <DRP>	4,396,654	1.19
7. Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	4,065,111	1.10
8. MBA Investments Pty Ltd	3,060,000	0.83
9. Mr Peter Murray Jackson	3,050,000	0.83
10. Applecross Secretarial Services Pty Ltd <L Gorr Family A/C>	3,047,240	0.83
11. Mr Kingsley Bryan Bartholomew	2,542,072	0.69
12. Sunshine Group Investments Pty Ltd <Sunshine Group Inv Fam A/C>	2,400,000	0.65
13. Ms Jacinth Fairley	2,228,024	0.60
14. Dollar Coin Investments <Cousins Discretionary A/C>	2,001,850	0.54
15. Merrill Lynch (Australia) Nominees Pty Limited	1,696,348	0.46
16. HSBC Custody Nominees (Australia) Limited - A/C 2	1,685,851	0.46
17. Mr Peter Malcolm Colman	1,638,851	0.44
18. RBC Investor Services Australia Nominees Pty Ltd <VFA A/C>	1,521,146	0.41
19. Commonwealth Scientific And Industrial Research Organisation	1,448,798	0.39
20. Mr Mario Argyrides	1,439,900	0.39
	243,267,372	65.91

Shareholder Information

Unquoted equity securities over ordinary shares

<u>Name</u>	<u>Number on issue</u>	<u>Number of holders</u>
Employee Performance Rights	9,259,740	36

C. Substantial Holders

Substantial shareholders with a shareholding greater than 5% as shown in substantial shareholder notices received by the company as at 23 August 2017:

Ordinary shares

<u>Name</u>	<u>Number held</u>	<u>Percentage of issue shares</u>
Allan Gray Australia Pty Ltd	49,041,042	13.36
M&G Investment Funds	37,069,789	13.06
FIL Limited	29,022,710	7.91

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) Performance Rights No voting rights.

Intellectual Property Report

The Starpharma patent portfolio currently has around 15 active patent families with over 100 granted patents and more than 30 patent applications pending.

Key patents within the Starpharma portfolio as at 31 July 2017:

Title	Priority Date & Publication Number	Patents Granted	Applications Pending
VivaGel® Patent Portfolio			
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	30 March 2001 WO02/079299	Australia, Brazil, Canada, China, Europe, Hong Kong, Japan, Mexico, New Zealand, Singapore, South Korea, USA	
Microbicidal Dendrimer Composition Delivery System (Condom related)	18 October 2005 WO2007/045009	Australia, Canada, Europe, Hong Kong, India, Japan, Malaysia, Mexico, New Zealand, Russian Federation, South Korea, Taiwan, USA	Argentina
Contraceptive Composition	22 March 2006 WO2007/106944	Australia, Canada, China, Europe, Japan, USA	
Method Of Treatment Or Prophylaxis Of Bacterial Vaginosis	16 May 2011 WO2012/000891	Australia, Japan, USA	Brazil, Canada, China, Europe, Hong Kong, India, Israel, Japan, South Korea, Mexico, Russia
Method of Treatment or Prophylaxis of Infection of the Eye	13 September 2012 WO2014/043576	Europe	Canada, China, Hong Kong, India, Japan, USA
Method of Prophylaxis of Zika Virus Infection	15 May 2016		International
Drug Delivery Patent Portfolio (includes DEP® Patents)			
Macromolecules Compounds Having Controlled Stoichiometry	25 October 2005 WO2007/048190	Australia, Canada, Europe, USA	
Modified Macromolecules	20 January 2006 WO2007/082431	Australia, Canada, India, Japan, USA	China, Europe, Hong Kong
Targeted Polylysine Dendrimer Therapeutic Agent	11 August 2006 WO2008/017125	China, USA	Europe, India
Macromolecules (Drug linkers)	6 June 2011 WO2012/167309	Australia, Japan	Brazil, Canada, China, Europe, Hong Kong, India, South Korea, USA
Macromolecules and their Use (Platinum related)	10 September 2013 WO2015/035446		USA
Dendrimer Drug Conjugates (Insulin related)	6 June 2014 WO 2015/184510		Europe, India, 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 R Turvey
R A Hazleton
Z Peach

Company Secretary

Nigel Baade

Registered office

4-6 Southampton Crescent
Abbotsford, Victoria 3067 Australia

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

Postal address

PO Box 2022
Preston VIC 3072 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
2 Riverside Quay
Southbank VIC 3006 Australia

Solicitors

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

Stock exchange listing

ASX Limited
Level 4, 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.otcm Markets.com), a premium market tier in the U.S. for international exchange-listed companies, operated by OTC Markets Group.

Website address

www.starpharma.com



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