Starpharma Holdings Limited

ABN 20 078 532 180

Appendix 4E: Preliminary Financial Report
Year ended 30 June 2015

Lodged with the ASX under Listing Rule 4.3A
Previous corresponding period: Year ended 30 June 2014

Results for announcement to the market

				$'000
Revenue from continuing operations *(Appendix 4E item 2.1)*	Up	36%	to	**$1,693**
Loss from continuing operations after tax attributable to members *(Appendix 4E item 2.2)*	Up *(increase)*	29%	to	**$18,950**
Loss for the period attributable to members *(Appendix 4E item 2.3)*	Up *(increase)*	29%	to	**$18,950**

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

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

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

Total revenue for the year was $1,693,000. Revenue consists predominately of royalty, licensing and research revenue from commercial partners of $804,000 (2014: $273,000) and interest income on cash invested of $889,000 (2014: $973,000).

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

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

The reported net loss after tax of $18,950,000 is after fully expensing all research and development expenditure and patenting costs in the current year. The net loss is an increase from the prior year loss of $4,315,000. The major variance is a result from the VivaGel® and DEP™ docetaxel clinical programs in progress with lower R&D tax incentives compared to last year.

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

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

Refer to the Annual Report which follows this announcement.

Retained Earnings / Accumulated Losses *(Appendix 4E item 6)*

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

NTA Backing *(Appendix 4E item 9)*

Net tangible asset backing per ordinary share at 30 June 2015 is $0.09 (2014: $0.09).

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

Refer to the Annual Report which follows this announcement.

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

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

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

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

Appendix 4E items 7, 8, 10, 11, and 13 are not applicable

ASX ANNOUNCEMENT

Starpharma annual report and full year financial results

Melbourne, Australia; 21 August 2015: Starpharma Holdings Ltd (ASX:SPL; OTCQX:SPHRY) today released its annual report and financial results for the year ended 30 June 2015.

Financial Results

- Net cash burn (cash outflows before new capital) $13.7M[1]
- Cash position at end of the year $30.8M
- Net proceeds of $20.5M from equity placement and share purchase plan
- Total revenue and other income $1.7M
- Reported loss $18.95M

Operational Highlights

VivaGel®

- Phase 3 clinical trials of VivaGel® for the prevention of recurrent bacterial vaginosis (BV) commenced following the granting of a Special Protocol Assessment (SPA) from the US FDA.
- Regulatory submissions for marketing approval were made and commercial discussions are underway for the VivaGel® BV symptomatic relief product.
- The VivaGel® condom was launched in Australia by Starpharma's marketing partner, Ansell, under its LifeStyles® Dual Protect™ brand.
- Marketing clearance achieved for the VivaGel® condom in New Zealand, and under regulatory review in other markets.

Drug Delivery

- Dose level of DEP™ docetaxel in the phase 1 trial exceeds the most commonly used dose for Taxotere® of 75mg/m^2, with no reports of neutropenia or hair loss.
- Extension of collaboration agreement with AstraZeneca to scale-up a DEP™ enhanced oncology molecule for further development by AstraZeneca.
- Significant progress has been made in both internal and partnered drug delivery programs.

Agrochemicals

- Further field studies show dendrimer-enhanced formulation of glyphosate is more effective on hard-to-control weeds than glyphosate alone.
- Priostar® glyphosate patent granted in China, the largest glyphosate producer in the world.

[1] Net cash burn is considered a non-IFRS value and has not been audited in accordance with Australian Accounting Standards. Net cash burn is calculated by the movement in cash and cash equivalents from 30 June 2014 to 30 June 2015 adjusted for the net proceeds on the issue of equity of $20.5M.

Corporate

- Strong institutional demand for capital raising.
- Receipt of $4.2M R&D tax incentive.
- Relocation to established laboratories and office space in Abbotsford.

Commenting on the 2015 financial year, Starpharma CEO Dr Jackie Fairley said: "Significant progress continues across Starpharma's three portfolios. The granting by the US FDA of an SPA, and subsequent commencement of the phase 3 clinical trials of VivaGel® for the prevention of recurrent BV marked an important start to the year."

"The launch in Australia of the VivaGel® condom, under the Dual Protect™ brand was an important milestone. It is pleasing that Ansell has recently rolled out the Dual Protect™ condom into pharmacies, following the initial launch in Woolworths' stores. Starpharma looks forward to further regulatory approvals to expand the condom's market and geographic reach over the coming year."

"We are also excited by the recent progress in our drug delivery portfolio, with the DEP™ docetaxel phase 1 clinical trial now approximately two thirds recruited. Patients in the trial are receiving doses exceeding the most commonly used dose for Taxotere® with no neutropenia or hair loss observed or reported. More broadly, significant progress has also been made in internal and partnered drug delivery programs, notably the extension of the highly successful AstraZeneca collaboration."

Net cash outflows from operating and investing activities for the year were $14.3 million (2014: $10.1 million), with cash reserves at 30 June 2015 of $30.8 million (2014: $24.0 million). The net loss after tax was $18.95 million (2014: $14.6 million), with the increase primarily a result of clinical programs in progress in the 2015 financial year.

ABOUT STARPHARMA

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

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

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

In the wider pharmaceutical and life science fields, Starpharma has both partnered and internal programs in Drug Delivery. Drug Delivery partners include GSK, Lilly and AstraZeneca. A number of dendrimer-enhanced, or DEP™ versions of existing drugs are under development. The most advanced of these is DEP™ docetaxel, a dendrimer-enhanced version of docetaxel (Taxotere®), which is in clinical development. In preclinical studies DEP™ docetaxel has shown significant tumour-targeting and superior anti-cancer effects across a range of important cancer types including breast, prostate, lung and ovarian tumour, when compared to Taxotere® (docetaxel).

In agrochemicals Starpharma has a series of partnerships with leading industry players including global leader Adama (formerly Makhteshim Agan) as well as internal programs including an enhanced version of glyphosate (the active ingredient in Roundup®).

FOR FURTHER INFORMATION

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Forward Looking Statements

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

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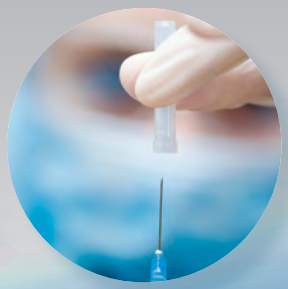
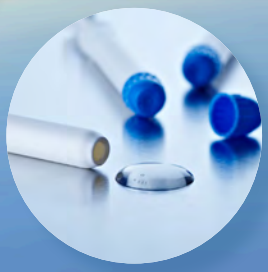
Annual Report 2015





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Highlights

VivaGel® Portfolio

Phase 3 clinical trials for prevention of recurrent bacterial vaginosis (BV)

The phase 3 clinical trials of VivaGel® to prevent recurrent BV commenced following the granting of a Special Protocol Assessment (SPA) from the US FDA, with the design also agreed with European regulators. Both these achievements reduce the regulatory risk for the product. Approximately 1,200 women are being recruited across the two trials being conducted in North America, Europe and Asia.

Launch of VivaGel® condom in Australia

In late 2014, the VivaGel® condom was launched in Australia by Starpharma's marketing partner, Ansell, under its LifeStyles® Dual Protect™ brand. The VivaGel® condom has now been rolled out nationally into pharmacies, including Chemist Warehouse, after the initial product launch in Woolworths.

Additional VivaGel® condom regulatory approvals

Marketing clearance for the VivaGel® condom in New Zealand was achieved, the first of the wider geographic regulatory approvals anticipated. The VivaGel® condom is also currently under regulatory review in other markets.

Regulatory submissions in review for VivaGel® BV symptomatic relief product

Excellent progress on the regulatory submissions for marketing approval of VivaGel® for symptomatic relief of BV has been made in a number of countries. Commercial discussions with parties regarding marketing rights for the VivaGel® symptomatic relief product in various regions are also progressing well.

Drug Delivery Portfolio

DEP™ docetaxel trial dose exceeds most commonly administered Taxotere® dose

The DEP™ docetaxel dose level in the phase 1 trial now exceeds the most commonly used dose for Taxotere® of 75mg/m^2, with no reports of neutropenia or hair loss. Approximately two thirds of the anticipated patients have now been recruited into the study and a number of patients have exhibited potential signs of anticancer activity.

AstraZeneca to develop oncology drug using DEP™ platform

The collaboration agreement with AstraZeneca was extended to conduct scale-up of a dendrimer-enhanced DEP™ oncology molecule for further development by AstraZeneca. This development follows a successful program of pre-clinical studies evaluating Starpharma's DEP™ platform to improve a development candidate from AstraZeneca's cancer pipeline.

Drug delivery pipeline

More broadly, significant progress has been made in both internal and partnered drug delivery programs. Pre-clinical studies are underway for multiple candidates, building on earlier encouraging results. Substantial progress has also been made in the application of the DEP™ platform for targeted therapies.

Agrochemicals and Crop Protection

Dendrimer-enhanced agrochemicals continue to demonstrate strong results

Further field studies show Starpharma's dendrimer-enhanced glyphosate is more effective on hard-to-control weeds than glyphosate alone and have demonstrated evidence of faster onset of action and better overall effectiveness. Additional agrochemical actives are also undergoing field testing across Starpharma's partnered and internal programs.

Priostar® glyphosate patent granted in China

In November, the State Intellectual Property Office of China granted a formulation patent for Priostar® dendrimers with agrochemicals, including with glyphosate. This patent further supports the commercial exploitation of Starpharma's dendrimer technology in agrochemicals both in China and worldwide, due to China being the largest glyphosate producer in the world, with production capacity exceeding 600,000 tonnes in a global market exceeding US$5 billion.

Corporate

Strong institutional demand in Starpharma's $21.5m capital raising

In September, Starpharma raised $18 million through a share placement to institutional and sophisticated investors that was significantly oversubscribed. There was also strong demand for the share purchase plan offered to existing eligible shareholders which raised an additional $3.5 million. The company attracted six new domestic and seven new international funds to its register as a result of the placement and also had strong participation from existing shareholders.

Receipt of $4.2m R&D tax incentive payment

Starpharma received a total of $4.2 million under the R&D Tax Incentive Program, relating to eligible Australian and overseas R&D activities from the 2013/14 financial year.

New premises

In December, Starpharma relocated its facilities to an established laboratory and office space in Abbotsford, which was previously occupied by Carlton & United Breweries.

Chairman's Letter

Mr Rob Thomas *AM*, Chairman

Dear Shareholders,

On behalf of the Board and Management of Starpharma I'm pleased to present the annual report for the 2015 financial year.

2015 has been a most productive year for the company. We have enjoyed real progress in so many areas and your Board is confident of exciting times ahead.

Starpharma remains one of Australia's most innovative biotechnology companies with a platform technology supporting three unique areas of focus: VivaGel®, drug delivery and agrochemicals. Across these key areas, there are multiple product opportunities in varying phases of development, ranging from pre-clinical, clinical, regulatory submissions through to products on market. Starpharma also has strong and successful partnerships accelerating product development opportunities whilst maximising invested capital.

One of the most exciting areas of advancement this year has been the progress of the company's drug delivery platform and the DEP™ docetaxel phase 1 clinical study being conducted in Australia. The DEP™ docetaxel dose level now exceeds the most commonly used dose of Taxotere®, whilst exhibiting a complete lack of neutropenia and hair loss. In comparison, neutropenia occurs in 75% of patients at lower doses of Taxotere®, the currently marketed docetaxel formulation. Potential efficacy signals have been seen in several patients treated with DEP™ docetaxel and preparations are underway for a subsequent phase 2 study.

It is also very pleasing that with the support of the Federal Government's R&D tax incentive scheme, Australians with cancer are the first to be treated with this potentially beneficial therapy.

In the second half of the financial year, AstraZeneca and Starpharma signed an extension to the existing drug delivery collaboration agreement to develop a novel oncology drug using Starpharma's DEP™ technology. This extension followed the achievement of promising pre-clinical results as part of a highly successful collaboration. We have enjoyed an excellent relationship with AstraZeneca and look forward to further collaboration.

In the VivaGel® portfolio, since the granting of a special protocol assessment by the US FDA in July of last year, two phase 3 clinical trials for VivaGel® to prevent the recurrence of bacterial vaginosis have commenced across the US, Europe and Asia and are progressing well. In addition, excellent progress on regulatory submissions for VivaGel® for symptomatic relief of bacterial vaginosis has been made in the year and commercial discussions are underway for this product's distribution. Bacterial vaginosis is a condition that affects up to a third of the US adult female population.

The regulatory approval and market launch of the VivaGel® condom in Australia shows the ability of the Starpharma team to successfully innovate and commercialise products.

The VivaGel® condom marketed in Australia under Ansell's LifeStyles® Dual Protect™ brand is being rolled out to wider retail channels. In parallel, substantial regulatory progress has been made in additional geographies.

Starpharma's business strategy of advancing lead products internally and in parallel with an active partnering program allows the company to commercialise multiple products concurrently and has resulted in Starpharma owning a deep and robust portfolio of products. Starpharma's wider partnering program includes a number of leading global brands and deals with major international pharmaceutical and agrochemical companies.

This strategy has also allowed Starpharma to progress the portfolio more broadly while maintaining a strong cash position of $30.8 million at 30 June.

I would like to thank my fellow Board members for their wise counsel and support. Dr Peter Jenkins retires from the Board following the annual general meeting in November after many years of service. We are very indebted to Peter for his guidance over much of the life of our company.

I would also like to thank Chief Executive Officer Dr Jackie Fairley, her executive management team and all Starpharma employees for their continued dedication and professionalism. We achieve an extraordinary amount with a team of only 35 employees and the results are a testament to their hard work. The potential for this company having a positive impact on major health issues is truly significant as the advantages of our dendrimer products VivaGel® and DEP™ docetaxel demonstrate.

Finally I would like to thank you, our shareholders. We greatly appreciate your ongoing support in an industry where product innovation has the potential to address major medical needs but timelines for success are sometimes measured in years due to regulatory and development timelines. We certainly do not take your support for granted and the focus of Jackie, her team and your Board is driven by the desire to produce significant commercial returns from our platform of opportunities.

Yours sincerely,

Rob Thomas *AM*
Starpharma Chairman

CEO's Report

Dr Jackie Fairley, Chief Executive Officer

I am pleased to report on Starpharma's activities during the 2015 financial year and our future plans. Significant progress has been made across our three key areas of focus – VivaGel®, drug delivery and agrochemicals, with significant achievements in all three portfolios.

VivaGel® Portfolio

During the year, a number of major regulatory, development and commercial milestones were achieved across the VivaGel® portfolio, both for the stand-alone gel product for bacterial vaginosis (BV) and for the VivaGel® condom.

VivaGel® for prevention of recurrent BV

The granting in July 2014, by the US FDA of an SPA designation for the clinical trials of VivaGel® for prevention of recurrent BV was an important achievement. An SPA is a binding agreement received from the FDA that stipulates that Starpharma's phase 3 clinical study design, endpoints, statistical analyses and other aspects of the planned studies are acceptable to support a regulatory application for approval of the product. An SPA reduces regulatory uncertainty and is relatively unusual and difficult to achieve, with only a handful of companies in Australia achieving this binding agreement. In addition to the SPA for the US, the European authorities also agreed on the design of the phase 3 VivaGel® studies.

Following the receipt of the SPA, Starpharma commenced the two pivotal phase 3 clinical trials of VivaGel® for the prevention of recurrent BV. The two double-blind, randomised, placebo-controlled trials will enrol approximately 600 women each, at sites across North America, Europe and Asia. The objective of the trials is to confirm the efficacy of VivaGel® in reducing recurrent BV in women. The primary endpoint of each trial is the recurrence of BV during the VivaGel® treatment period.

BV is the most common vaginal infection worldwide, affecting an estimated 30% of the adult female population in the US and more than 50% in some US populations. The global market for treatment and prevention of recurrence of BV is estimated to be in excess of US$1 billion per annum. Recurrent BV is particularly troublesome and affects 50–60% of BV sufferers, with no approved therapeutic option currently available to prevent the condition.

VivaGel® for BV – The Product Proposition

- A non-antibiotic therapy
- Rapid relief from symptoms
- Excellent user acceptability
- A local effect and is not systemically absorbed
- Large market opportunities

"BV has a significant social impact on patients, and women are very concerned about their odour and often have a low quality of life."

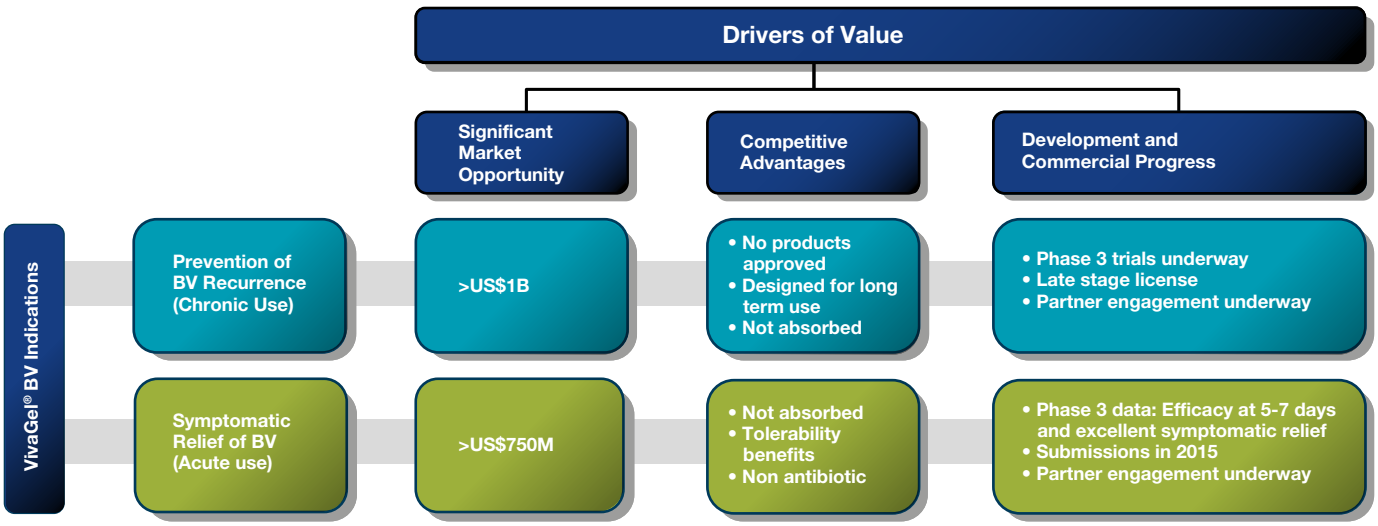
Dr Carter, a Board Certified OBGYN with a large BV practice in Memphis, Tennessee, and an investigator in the VivaGel® trials.

VivaGel® for the symptomatic relief of BV

Despite BV being the most common vaginal infection worldwide, consumer and key opinion leader feedback indicates there is still significant unmet medical need in terms of options for the treatment of BV symptoms.

Phase 2 and 3 clinical trials conducted by Starpharma demonstrated statistically significant clinical cure and symptomatic relief in women with BV at the end of treatment. In these trials, VivaGel® was shown to result in a marked reduction of BV-related pathogens and a rapid and sustained relief from symptoms such as odour and discharge associated with BV. In addition, VivaGel® had an excellent safety profile with patient acceptability and feedback on the product being very positive.

Starpharma has already made regulatory submissions for marketing of VivaGel® for treatment, including symptomatic relief of BV, in a number of countries. Commercial discussions for marketing rights to this product are also progressing well. The excellent symptomatic relief profile shown for VivaGel® in clinical trials and positive consumer feedback on the product provides an opportunity for VivaGel® to play an important role and provide a non-antibiotic option for the management of BV.



The VivaGel® condom

The VivaGel® condom was launched in Australia in October by Starpharma's marketing partner, Ansell, under its LifeStyles® brand as the Dual Protect™ condom. The VivaGel® condom was initially available nationally at Woolworths' stores and subsequently rolled out into pharmacies, including Chemist Warehouse, and a number of online outlets.

The VivaGel® Dual Protect™ condom is a world-first product based on innovative Australian technology. It is the world's first antiviral condom and the only condom of its type, providing primary barrier protection and incorporating a proprietary antiviral compound, VivaGel®, in the lubricant. VivaGel® has been shown in laboratory studies to inactivate up to 99.9% of HIV, HPV and HSV-2, which are viruses that cause STIs.

The Australian launch of the VivaGel® condom marks a major milestone for Starpharma and it is very pleasing that two Australian companies are developing and commercialising an Australian innovation. Under the license agreement, Ansell manufactures, markets, distributes and sells the VivaGel® condom, with Starpharma receiving a royalty based on sales of the product.

In addition to the first market launch in Australia, Starpharma and its partners have far-reaching plans for the product and, with further regulatory approvals, the VivaGel® condom will be expanded into more geographies over the coming year. Marketing clearance has been achieved in New Zealand, with other regulatory submissions under review for other countries.

As well as a licence agreement with Ansell, Starpharma has licensed the VivaGel® condom in Japan to Okamoto Industries, the market leader for condoms sold in Japan. Okamoto and Starpharma continue to work closely with the Japanese regulatory authorities to facilitate launch as soon as possible.

"I would buy this product right now if I could…"

"I like the idea of a condom doing more for us than just being a barrier…seems more reassuring to know it's doing extra"

"I would definitely buy this product without a shadow of a doubt…"

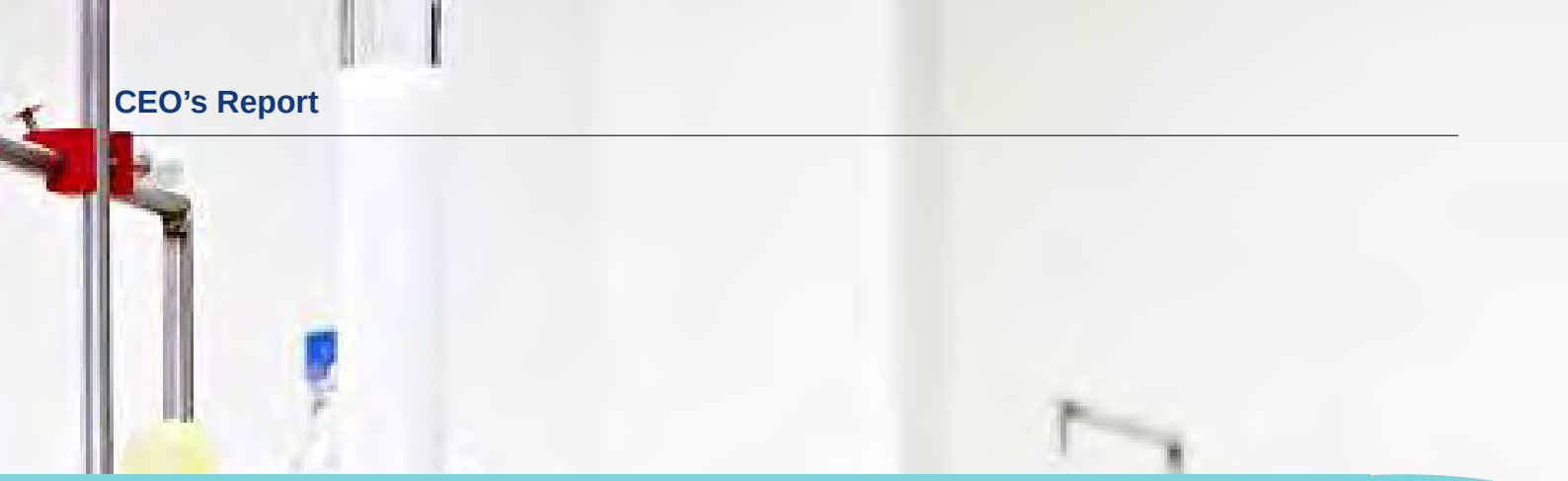
VivaGel® condom consumer research

The VivaGel® condom – extensive consumer research confirms strong interest and purchase intent.

Formal research conducted in 1,800 condom users across USA, Europe, Asia and South America, demonstrates strong consumer interest across genders, ages and relationship status.

	TOTAL	♀	♂
Level of interest*	**85%**	**88%**	**82%**

** Percentages as shown are scores from respondents that said they were "very interested" or "interested" in the condom*



Drug Delivery Portfolio

Starpharma achieved significant milestones in the DEP™ drug delivery portfolio during the financial year, with encouraging initial clinical data from the phase 1 trial of DEP™ docetaxel and the expansion of the relationship with AstraZeneca to develop one of its oncology candidates using DEP™ technology. The year also saw important progress in both the broader internal and partnered drug delivery programs.

DEP™ docetaxel program

The phase 1 clinical trial of DEP™ docetaxel is progressing well with the current dose level now in excess of the most commonly used dose for Taxotere® of 75mg/m^2.

The primary objective of the study is to establish the maximum tolerated dose and dose-limiting toxicities of DEP™ docetaxel, which is a new formulation of the widely marketed chemotherapeutic, Taxotere®. In its existing formulation, Taxotere® is known to cause a number of side effects in some patients such as anaphylaxis, neutropenia and hair loss.

There continue to be no reports of neutropenia or hair loss in the DEP™ docetaxel study and patients have tolerated the product well. This is remarkable given the fact that at similar doses, more than 75% of Taxotere®–treated patients would be expected to exhibit significant neutropenia. In addition, DEP™ docetaxel patients in the phase 1 trial do not require pre-medication with steroids to prevent allergic (anaphylactic) reactions, which can be experienced with marketed forms of docetaxel used today.

Approximately two thirds of the anticipated patients have now been recruited into the study and some have received up to six cycles of treatment. Although not a primary outcome of the current study, a number of patients have exhibited signs of potential anticancer activity.

Preliminary analyses of the pharmacokinetics of DEP™ docetaxel in patients dosed to date confirm a number of beneficial product features that were seen in earlier preclinical studies, including an extended duration of effect, increased total exposure to drug and reduced peak levels of drug. These pharmacokinetic characteristics could apply to and provide advantages for a range of other drugs that are cleared from the body too rapidly, and/or have toxicities associated with very high peak drug levels.

The DEP™ docetaxel trial is being conducted through the Nucleus Network at Melbourne's AMREP/Alfred Hospital facility and Austin Health/Olivia Newton-John Cancer & Wellness Centre in Victoria, the Royal Brisbane & Women's Hospital in Queensland and Liverpool Hospital in New South Wales. Australian patients are the first in the world to have access to Starpharma's enhanced version of docetaxel.

AstraZeneca drug delivery collaboration

In May, Starpharma signed an extension to its existing collaboration agreement with AstraZeneca to conduct scale up of a DEP™ enhanced AstraZeneca oncology molecule for further development. This follows the two companies conducting a series of studies in which Starpharma's DEP™ drug delivery platform was used to enhance the development candidate from AstraZeneca's cancer pipeline.

This program has been successful, with key enhancements of the AstraZeneca molecule utilising the DEP™ platform being observed through evaluation by AstraZeneca in various animal and in-vitro models. Based on the results of these studies, AstraZeneca is now conducting further pre-clinical studies with a view to subsequent commencement of clinical trials.

Other DEP™ programs

An attractive aspect of Starpharma's DEP™ technology is that it is a versatile platform with many potential applications to multiple products. In addition to Starpharma's DEP™ docetaxel and the AstraZeneca program, Starpharma continues to conduct a range of additional programs, both internally and with world-leading pharmaceutical partners.

For internal programs, Starpharma is working to select additional DEP™ conjugates to add to its development pipeline with a view to advancing assets for medium-to-late stage licensing. Substantial progress has recently been made in the targeted DEP™ technology, which combines unique targeting capabilities with cytotoxic drugs. The targeted DEP™ platform offers substantial additional benefits in a range of disease areas, including cancer and inflammatory diseases.

Starpharma has conducted new projects within its partnered programs, which are often undisclosed. Similar to the AstraZeneca collaboration, these undisclosed partnerships seek to improve specific molecules from a partner's existing portfolio or development pipeline using Starpharma's DEP™ technology.

Dr Sammi Tsegay, Research Scientist

Why is preventing neutropenia so important?
Neutropenia is a major dose limiting toxicity of many cancer drugs including docetaxel. Neutropenia is an abnormally low count of neutrophils, a type of white blood cell that helps fight off infections, particularly those caused by bacteria and fungi. The lower a neutrophil count, the more vulnerable a person is to infectious diseases.

Agrochemicals and Crop Protection

In Starpharma's agrochemicals program, both internal and partnered programs continue to progress well. An important milestone was reached during the financial year with Starpharma's Priostar® glyphosate patent granted in China, further strengthening and expanding the company's patent portfolio for the use of its proprietary dendrimers in agrochemical products.

China is the largest glyphosate producer in the world and this patent supports the commercialisation of Starpharma's dendrimer technology in China and worldwide. Glyphosate is an off-patent product currently sold under a number of brands, including Roundup®, and has global sales of approximately US$5 billion annually in a US$44 billion agrochemical market. Glyphosate production capacity in China exceeded 600,000 tonnes in 2012.

Starpharma conducted and completed further field trials demonstrating the effectiveness of the company's dendrimer technology when applied to glyphosate for the treatment of hard-to-control weeds. Results from these trials show that Starpharma's dendrimer-enhanced glyphosate formulations are more effective on a number of hard-to-control weed species than marketed glyphosate alone. Certain hard-to-kill weeds showed a greater than 40 per cent survival rate following treatment with commercial glyphosate alone, but averaged less than 10 per cent survival after exposure to the dendrimer-enhanced formulation.

Starpharma is also partnering with a number of global crop protection companies to advance its portfolio, including Adama, the world's largest generic player, and a number of other top 10 global agrochemical companies.

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

These benefits include:

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

Glyphosate is an off-patent product currently sold under a number of brands, including Roundup® and has global sales of approximately US$5 billion annually, in a US$44 billion agrochemical market. Glyphosate production capacity in China exceeded 600,000 tonnes in 2012.

Dr Brian Kelly, Research Manager

Corporate

There was strong demand for Starpharma's institutional share placement and share purchase plan which raised a combined total of $21.5 million. The placement to sophisticated and institutional investors was significantly oversubscribed and Starpharma gained more than ten new domestic and international funds to its register as a result of the raising. The placement was also very well supported by existing institutions. Starpharma continues to have a very strong and diversified shareholder register with solid support from well-known and respected institutions across Australia, Europe, Asia and the US.

Starpharma received the total anticipated $4.2 million of research and development (R&D) tax incentive relating to FY14 Australian and certain overseas R&D expenditure. The R&D tax incentive allows Starpharma to confidently advance development of its proprietary products. For instance, the incentive supports the conduct of the DEP™ docetaxel clinical trial in Australia with the additional benefit that Australian patients are the first in the world to have access to Starpharma's improved version of docetaxel.

In December, Starpharma relocated its facilities to an established laboratory and office space in Abbotsford, which was previously occupied by Carlton & United Breweries.

CEO's Report

Overview of Financial Results

Starpharma reported a net loss after tax of $18.95 million, an increase of $4.3 million over the prior year loss of $14.6 million. The variance is primarily a result of current year clinical programs in progress for VivaGel® and DEP™ docetaxel. The R&D tax incentive for the 2015 year of $3.5 million is down on the previous year's $4.2 million due to lower R&D expenditure on eligible activities under the Australian Government's R&D tax incentive program.

Total revenue and other income for the year was $1.7 million, an increase from the previous year due to higher royalty, customer and licence revenue from commercial partners.

The net operating and investing cash outflows for the year were $14.3 million. Net cash inflows from financing activities of $20.5 million reflected net proceeds from the equity raise. Starpharma ended the financial year to 30 June 2015 with cash reserves of $30.8 million.

3 Year Financial Summary

	2015 $M	2014 $M	2013 $M
Revenue and grant income	0.8	0.3	0.8
Interest revenue	0.9	1.0	1.6
Total revenue and income	1.7	1.3	2.4
Expenditure	(20.7)	(15.9)	(7.6)
Net loss after tax	(19.0)	(14.6)	(5.2)
Net operating and investing cash outflows	(14.3)	(10.1)	(10.0)
Net proceeds from issue of equity	20.5	0.2	0.9
Cash and cash equivalents at the end of year	30.8	24.0	33.8

Future Outlook

2015 has been a most productive year for Starpharma with several of our products reaching important milestones and our commercial relationships expanding. The continuing maturation of our key programs – VivaGel®, drug delivery and agrochemicals – create an exciting future outlook for the company.

As one of Australia's most innovative biotechnology companies, Starpharma's unique platform technology is delivering important products in areas of unmet need, such as cancer and BV. We have multiple product opportunities at advanced stages of development, regulatory review and on market and we continue to build strong and successful partnerships accelerating product development opportunities whilst maximising invested capital. In the coming year, I expect both strong expansion of our VivaGel® portfolio into new markets, further approvals, launches and commercial deals in all three areas of our business.

Jackie Fairley
Chief Executive Officer

Corporate and Social Responsibility

Pauline Stanislawski Senior, Research Chemist

Starpharma is a world leader in the development of dendrimer products for pharmaceutical, life science and other applications, and aims to create value through the commercialisation of its proprietary products. In 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 workplace policies and practices. Policies assist to ensure employees have engaging and satisfying roles and receive periodic assessments and feedback on performance. Policies provide for ongoing training and career development, and are intended to ensure a balanced work and home life. Starpharma's code of conduct reflects the core values of the company and sets out standards of behaviour in matters including equal employment opportunity and best practice in recruitment. Starpharma also has a health and wellbeing policy to support employees in maintaining or adopting healthy lifestyles, recognising that employee physical and mental health has a positive impact on the individuals and culture of the organisation.

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

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

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

Our Partners

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

The Community

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

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

The Environment

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

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

Directors' Report

Your directors have pleasure in presenting this report on the consolidated entity (referred to hereafter as the group or the company) consisting of Starpharma Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2015.

Directors

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

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

All were directors during the whole of the financial year.

Information on Directors

Rob B Thomas *AM*, BEc, MSAA, SF Fin
Independent non-executive director (appointed 4 December 2013)
Chairman (from 13 June 2014)
Member of Remuneration & Nomination Committee
Member of Audit & Risk Committee

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

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

400,000 ordinary shares in Starpharma Holdings Limited

Peter J Jenkins MB BS (Melb), FRACP
Independent Non-executive director (appointed 13 May 1997)
Deputy Chairman
Member of Remuneration & Nomination Committee (since 18 December 2014), and immediate past Chairman of Remuneration & Nomination Committee until 18 December 2014

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

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

1,571,311 ordinary shares in Starpharma Holdings Limited

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

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

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

2,302,274 ordinary shares in Starpharma Holdings Limited
2,310,000 employee performance rights

Richard A Hazleton BSChE, MSChE, HonDrEng, HonDrCommSc
Independent Non-executive director (appointed 1 December 2006)
Member of Audit & Risk Committee

Mr Hazleton is a former chairman and CEO of US-based global corporation Dow Corning. Joined Dow Corning in 1965 and held numerous positions in engineering, manufacturing and finance, both in the US and Europe, before becoming Chief Executive Officer of the company in 1993, and Chairman of the board of Directors and CEO in 1994. Retired from Dow Corning in 2001. Chairman of Dendritic Nanotechnologies Inc (DNT) from 2004 until Starpharma's acquisition of that company in October 2006. 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.

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

183,466 ordinary shares in Starpharma Holdings Limited

Information on Directors (continued)

Zita Peach BSc, GAICD, FAMI
Independent Non-executive director (appointed 1 October 2011)
Chair of the Remuneration & Nomination Committee (since 18 December 2014)
Member of Remuneration & Nomination Committee (until 18 December 2014)

Ms Peach has more than 20 years of commercial experience in the pharmaceutical industry, particularly in marketing, commercialising products and technologies and business development in local and international markets, working 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 R&D for CSL, a position she held for ten years. Ms Peach is a Non-Executive Director of the ASX-listed Vision Eye Institute Limited. Ms Peach is a graduate member of the Australian Institute of Company Directors.

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

14,539 ordinary shares in Starpharma Holdings Limited

Peter R Turvey BA/LLB, MAICD
Independent Non-executive director (appointed 19 March 2012)
Chairman of Audit & Risk Committee

Mr Turvey has had more than 30 years of experience in the biotech/pharmaceutical industry having been former Executive Vice President Licensing, Group General Counsel and Company Secretary of global biopharmaceutical company CSL Limited, retiring in 2011. Mr. Turvey is currently a principal of Foursight Associates Pty Ltd, a non-executive director of ASX-listed Admedus Limited and Viralytics Limited, and a director of Victorian Government owned entity Agriculture Victoria Services Pty Ltd. Mr. Turvey played a key role in the transformation of CSL from a government owned enterprise, through ASX listing in 1994, to a global plasma and biopharmaceutical company. He also had responsibility for the protection and licensing of CSL's intellectual property and for risk management within CSL, which included management of the internal audit function, reporting to the Audit & Risk Management Committee of the Board as well as being the Chairman of the Corporate Risk Management Committee.

Other current directorships of listed entities: Admedus Limited, Viralytics Limited
Former directorships of listed entities in last 3 years: None

70,077 ordinary shares in Starpharma Holdings Limited

Company Secretary

The Company Secretary is Mr Nigel Baade, holding the position since 13 December 2013. Mr Baade also holds the position of Chief Financial Officer, which he has held from January 2009. Mr Baade is a CPA qualified accountant with extensive experience in the pharmaceutical and biotechnology industries. Prior to joining Starpharma as Financial Controller in 2006, he has held positions at Hagemeyer, Cerylid Biosciences, Faulding (Hospira) and UMT (Fonterra). He holds qualifications from University of Tasmania and Monash University.

Principal activities

The principal activities of the group consist of research, development and commercialisation of dendrimer products for pharmaceutical, life-science and other applications. Activities within the group are directed towards the development of precisely defined nano-scale materials, with a particular focus on the development of VivaGel® for the management and prevention of bacterial vaginosis, and as a condom coating for prevention of sexual transmitted infections. Starpharma is also applying its proprietary dendrimers to drug delivery, and in agrochemicals.

Result

The financial report for the financial year ended 30 June 2015, and the results herein, have been prepared in accordance with Australian Accounting Standards.

The consolidated loss after income tax attributable to ordinary shareholders for the financial year ended 30 June 2015 was $18,950,000 (2014: $14,635,000). The net operating and investing cash outflows for the year were $14,268,000 (2014: $10,064,000), with a cash balance at 30 June 2015 of $30,848,000 (June 2014: $24,028,000). Net financing cash inflows for the year of $20,471,000 included net proceeds of $20,503,000 from a share placement and share purchase plan.

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 2015 (2014: Nil).

Review of operations

Key highlights until the date of this report include:

- VivaGel® condom launched in Australia by Ansell under their Lifestyles® Dual Protect™ brand;
- Marketing clearance achieved for VivaGel® condom in New Zealand;
- Commencement of the phase 3 clinical trials of VivaGel® for the prevention of recurrent bacterial vaginosis, following the US FDA granting a Special Protocol Assessment agreement on the design and planned analyses of the studies;
- Regulatory submissions underway for the VivaGel® for symptomatic relief of bacterial vaginosis product;
- Dosage levels in the phase 1 DEP™ docetaxel trial exceed the most commonly administered dose of 75mg/m^2, with no neutropenia having been observed to date;
- The signing of an extension to the collaboration agreement with AstraZeneca, for further development of a dendrimer enhanced oncology molecule using DEP™ technology;
- Further field studies show dendrimer-enhanced glyphosate is more effective on hard to control weeds than glyphosate alone;
- Successful capital raising of $21.5 million via an oversubscribed institutional placement and share purchase plan; and
- Receipt of a $4.2M R&D tax incentive refund.

VivaGel® Program
Starpharma's two double-blinded, placebo controlled phase 3 trials are progressing well, with the vast majority of the 100 sites now recruiting. These trials are being conducted across the US, Canada, Mexico, Europe and Asia, with each trial planned to enrol around 600 women. The study was granted a Special Protocol Assessment (SPA) by the US FDA in July 2014 which reduces Starpharma's regulatory risk through a binding trial design. In addition, there has been agreement on the trial design granted by the European regulatory authority.

Bacterial Vaginosis (BV) is a highly prevalent disease with no approved therapeutic option currently available for recurrent BV which affects 50-60% of BV sufferers.

Regulatory submissions for VivaGel® for the symptomatic relief indication are underway relating to a number of countries. These submissions are based on the efficacy and demonstrated excellent symptomatic relief shown in earlier VivaGel® phase 3 clinical trials and are progressing well. This indication is for the short term use of VivaGel® once a day for 7 days. The company is in discussions with potential commercial partners for distribution rights for this application of VivaGel®.

The VivaGel® condom has received conformity certification and regulatory certification from regulatory agencies in Australia and New Zealand, with the condom launched in Australia during the year under Ansell's Lifestyles® Dual Protect™ brand. The VivaGel® condom is licenced to Okamoto in Japan. Okamoto and Starpharma continue to work closely with the Japanese Regulatory Authorities to confirm the classification of the VivaGel® condom in Japan.

Drug Delivery Program
The phase 1 human clinical trial of a dendrimer enhanced version of docetaxel (DEP™ docetaxel) is progressing well and continues to show very encouraging clinical data. The DEP™ docetaxel dose level now exceeds the most commonly used dose for Taxotere® of 75mg/m^2, with no neutropenia or hair loss observed or reported to date. The trial is approximately two thirds recruited across four Australian sites. The primary objective of the trial is to establish the maximum tolerated dose (MTD) and dose limiting toxicities of DEP™ docetaxel. DEP™ docetaxel is an enhanced version of the anti-cancer drug docetaxel (Taxotere®), which had reported annual sales of US$3.1 billion in 2010.

Preliminary pharmacokinetic (PK) findings using trial data confirm in humans a number of beneficial product features that were also seen in earlier pre-clinical studies. These beneficial features of DEP™ docetaxel, when compared with the reference drug, Taxotere®, include a substantially extended duration of exposure, greatly increased extent of total exposure to drug, and reduced peak levels of drug. Earlier pre-clinical studies of DEP™ docetaxel demonstrated superior anti-cancer effectiveness compared to docetaxel across a range of important cancer types including breast, prostate, lung and ovarian cancer.

Progress was also made in the company's confidential partnered drug delivery programs, with the signing of an extension to the collaboration agreement with AstraZeneca to scale up a dendrimer enhanced oncology molecule for further development using DEP™ technology.

Important progress has also been achieved in both the broader internal and partnered drug delivery programs. Pre-clinical studies are underway for multiple candidates, building on the earlier encouraging results. Substantial progress has also been made in the targeted DEP™ technology, which combines unique targeting capabilities with cytotoxic drugs.

Agrochemical Program
Starpharma's Priostar® dendrimers are being developed and assessed in crop protection formulations under multiple programs with global industry leading partners. Partners are using Priostar® dendrimers seeking to enhance the performance of their formulations, either by making them more efficacious when used with crops, or by improving the stability or concentration of the formulation.

In addition to arrangements with industry partners, Starpharma is developing a small number of its own formulations based on generic actives. By improving the characteristics of formulations of these actives, Starpharma is developing value-added formulations for licensing to third-parties. Important patents relating to Priostar® have been granted in Europe and China, protecting valuable intellectual property in these large markets. Starpharma's formulation development programs in glyphosate (RoundUp®) and a number of other leading actives are being tested in field trials.

Matters subsequent to the end of the financial year

No other matters or circumstances have arisen since 30 June 2015 that have significantly affected, or may significantly affect:
(a) the consolidated entity's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the consolidated entity's state of affairs in future financial years.

Strategy, future developments and prospects

There is no change to Starpharma's strategy from the previous year. The company aims to create value for shareholders through the commercial exploitation of proprietary products based on its dendrimer technology in pharmaceutical, life science and other applications. The company's key focus is to advance and broaden its product development pipeline for VivaGel®, drug delivery and agrochemicals. It is intended to achieve this by continuing to utilise a combination of internally funded and partnered projects across the portfolio. The company commercialises its development pipeline with corporate partners via licensing agreements at various stages in a product's development lifecycle; depending on the product, a partner's relative strength of product and market expertise, comparison of current and future potential returns, and the risks involved in advancing the product to the next value inflection point or milestone.

Starpharma remains well positioned to capture value from its technology in the short to medium term. Starpharma has deep 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 solid cash position. The company will continue using its cash resources to invest in selected research and development activities to achieve its objectives.

Legal

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

Review of Financials

Income statement	30 June 2015 $'000	30 June 2014 $'000
Revenue from continuing operations	1,693	1,246
Other income	4	7
Research and development expenses	(16,250)	(10,991)
Administration expenses	(4,392)	(4,890)
Finance costs	(5)	(7)
Loss attributable to members	**(18,950)**	**(14,635)**

Income statement
The reported net loss after tax of $18,950,000 (2014: $14,635,000) is after fully expensing all research and development expenditure and patenting costs in the current year. A contra research and development expense of $3,478,000 (2014: $4,222,000) has been recorded for research and development activities eligible under the Australian Government's R&D tax incentive program. The variance in the net loss compared to prior year is primarily a result of current year clinical programs in progress.

Research and development expenses include the costs of the VivaGel® and DEP™ docetaxel clinical programs, regulatory requirements for the VivaGel® symptomatic relief of bacterial vaginosis and VivaGel® condom programs, and progress of other internal drug delivery and agrochemical programs. Administration expenses include the amortisation of intangible assets, and the share-based payments expense relating to employee equity plans.

Total revenue and other income for the year was $1,697,000 (2014: $1,253,000), an increase from the previous year due to higher royalty, customer and licence revenue from commercial partners.

Balance sheet
At 30 June 2015 the group's cash position was $30,848,000 (June 2014: $24,028,000). Trade and other receivables of $4,232,000 (June 2014: $4,570,000) includes $3,426,000 receivable from the Australian Government under the R&D tax incentive program.

Statement of cash flows
The net operating and investing cash outflows for the year were $14,268,000 (2014: $10,064,000). During the financial year $4,206,000 (2014: $4,701,000) was received from R&D tax incentives associated with eligible expenditure and activities from the prior financial year.

Net cash inflows from financing activities of $20,471,000 (2014: $203,000) included $20,503,000 net proceeds from an equity raise.

Earnings per share

	2015	2014
Basic loss per share	($0.06)	($0.05)
Diluted loss per share	($0.06)	($0.05)

Material Business Risks

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

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

In accordance with good business practice in the pharmaceutical industry the company's management actively and routinely employs a variety of risk management strategies. These are broadly described in the Corporate Governance Statement (section 7.2 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 licences in respect of its research and development facilities. There are adequate systems in place to ensure compliance with relevant Federal, State and Local environmental regulations and the Board is not aware of any breach of applicable environmental regulations by the group. There were no significant changes in laws or regulations during the 2015 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 2015, and the numbers of meetings attended by each director were:

Directors	Board	Audit & Risk Committee	Remuneration & Nomination Committee
J K Fairley	8 of 8	N/A	N/A
R A Hazleton	8 of 8	2 of 2	N/A
P J Jenkins	8 of 8	N/A	5 of 5
Z Peach	6 of 8	N/A	5 of 5
R B Thomas	8 of 8	2 of 2	5 of 5
P R Turvey	8 of 8	2 of 2	N/A

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

The remuneration report for the year ended 30 June 2015 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) Remuneration principles and strategy
    b) Approach to setting and reviewing remuneration
    c) Adjustments to the remuneration in FY15
    d) Impact of FY15 changes on FY16 and beyond
    e) Details of executive equity incentive plans
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 has only a small number of employees (~35) so endeavours to keep its remuneration relatively straightforward. Its 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 nearing important regulatory and commercial milestones. There have been transitional adjustments to remuneration practices in FY15 with further adjustments in FY16 which are outlined in this report. The objective is to achieve a simplified remuneration strategy to better reflect a KPI driven, transparent and straightforward structure aligned with the interests of shareholders and continuing to reward performance across multi-year timeframes related to product development.

The consequences of these adjustments to the remuneration strategy and practice in the reported remuneration for FY15 are:

- Alignment of performance and salary review periods with the just completed financial year;
- Extension of vesting periods for equity awards to increase proportion of long term incentives;
- All equity awards are subject to KPIs or TSR hurdles;
- Adjustments to the use of holding locks and deferral periods; and
- Number of performance rights awarded adjusted to compensate for lengthening of performance periods.

Further details are outlined in section 4(c) of the remuneration report.

Recent changes to Australian tax legislation regarding employee equity schemes are being considered and may also result in further changes in the structure of Starpharma's equity incentive plans in the future.

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 2015. Unless otherwise indicated, 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.

(i) Non-executive directors

R B Thomas	Non-executive Chairman
P J Jenkins	Non-executive Director
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)

(iii) Other KMP executives

N J Baade	Chief Financial Officer & Company Secretary
C P Barrett	VP, Business Development
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 to the date of this 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 short term incentive (STI) and long term incentive (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 the remuneration, including STI and LTI awards, for executives. The Board also sets the aggregate fee pool for non-executive directors (which are 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.

An extensive review of remuneration practices was undertaken by the Remuneration and Nomination Committee during FY15. Details of these adjustments and their impact can be found in section 4(c) of the remuneration report.

Benchmarking
Extensive salary and remuneration benchmarking is undertaken by Starpharma each year. Starpharma benchmarks fixed and total remuneration against employment positions of comparable specialisation 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.

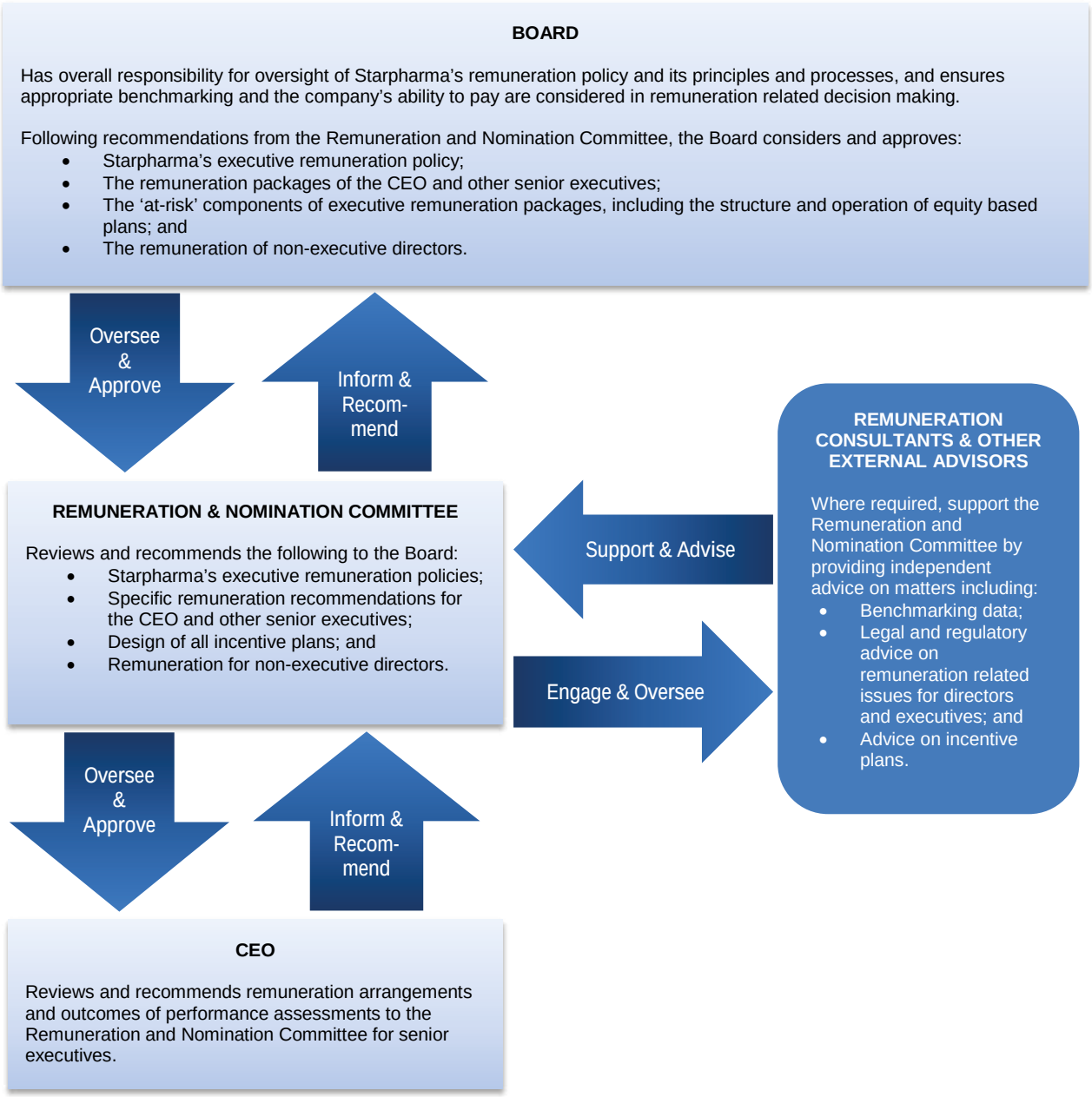
All staff participate in a formal performance review and development process consisting of an objective planning and development session at the commencement of the annual cycle and a performance and salary review at the end of the cycle. The objective of the salary review is to ensure that all employees 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 to assess each employee's performance against their pre-agreed KPIs to determine if a bonus 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 2014 Annual General Meeting (AGM)
Of the votes cast on the company's remuneration report for the 2014 financial year, 83% 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.

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.

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 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 in comparable companies within the biotechnology sector and relevant companies in the broader ASX-listed market. The Chairman does not participate in the review of his own fees.

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 2015 AGM.

Fee policy
Non-executive directors' fees consist of base fees and committee fees. The payment of committee fees recognises the additional time and responsibility 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 additional to his base fee.

The base fee and committee fee structure came into effect from 1 April 2014, with the previous structure being a flat base fee for non-executive directors.

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 below non-executive directors' fees include any statutory superannuation contributions.

Annual Non-Executive Directors' Fees

Board fees		**$**
Chair (no additional fees for serving on Board committees)		125,000
Base fee for other non-executive directors		62,500
Committee fees		
Audit & Risk Committee	Chair	7,500
	Member	3,000
Remuneration and Nomination Committee	Chair	5,000
	Member	2,500

There were 5 non-executive directors for FY15. The aggregate amount paid to non-executive directors for the year ended 30 June 2015 was $393,000 (2014: $401,555). The details of remuneration for each non-executive director for the years ended 30 June 2015 and 30 June 2014 are outlined in the tables in section 6.

Non-executive directors' fees were last increased with effect from 1 April 2014, coinciding with the implementation of the base fee and committee fee structure. The previous increase in annual non-executive directors' fees occurred effective from 1 January 2010.

As noted in the Notice of Meeting for the 2014 AGM, no increase in non-executive director fees has been made since that time. The Board will not increase the annual non-executive directors' fees for the period 1 April 2015 to 1 April 2016.

4. Executive remuneration policy

a) 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	Rewards executives for their contribution to achievement of business outcomes, acts as a retention tool and aligns with interests of shareholders	Allocation of cash bonuses and vesting of equity linked to internal non-financial KPIs, both business unit and corporate, over the medium term which are 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	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 ASX300 Index

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.

The group's policy aim is to position fixed remuneration broadly in line with the median of the relevant comparator group of companies for each role. 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, internal relativities, 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. There are no guaranteed base pay increases in any executive contracts.

The CEO has a cash bonus entitlement as a component of STI. The maximum available for FY15 was $210,000, which represents 44% of total fixed remuneration. 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 20% of total fixed remuneration, 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. The Remuneration and Nomination Committee, having discussions with the CEO, annually reviews the appropriateness of this approach.

c) Adjustments to remuneration structure in FY15
This year, the Remuneration and Nomination Committee and the Board have made a number of adjustments to remuneration practices based on best practice and the evolution of the company's remuneration practices.

The adjustments included:

- Aligning the performance and salary review periods for all executives to the financial year period;
- Changing the performance assessment timing so that they are reported in the relevant financial year period;
- Extending the vesting period on performance rights for executives beyond the previous 2 year performance period to 3 years with the subsequent reduction in the usage of holding locks on vested performance rights. This delineates the proportion of performance rights that are considered LTIs. (Note: FY15 is a transitional year, with the grant of performance rights to executives (other than the CEO) during the year including performance periods of 2, 3 and 4 years. This is to ensure executives remain motivated and are retained during the impacted performance periods, which is consistent with the objective of the overall remuneration strategy);
- The discontinuation of equity incentives with continued employment as the sole performance condition for equity awards;
- Clearly classifying and reporting equity allocations with less than 3 year performance periods as STI, and those with 3 year performance periods or more as LTI;
- For executives (other than the CEO), a proportion of equity STI awards are now dependent upon the achievement of Corporate KPIs, with the balance dependent on their Business Unit KPIs; and
- A proportion of equity LTI awards for executives (other than the CEO), are now dependent upon the achievement of Corporate KPIs and TSR, with the balance dependent on their Business Unit KPIs.

The consequences of making these adjustments in the reported remuneration for FY15 are:

- Extension of performance periods for equity awards;
- There were two performance assessments in FY15 for executives (other than the CEO) due to alignment of the performance review period to the financial year. The performance period for executives (other than the CEO) were previously aligned to a calendar year. This is a one-off occurrence for the transition. The cash bonuses awarded across the 18 month performance period are disclosed in section 6 of the remuneration report;
- Number of performance rights awarded adjusted to compensate for lengthening of performance periods; and
- The greater proportion of equity awards and their duration impacts the accounting of the awards in this and future financial years.

Recent changes to Australian tax legislation regarding employee equity schemes may also result in further changes to the equity incentive plans in the future.

d) Impact of FY15 changes on FY16 and beyond
Following the FY15 adjustments, the FY16 remuneration structure will be and allow a simplified, more transparent and KPI driven structure that continues to link remuneration to performance and shareholder value.

The target remuneration mix is outlined in the table below. The transition to achieve the desired target mix is expected to take multiple years, as an increasing percentage of remuneration is directed to LTIs. The Remuneration and Nomination Committee and the Board are conscious of the impact in motivating and retaining executives by adopting the target remuneration mix, hence the transition will be conducted over a number of years in a thoughtful and deliberate manner. The STI percentage includes both short term cash bonus and short term equity awards (<3 year performance period).

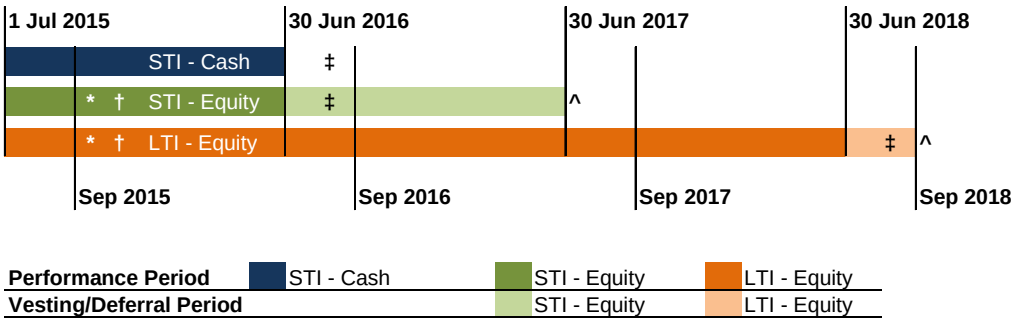
Target Remuneration Mix

CEO

Other KMP executives

4. Executive remuneration policy (continued)

To achieve the target remuneration mix a simplified performance pay structure will be adopted. The timeline and structure of the proposed performance related pay to be granted in FY16 to executives is illustrated below:



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

e) Details of executive equity incentive plans

Starpharma Short Term Incentive (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?	Cash bonus and performance rights with a performance period of less than 3 years. 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. During FY15 the CEO was awarded STI equity with 1 and 2 year performance periods. A further 1 year holding lock will apply to any STI equity which vests from those granted. In respect of executives other than the CEO, STI equity awarded in FY15 has a 2 year performance period with no holding lock.
What is the STI opportunity?	The CEO has a target STI opportunity of 46% of total remuneration for FY15, with the cash component of 16%, and equity component of 30% of total remuneration. The cash component equates to 44% of total fixed remuneration. For executives other than the CEO, bonuses are awarded from a maximum shared pool for executives which equates to 20% of total fixed remuneration, subject to cash availability. As outlined on page 23, the STI opportunity will be progressively adjusted in future years towards a target of ~25-30% and ~15%-20% of total remuneration for the CEO and other KMP executives, respectively.
What are the STI performance conditions for FY15?	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 FY15, 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. The performance measures applicable in determining STIs awards for the CEO and other executives are noted in the table below:

	Corporate KPIs	Business Units KPIs
STI Cash Bonus	CEO 100%	Other executives 100%
STI Performance Rights	CEO 100% Other executives 30%	Other executives 70%

Details regarding LTI performance conditions are contained in the next table.

How is performance assessed?	On an annual basis, 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. For executives other than the CEO, the Remuneration and Nomination Committee seeks recommendations from the CEO, and then make recommendations to the Board.

Is performance against KPIs disclosed?	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.
Contractual entitlement?	Only the CEO has a pre-determined STI cash bonus entitlement. There is no pre-determined STI equity entitlement. No other executive service agreements contain any contractual entitlement to STI cash or equity.
What happens if an executive leaves?	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.
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 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 undertaken?	As the company is in a development phase and not operating cash flow positive, the vesting of equity incentives 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.

Starpharma Long Term Incentive (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 FY15 have 3 year (for executives) and 4 year (for executives other than the CEO) performance periods. A portion of the CEO's LTI performance rights granted in FY15 will also be subject to a holding lock following vesting.
What is the LTI opportunity?	The CEO has a target LTI opportunity of 18% of total remuneration for FY15. For other KMP executives, the target LTI opportunity for FY15 was 3% of total remuneration. As outlined in section 5 of the remuneration report, the LTI opportunity will be progressively increased in future years 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 FY15?	Corporate KPIs reflect long term (3 year) strategic, operational and financial management objectives. These corporate KPIs fall into the following categories, linked to Starpharma's key business areas:

VivaGel®	VivaGel® Phase 3 trials for Prevention of Recurrence of Bacterial Vaginosis (BV); Commercialisation of VivaGel® for symptomatic relief of BV; VivaGel® coated condom;
Drug Delivery	Phase 1 DEP™ docetaxel trial; Advance further DEP™ candidate; Commercial arrangements in drug delivery;
Agrochemical	Commercial arrangements in agrochemicals; and
Financial	

Maintaining the link between executive remuneration outcomes and the returns to shareholders, Total Shareholder Return (TSR) is also a relevant performance condition in respect of LTI. 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 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.

4. Executive remuneration policy (continued)

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%

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 performance measures applicable in determining LTIs 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?	On an annual basis, after consideration of performance against KPIs, the Remuneration and Nomination Committee recommends the amount of LTI to vest to the CEO for approval by the Board. For executives other than the CEO, the Remuneration and Nomination Committee seeks recommendations from the CEO, and then make recommendations to the Board. TSR is calculated independently by a professional services firm.
Is performance against KPIs disclosed?	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.
Contractual entitlement?	There are no pre-determined LTI equity entitlements.
What happens if an executive leaves?	Same as for STI.
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 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 undertaken?	Same as for STI.

Starpharma Employee Share Plan ($1,000 Plan)
Shares may be granted under the $1,000 Plan for no consideration and are escrowed for 3 years while participants are employed by the company.

Details of shares issued under the $1,000 Plan during FY15 are included on page 69 of the annual report.

Starpharma Employee Share Option Plan
Equity awards until 2009 were made under the Starpharma Employee Share Option Plan. Following changes to the tax treatment of options, this plan has not been utilised since 2009, however given recent legislative changes, it may be reinstated in the future.

No options were issued or vested under the Plan during FY15. The last options were exercised or lapsed in FY14.

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 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.

	FY15	FY14	FY13	FY12	FY11
Closing price 30 June	$0.73	$0.58	$0.82	$1.37	$1.50
Share price high	$0.99	$1.11	$1.75	$1.88	$1.67
Share price low	$0.41	$0.54	$0.77	$0.92	$0.48
Number of performance rights forfeited by CEO during FY based on share price performance	150,000	200,000	250,000	None scheduled to vest during FY12 therefore not applicable	262,500
% of performance rights forfeited by CEO during FY based on share price performance (as percentage of total performance rights)	21%	50%	67%	None scheduled to vest during FY12 therefore not applicable	35%

Fixed remuneration:
The average increase in KMP executive fixed remuneration for FY15 was 3.65% (between 2.45% and 4.35%). There were no increases above 5% in total fixed remuneration packages for KMP executives in the year.

Short term incentives (STI):

CEO:
Summary of FY15 related performance for the CEO

STI awards (cash and equity) for the CEO in FY15 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 financial year and align to the company's strategic, operational and financial objectives. The KPIs are reviewed annually and updated. The Remuneration and Nomination Committee and the Board are responsible for assessing performance against KPIs and determining the STI to be paid.

Performance category	Metric	Weighting	Satisfied
VivaGel® Phase 3 trials for Prevention of Recurrence of Bacterial Vaginosis (BV)	Progress of Phase 3 trials	20%	Met
Commercialisation of VivaGel® for symptomatic relief of BV	Filing regulatory submissions in selected territories	15%	Met
VivaGel® coated condom	Launch of product in selected markets	20%	Partially Met
Phase 1 DEP™ docetaxel trial	Progress of Phase 1 trial	20%	Met
Advance further DEP™ candidate	Completion of pre-clinical studies on another DEP™ candidate	10%	Partially Met
Commercial arrangements in agrochemicals and drug delivery	New contract	5%	Partially Met
Financial	Manage company's capital in a prudent manner	10%	Met

Based on the achievements of the company during FY15, the Remuneration and Nomination Committee and the Board determined that the CEO had achieved 93% of her target opportunity. This equates to a $194,775 cash bonus which will be paid on or around 30 September 2015, and will also result in the vesting of 278,250 performance rights on 30 September 2015. 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):

- Enrolment in the VivaGel® Phase 3 trials on target, with regulatory de-risking associated with the granting of a US FDA special protocol assessment;
- Key regulatory filings for VivaGel® for symptomatic relief submitted, in review and progressing well;
- Launch of the VivaGel® condom in Australia, with additional market and regulatory clearances achieved and in review;
- DEP™ docetaxel phase 1 clinical study progressing well with most commonly used Taxotere® dosage exceeded;
- Expanded agreement with AstraZeneca for enhanced oncology drug; and
- Completion of a $21.5 million share placement and share purchase plan.

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

Summary of FY14 related performance for the CEO
Due to the timing of prior performance reviews, the short term bonus disclosed in previous annual reports reflected the prior financial year's performance (i.e. FY13 performance reported in the FY14 annual report). The timing of the performance review has now been brought forward to ensure that the performance reported in the annual report reflects the relevant financial year. Following an assessment by the Remuneration and Nomination Committee for the FY14 performance period, 93% of the short term cash award was granted to the CEO based on the partial or full satisfaction of pre-determined KPIs.

In respect of the CEO's short term performance rights, 465,000 short term performance rights vested on 30 September 2014 based on satisfaction of pre-determined KPIs for FY14, with 35,000 performance rights forfeited as a result of certain performance conditions not being met.

On 30 November 2014, 50,000 or 25% of the total tranche of 200,000 performance rights vested on the satisfaction of the vesting conditions, with the 75% balance being forfeited. The 150,000 performance rights were forfeited due to the TSR performance conditions not being met. The 50,000 performance rights vested on satisfying the continued employment condition.

A total of 74% of performance rights vested during FY15 on the achievement of the performance conditions, relating to performance from FY14 and other conditions, notably TSR, to the end of November 2014.

Other KMP executives:
For STI cash awards for other KMP executives, the CEO assesses the other KMP executives' performance against pre-determined KPIs relevant to their business unit. These business unit KPIs relate directly to the corporate KPIs. The achievement of corporate KPIs in FY15 is disclosed above, with these achievements requiring 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 and amounts to be paid. Subject to satisfactory performance, 100% of performance rights will vest for other KMP executives. Further details of the impact of the re-alignment of performance reviews and their subsequent reporting for other KMP executives for cash bonuses is disclosed in the tables in section 6 of the remuneration report.

Based on performance, the Remuneration and Nomination Committee and the Board determined that other KMP executives had achieved between 59% and 91% of their KPIs for determining cash bonus payments.

Long term incentives (LTI):
There were no long term performance rights for KMP executives which were due to vest in FY15. As a result of the transition towards longer vesting periods for performance rights, rights that have been granted and are classified as LTIs will be available for vesting in future years.

Details of equity awarded in previous years which have lapsed or vested during FY15 are included in section 8 of the remuneration report.

All employees except directors were granted shares under the $1,000 Plan during FY15. Details are included on page 69 of the annual 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. Due to the re-alignment of performance reviews and their subsequent reporting for other KMP executives for this financial year, cash bonuses noted in the table below reflect these transition arrangements. Further details are outlined below the table.

2015	Short-term benefits			Post-employment	Long-term benefits	Share-based payments		
Name	Cash salary & fees[†] $	Cash bonus[#] $	Non-monetary benefits $	Superannuation $	Long service leave $	Shares[#] $	Performance Rights[#] $	**Total $**
Non-executive directors								
R B Thomas	114,155	–	–	10,845	–	–	–	**125,000**
P J Jenkins	60,502	–	–	5,748	–	–	–	**66,250**
R A Hazleton	65,500	–	–	–	–	–	–	**65,500**
Z Peach	60,502	–	–	5,748	–	–	–	**66,250**
P R Turvey	63,927	–	–	6,073	–	–	–	**70,000**
Executive director								
J K Fairley	418,820	194,775[*]	33,687	31,500	11,674	–	628,813	**1,319,269**
Other Key Management Personnel (group)								
N J Baade	192,873	38,500[^]	19,013	30,000	8,753	1,000	71,564	**361,703**
C P Barrett	217,059	28,000[^]	372	18,784	7,911	1,000	71,564	**344,690**
A Eglezos	208,360	36,000[^]	6,831	18,784	420	1,000	63,922	**335,317**
D J Owen	215,184	38,500[^]	1,504	18,784	8,293	1,000	71,564	**354,829**
J R Paull	176,547	45,000[^]	39,814	30,000	2,445	1,000	75,449	**370,255**
Totals	1,793,429	380,775	101,221	176,266	39,496	5,000	982,876	**3,479,063**

† There were no increases above 5% in overall total fixed remuneration packages for KMP executives in 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, shares, and performance rights granted are determined to be an 'at risk' component of total remuneration.

* The CEO cash bonus accrued for the performance period 1 July 2014 to 30 June 2015 is $194,775. In previous years, the cash bonus reported was the actual cash bonus paid in the year, with the assessment occurring after the release of the annual report. As outlined in section 4 of the remuneration report, the Board in FY2015 has aligned the performance assessment with each financial year. The cash bonus actually paid in FY2015 for the performance period 1 July 2013 to 30 June 2014 was $186,000.

^ As outlined in section 2 of the remuneration report, the Board in FY2015 has aligned the performance assessment for other KMP executives with each financial year. Previously other KMP executive performance assessments, remuneration review and cash bonus determinations were conducted on a calendar year basis. The cash bonus reported is for the 12 months from 1 July 2014 to 30 June 2015. The cash bonuses awarded to other KMP executives for the period 1 January 2014 to 30 June 2014 are outlined in the table below.

Cash Bonus related to Other KMP executives for period 1 January 2014 to 30 June 2014

Name	$
N J Baade	17,500
C P Barrett	10,000
A Eglezos	15,000
D J Owen	17,500
J R Paull	22,500

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

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

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

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

6. Details of remuneration (continued)

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

Name	Fixed remuneration	At risk - STI cash	At risk - STI equity	At risk - LTI equity
J K Fairley	37%	15%	30%	18%
N J Baade	69%	11%	17%	3%
C P Barrett	71%	8%	18%	3%
A Eglezos	69%	11%	17%	3%
D J Owen	69%	11%	17%	3%
J R Paull	67%	12%	18%	3%

Due to the changes highlighted in section 4(c) of the remuneration report, the performance periods for the LTI equity grants have been increased to 3 years, and in some cases 4 years.

With adjustments implemented in FY15 and the years ahead as described in section 4(c) of the remuneration report, the at risk LTI equity percentage will increase in future years towards the targets of ~35%-40% for the CEO and ~20%-25% for Other Executives. The proportion of at risk STI equity will subsequently decrease.

Details of remuneration: cash bonuses, shares, performance rights and options
For each cash bonus and grant of equity included in the tables on pages 28 to 33, 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 93% of her maximum cash bonus entitlement of $210,000 in FY15, with the balance of 7% forfeited. The bonuses for executives other than the CEO are paid are at the absolute discretion of the Board based on an individual's performance within the year, hence there is no component forfeited to report.

	Shares		Performance rights				
	Grant date value of shares granted during 2015[1]	Grant date value of rights granted during 2015[1,2]	Year granted	Vested	Forfeited	Financial years in which rights may vest	Maximum value yet to vest
Name	$	$		%	%		$
J K Fairley	-	730,038					
			2015	-	-	30/06/18	285,297
			2015	-	-	30/06/17	149,130
			2015	-	-	30/06/16	43,624
			2014	-	-	30/06/17	77,911
			2014	-	-	30/06/16	23,934
			2014	93%	7%	30/06/15	-
			2013	-	-	30/06/16	45,189
			2013	25%	75%	30/06/15	-
N J Baade	1,000	109,962					
			2015	-	-	30/06/19	28,657
			2015	-	-	30/06/18	31,619
			2015	-	-	30/06/17	30,264
			2014	-	-	30/06/16	9,147
			2013	100%	-	30/06/15	-
C P Barrett	1,000	109,962					
			2015	-	-	30/06/19	28,657
			2015	-	-	30/06/18	31,619
			2015	-	-	30/06/17	30,264
			2014	-	-	30/06/16	9,147
			2013	100%	-	30/06/15	-
A Eglezos	1,000	109,962					
			2015	-	-	30/06/19	28,657
			2015	-	-	30/06/18	31,619
			2015	-	-	30/06/17	30,264
			2014	-	-	30/06/16	9,147
D J Owen	1,000	109,962					
			2015	-	-	30/06/19	28,657
			2015	-	-	30/06/18	31,619
			2015	-	-	30/06/17	30,264
			2014	-	-	30/06/16	9,147
			2013	100%	-	30/06/15	-
J R Paull	1,000	131,955					
			2015	-	-	30/06/19	34,389
			2015	-	-	30/06/18	37,943
			2015	-	-	30/06/17	36,316
			2014	-	-	30/06/16	9,147
			2013	100%	-	30/06/15	-

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

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.

Managing Director and Chief Executive Officer (J K Fairley)

- No fixed term of agreement.
- Base salary, inclusive of superannuation, per annum as at 30 June 2015 of $480,000, to be reviewed annually by the Remuneration and Nomination Committee.
- A cash bonus up to $210,000 for the year to 30 June 2015 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 forfeited	Unvested awards 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	Typically 3 months (range 2-3 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

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.

Key management personnel of the group, excluding directors, were eligible to participate in the Employee Share Plan ($1,000 Plan). Shares to the value of $1,000 were granted to Australian-based permanent employees under the plan during the current and prior year.

2015

Name	Balance at the start of the year	Granted during the year as compensation	On vesting of performance rights during the year	Other changes during the year	Balance at the end of the year
Directors of Starpharma Holdings Limited					
R B Thomas	270,000	–	–	130,000	400,000
J K Fairley	1,664,197	–	515,000	123,077	2,302,274
P J Jenkins	1,537,462	–	–	33,849	1,571,311
R A Hazleton	157,616	–	–	25,850	183,466
Z Peach	3,000	–	–	11,539	14,539
P R Turvey	47,000	–	–	23,077	70,077
Other key management personnel of the group					
N J Baade	368,598	1,818	50,000	–	420,416
C P Barrett	325,472	1,818	50,000	–	377,290
A Eglezos	1,204	1,818	–	3,847	6,869
D J Owen	277,120	1,818	50,000	–	328,938
J R Paull	262,035	1,818	50,000	(160,000)	153,853

Performance rights
The number of rights over ordinary shares in the company provided as remuneration during the financial year to any of the executive directors and the key management personnel of the group, including their close family members and entities related to them, are set out below. No non-executive director held performance rights in the current or prior year.

2015

Name	Balance at the start of the year	Granted during the year as compensation	Vested during the year	Other changes during the year[#]	Balance at the end of the year	Vested and exercisable at the end of the year	Unvested
Directors of Starpharma Holdings Limited							
J K Fairley[1]	1,510,000	1,500,000	(515,000)	(185,000)	2,310,000	–	2,310,000
Other key management personnel of the group							
N J Baade	150,000	250,000	(50,000)	–	350,000	–	350,000
C P Barrett	150,000	250,000	(50,000)	–	350,000	–	350,000
A Eglezos	100,000	250,000	–	–	350,000	–	350,000
D J Owen	150,000	250,000	(50,000)	–	350,000	–	350,000
J R Paull	150,000	300,000	(50,000)	–	400,000	–	400,000

[1] The value of rights that were forfeited during the year was $98,550.
[#] Other changes during the year relate to the forfeiture of rights.

The value at vesting date of performance rights that vested during 2015 was $460,450 (2014: $370,960).

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

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	Performance Measure	Value per right at grant date	% vested
16 September 2013	16 September 2015	16 September 2016	500,000	Achievement of KPIs	$0.89	Nil
22 November 2013	30 September 2014	30 September 2015	500,000	Achievement of KPIs	$0.85	93
22 November 2013	22 November 2015	22 November 2016	50,000	Continued Employment	$0.85	Nil
22 November 2013	22 November 2015	22 November 2016	50,000	Index TSR	$0.55	Nil
22 November 2013	22 November 2015	22 November 2016	100,000	Index TSR +10%	$0.54	Nil
22 November 2013	22 November 2016	22 November 2017	100,000	Continued Employment	$0.85	Nil
22 November 2013	22 November 2016	22 November 2017	50,000	Index TSR	$0.58	Nil
22 November 2013	22 November 2016	22 November 2017	100,000	Index TSR +10%	$0.55	Nil
20 November 2014	30 September 2015	30 September 2016	300,000	Achievement of KPIs	$0.52	Nil
20 November 2014	30 September 2016	30 September 2017	450,000	Achievement of KPIs	$0.52	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

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 S&P/ASX300 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 -

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
30 Nov 2012	30 Nov 2015	30 Nov 2016	360,000	360,000
16 Sep 2013	16 Sep 2015	16 Sep 2016	1,261,600	1,061,600
22 Nov 2013	22 Nov 2015	22 Nov 2016	200,000	200,000
22 Nov 2013	22 Nov 2016	22 Nov 2017	250,000	250,000
20 Nov 2014	30 Sep 2015	30 Sep 2016	300,000	300,000
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	N/A	450,000	450,000
30 Jan 2015	30 Sep 2016	N/A	1,084,125	1,084,125
30 Jan 2015	30 Sep 2017	N/A	1,084,125	1,084,125
30 Jan 2015	30 Sep 2018	N/A	929,250	929,250

Performance rights and the resultant shares are granted for no consideration.

Shares issued on the vesting of rights

The following ordinary shares of Starpharma Holdings Limited were issued during the year to the date of this report on the vesting of performance rights granted under the Employee Performance Rights Plan. The shares are issued for nil consideration.

Date rights granted	Issue price of shares (Exercise price of right)	Number of shares issued
13 Sep 2012	$ -	481,400
30 Nov 2012	$ -	50,000
16 Sep 2013	$ -	22,000
22 Nov 2013	$ -	465,000

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.

Assurance Services	2015 $	2014 $
Audit or review of financial reports of the entity or any entity in the group under the *Corporations Act 2001*	94,860	92,106

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 35.

Rounding of amounts

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

Auditor

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

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

Rob Thomas *AM*
Chairman
Melbourne, 21 August 2015

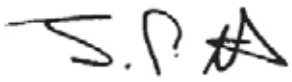
Auditor's Independence Declaration

As lead auditor for the audit of Starpharma Holdings Limited for the year ended 30 June 2015, 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.



Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
21 August 2015

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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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 2015. 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
- Board and senior management oversight and delegation

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 considered by the Remuneration and Nomination Committee prior to their appointment to the Board and are reviewed regularly. 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.

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.

In 2014, the Board exercised its discretion to extend the maximum term in the case of Dr Peter Jenkins given the change of Chairman which took place and Dr Jenkins' detailed knowledge of the company. Dr Peter Jenkins will retire as a director of the company at the close of the 2015 AGM and will not stand for re-election.

No new directors were appointed to the Board during FY15.

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.

In March 2015, the Board revised its Diversity Policy, which operates alongside the Code of Conduct and Anti-Discrimination, Bullying and Harassment policies, providing a framework for Starpharma to achieve a number of diversity objectives. The Diversity Policy is available 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 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 2015 financial year, and progress against these objectives is set out below:

Objective	Measurement	FY15 Performance
Female participation/talent pipeline	Achieve greater than 40% female participation for direct reports to the CEO or senior executives (CEO minus 2).	45% of CEO minus 2 positions are held by females.
	Actively support and encourage training, networking and development opportunities for high potential employees.	Professional development opportunities and options that are aligned with the company's needs and the individual's role are considered for all employees as part of the company's annual performance review process. Investments in formal/external development programs are made where possible and appropriate and in FY15, 24 different professional development programs were attended by female employees across all levels of the organisation. The company also supported 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.	100% of recruitment processes considered female candidates. Of the positions advertised externally in FY15, half were filled with female candidates.
	Consistent and merit-based selection criteria and recruitment processes used when choosing successful candidates in all cases.	100% of successful candidates were selected on merit-based criteria after being put through a 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).	17% of employees work under flexible working arrangements. Specifically, 33% of our female employees work under flexible working arrangements (including part time).
	Granting a majority of requests for flexible work arrangements for family responsibilities.	100% of requests for flexible work arrangements were granted.
Support a return to work after parental leave	Target a return to work following primary care parental leave of 75%.	There were no employees who were due to return from primary care parental leave during FY15.

Approximately half of Starpharma's employees are female, maintaining a similar gender representation to that of previous years. 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 at July 2015.

	Whole organisation (staff and Board)	Leadership/ management roles	Senior executive	Board
Total	39	19	8	6
Female	19	8	3	2
% female	49%	42%	38%	33%

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 38% of all employees born outside Australia in 9 different countries.

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 FY15.

1.7 CEO and senior executive performance
Performance assessments for senior executives took place during the year. Performance review timing of executives is now aligned and will take place around July each year 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.

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 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)
Dr P J Jenkins
Mr R Thomas

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;
- 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.

The members of the Audit and Risk Committee between them have the 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. 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
The Board considers that a diversity of skills, backgrounds, knowledge, experience and gender is preferable in order to effectively govern the business. The Board and the Remuneration and Nomination Committee work to ensure that the Board continues to have the right balance of skills, experience, independence and knowledge necessary to discharge its responsibilities.
The Board considers that the following specific skills and experience are critical to the success of the company:

- Leadership in a relevant industry;
- Pharmaceutical/product development experience;
- Commercialisation of innovation experience;
- Governance;
- Strategy and risk management;
- Financial acumen;
- Health, safety & environment; and
- Remuneration.

The Remuneration and Nomination Committee and the Board have assessed the capabilities of the directors against the skills and experience noted above, and considers that collectively the Board has appropriate experience in each area.

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 five non-executive directors, all of whom are deemed independent under the principles set out below, and one executive director, at the date of signing the directors' report. The Board seeks to ensure that:

– at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the group and directors with an external or fresh perspective; and
– the size of the Board is appropriate for the company and conducive to effective discussion and efficient decision-making.

2.4 Directors' independence
The board charter contains guidelines for assessing the materiality of directors' relationships that may affect their independence. These guidelines were updated during the year based on changes to the 3rd Edition CGC Recommendations. The board charter is available at www.starpharma.com/corporate_governance

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

The CEO is not considered independent as she holds an executive role.

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.

Corporate Governance Statement

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 company. The code of conduct is reviewed periodically and was last updated during the year in consideration of the changes to the 3rd Edition CGC Recommendations. 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 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 2015 half year financial statements and the 2015 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 this financial year. An analysis of fees paid to the external auditors is provided in note 18 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit and Risk Committee. The external auditor attends each AGM and is available to answer questions shareholders may have in relation to the conduct of the audit and the preparation and conduct of the Auditor's Report.

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 conduct of the audit and the preparation and conduct of the Auditor's Report.

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 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 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 16 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.

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 33.

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 31).

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

Contents

These financial statements are the consolidated financial statements for the consolidated entity consisting of Starpharma Holdings Limited and its subsidiaries. The financial statements are presented in 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 14 to 17, which are not part of this financial report.

The financial statements were authorised for issue by the directors on 21 August 2015. 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 2015

	Notes	30 June 2015 $'000	30 June 2014 $'000
Revenue from continuing operations	5	1,693	1,246
Other income	5	4	7
Administration expense	6	(4,392)	(4,890)
Research and development expense	6	(16,250)	(10,991)
Finance costs		(5)	(7)
Loss before income tax		**(18,950)**	**(14,635)**
Income tax expense	7	-	-
Loss from continuing operations attributable to members of Starpharma Holdings Limited		**(18,950)**	**(14,635)**
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company		**$**	**$**
Basic loss per share	24	($0.06)	($0.05)
Diluted loss per share	24	($0.06)	($0.05)

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

Consolidated Statement of Comprehensive Income for the year ended 30 June 2015

	Notes	30 June 2015 $'000	30 June 2014 $'000
Loss for the year		**(18,950)**	**(14,635)**
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Foreign exchange differences on translation of foreign operations	15	1,626	(110)
Other comprehensive income (loss)		**1,626**	**(110)**
Total comprehensive income (loss) for the year attributable to members of Starpharma Holdings Limited		**(17,324)**	**(14,745)**

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

Consolidated Balance Sheet as at 30 June 2015

	Notes	30 June 2015 $'000	30 June 2014 $'000
Current Assets			
Cash and cash equivalents	8	30,848	24,028
Trade and other receivables	9	4,232	4,570
Total Current Assets		**35,080**	**28,598**
Non-Current Assets			
Property, plant and equipment	10	910	509
Intangible assets	11	8,393	7,755
Total Non-Current Assets		**9,303**	**8,264**
Total Assets		**44,383**	**36,862**
Current Liabilities			
Trade and other payables	12	5,933	3,114
Borrowings	13	30	27
Provisions (employee entitlements)		732	659
Deferred income		74	44
Total Current Liabilities		**6,769**	**3,844**
Non-Current Liabilities			
Borrowings	13	18	48
Provisions (employee entitlements)		38	19
Total Non-Current Liabilities		**56**	**67**
Total Liabilities		**6,825**	**3,911**
Net Assets		**37,558**	**32,951**
Equity			
Contributed equity	14	160,884	140,349
Reserves	15	7,874	4,852
Accumulated losses	16	(131,200)	(112,250)
Total Equity		**37,558**	**32,951**

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 2015

	Notes	Contributed capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2013		**140,081**	**3,502**	**(97,615)**	**45,968**
Loss for the year		-		(14,635)	(14,635)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations	15	-	(110)	-	(110)
Total comprehensive income (loss) for the year		-	**(110)**	**(14,635)**	**(14,745)**
Transactions with owners, recorded directly in equity					
Contributions of equity, net of transaction costs	14	235	-	-	235
Employee share plans	14	33	-	-	33
Employee performance rights plan	15	-	1,460	-	1,460
Total transactions with owners		**268**	**1,460**	**-**	**1,728**
Balance at 30 June 2014		**140,349**	**4,852**	**(112,250)**	**32,951**
Loss for the year		-	-	(18,950)	(18,950)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations	15	-	1,626	-	1,626
Total comprehensive income (loss) for the year		-	**1,626**	**(18,950)**	**(17,324)**
Transactions with owners, recorded directly in equity					
Contributions of equity, net of transaction costs	14	20,503	-	-	20,503
Employee share plans	14	32	-	-	32
Employee performance rights plan	15	-	1,396	-	1,396
Total transactions with owners		**20,535**	**1,396**	**-**	**21,931**
Balance at 30 June 2015		**160,884**	**7,874**	**(131,200)**	**37,558**

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 2015

	Notes	30 June 2015 $'000	30 June 2014 $'000
Cash Flows from Operating Activities			
Receipts from trade and other debtors (inclusive of GST)		487	387
Grant income and R&D tax incentives (inclusive of GST)		4,215	4,707
Payments to suppliers and employees (inclusive of GST)		(19,282)	(16,108)
Interest received		970	1,208
Interest paid		(5)	(7)
Net cash outflows from operating activities	23	**(13,615)**	**(9,813)**
Cash Flow from Investing Activities			
Payments for property, plant and equipment		(653)	(251)
Net cash outflows from investing activities		**(653)**	**(251)**
Cash Flow from Financing Activities			
Proceeds from issue of shares		21,419	235
Share issue transaction costs		(916)	-
Lease repayments		(32)	(32)
Net cash inflows from financing activities		**20,471**	**203**
Net increase (decrease) in cash and cash equivalents held		**6,203**	**(9,861)**
Cash and cash equivalents at the beginning of the year		24,028	33,840
Effects of exchange rate changes on cash and cash equivalents		617	49
Cash and cash equivalents at the end of the year		**30,848**	**24,028**

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

Contents

1. Significant Accounting Policies

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the group

The group has applied the following standards and amendments for first time for the annual reporting period commencing 1 July 2014:

- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting*
- Interpretation 21 *Accounting for Levies*
- AASB 2014-1 *Amendments to Australian Accounting Standards*

None of the new and amended standards that are mandatory for the first time for the financial year beginning 1 July 2014 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 2014.

(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 2015, the consolidated entity has incurred losses of $18,950,000 (2014: $14,635,000) and experienced net cash outflows of $13,615,000 from operations (2014: $9,813,000), as disclosed in the balance sheet and statement of cash flows, respectively. The company is in the development phase, and given the entity's strategic plans, the directors are satisfied regarding the availability of working capital for the period up to at least August 2016. 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 2015 and the results of all subsidiaries for the year then ended. Starpharma Holdings Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

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

(e) Revenue recognition

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

(f) Government Grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

(g) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income or equity are also recognised directly in other comprehensive income or equity, respectively. Starpharma Holdings Limited and its wholly-owned Australian controlled entities are not consolidated for tax purposes.

(i) Investment allowances and similar tax incentives

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

(h) Leases

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

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

1. Significant Accounting Policies (continued)

(k) Trade Receivables

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

(l) Investments and other financial assets

(i) Classification

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

(ii) Loans and receivables

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

(m) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of the residual values, over their estimated useful lives. The expected useful lives are 2 to 20 years. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

(n) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease (being 3 years) or the estimated useful life of the improvement to the group, whichever is shorter.

(o) Intangible Assets

(i) Goodwill

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

(ii) Patents and licences

Costs associated with patents are charged to profit or loss in the periods in which they are incurred. Licences and acquired patents with a finite useful life are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of licences and patents over the period of the expected benefit, which is up to 20 years.

(iii) Research and development

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

(p) Trade and other payables

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

(q) Borrowings

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

(r) Provisions

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

(s) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related services is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlements for at least twelve months after the reporting date, regardless of when the actual settlements are expected to occur.

(iii) Superannuation and Pension Benefits

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

(iv) Share-based payments

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

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

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

(v) Bonus payments

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

(vi) Termination benefits

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

(t) Contributed equity

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

(u) Dividends

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

(v) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

1. Significant Accounting Policies (continued)

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

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

(x) Rounding of amounts

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

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 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 not applicable until 1 January 2018 but is available for early adoption.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The group has not yet decided when to adopt AASB 9.

(ii) AASB 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 principal 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 not applicable until 1 January 2018 but is available for early adoption.

Management is currently assessing the impact of AASB 15 on the measurement and recognition of revenue from existing and future contractual arrangements. The group has not yet decided when to adopt AASB 15.

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

(z) Parent entity financial information

The financial information for the parent entity, Starpharma Holdings Limited, disclosed in note 26 has been prepared on the same basis as the consolidated financial statements, except as set out below.

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

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

(ii) Share-based payments

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

2. Financial Risk Management

The group's activities expose it to a variety of financial risks; including market risk, credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The Chief Executive Officer, and Chief Financial Officer & Company Secretary, under the guidance of the Audit and Risk Committee and the Board, have responsibility for the risk management program.

(a) Market risk

(i) Foreign Exchange Risk

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

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

The exposure to foreign currency risk at the reporting date using the closing US exchange rate as at 30 June 2015 of $0.7680 was as follows:

	30 June 2015 US $'000	30 June 2014 US $'000
Cash and cash equivalents	10,999	2,963
Trade and other receivables	6	13
Trade and other payables	1	3

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 2015 $'000	30 June 2014 $'000
Impact on profit / (loss) on a movement of the US Dollar:		
Australian dollar strengthens (increases) against the US Dollar by 10%	(1,303)	(285)
Australian dollar weakens (decreases) against the US Dollar by 10%	1,592	348

(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 2015 $'000	30 June 2014 $'000
Term Deposits and deposits at call	28,053	22,559

Group Sensitivity

At 30 June 2015, 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 $146,000 higher or lower (2014 - change of 50 bps: $113,000 higher/lower) due to either higher or lower interest income from cash or cash equivalents.

(b) Credit risk

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

(c) Liquidity risk

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

(d) Fair value estimation

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

3. Critical Accounting Estimates and Judgements

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

(a) Critical accounting estimates and assumptions

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

i) Amortisation of finite life intangible assets

The group's management determines the estimated life of the patents underlying the core technology of the business and calculates amortisation accordingly. The estimate is based on the period of expected benefit which is up to 20 years. This could change as a result of technical innovations or competitor actions in response to severe industry cycles. Management will increase amortisation charges when the useful lives are less than their previously estimated lives. The carrying value of intangible assets at 30 June 2015 is $8,393,000 (2014: $7,755,000).

ii) Impairment of Goodwill

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

iii) Income Taxes

The group is subject to income taxes in Australia and the United States of America. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination may be uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. The group has not recognised deferred tax assets or liabilities, including 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.

iv) R&D Tax Incentives

The group's research and development activities are eligible under an Australian Government tax incentive for eligible expenditure from 1 July 2011. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. For the period to 30 June 2015 the group has recorded a contra research and development expense of $3,478,000 (2014: $4,222,000).

Late in the reporting period, 'Tax and Superannuation Laws Amendment (2015 Measures No. 3) Bill 2015' was introduced into Australian federal parliament to reduce by 1.5% the R&D Tax Offset rate, effective from 1 July 2014. The Bill has progressed through the Lower House and is currently awaiting debate in the Senate. A similar rate reduction was earlier rejected by the Senate in March 2015.

In accordance with AASB 112, tax assets should be measured at the amount expected to be recovered from the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. Substantive enactment occurs when any future steps in the enactment process will not change the outcome.

Management does not consider the R&D Tax Offset rate reduction to be substantially enacted at the end of the reporting period due the continued legislative debate in the parliament. The group has therefore calculated the R&D tax incentive by applying the currently legislated R&D Tax Offset rate of 45% to eligible expenditure.

(b) Critical accounting judgements in applying accounting policies

i) Impairment of Assets

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

4. Segment Information

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

5. Revenue and Other Income

Revenue and other income	30 June 2015 $'000	30 June 2014 $'000
Royalty, customer & licence revenue	804	273
Interest revenue	889	973
Total revenue	**1,693**	**1,246**
Government grants	4	7
Total other income	**4**	**7**
Total revenue and other income	**1,697**	**1,253**

Total revenue and other income for the year was $1,697,000, an increase of $444,000 from the previous year, mainly due to higher revenue from commercial partners of $531,000, offset by lower interest revenue earned on cash deposits of $84,000.

6. Expenses

Loss from continuing operations before income tax expense includes the following items:	30 June 2015 $'000	30 June 2014 $'000
R&D tax incentive (contra expense)[1]	(3,478)	(4,222)
Depreciation	250	153
Amortisation	971	943
Rental expense on operating leases	564	434
Defined contribution superannuation expense	466	437

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

7. Income Tax Expense

	30 June 2015 $'000	30 June 2014 $'000
(a) Income tax expense/(credit)		
Current Tax	–	–
Deferred Tax	–	–
Total income tax expense	**–**	**–**
Income tax expense is attributable to:		
Profit from continuing operations	–	–
Profit from discontinued operations	–	–
Aggregate income tax credit	**–**	**–**
Deferred income tax credit (revenue) / expense included in income tax credit comprises:		
(Decrease) in deferred tax liabilities	–	–
	–	**–**

7. Income Tax Expense (continued)

	30 June 2015 $'000	30 June 2014 $'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax	(18,950)	(14,635)
Tax at the Australian tax rate of 30% (2015: 30%)	(5,685)	(4,390)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Eligible expenses claimed under R&D tax incentive	1,275	1,503
Amortisation of intangibles	172	174
Share-based payments	428	448
Unearned income	33	50
Sundry items	112	24
Difference in overseas tax rates	(132)	29
Previously unrecognised tax losses now recouped to reduce current tax expense	(77)	(5)
Future income tax benefits not brought to account	3,874	2,167
Income tax expense	**–**	**–**
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)	87,440	72,641
Potential tax benefit	**26,364**	**21,874**
(d) Unrecognised temporary differences		
Temporary differences for which no deferred tax asset has been recognised as recoverability is not probable	9,599	26,265
Unrecognised deferred tax relating to the temporary differences	**2,662**	**7,819**
(e) Deferred tax liabilities		
Deferred tax liabilities comprises temporary differences attributable to:		
Intangibles	1,575	1,458
Sundry items	420	464
Total deferred tax liabilities	**1,995**	**1,922**
Set-off of deferred tax liabilities pursuant to set-off provisions	(1,995)	(1,922)
Net deferred tax liabilities	**–**	**–**
Deferred tax liabilities expected to be settled within 12 months	420	464
Deferred tax liabilities expected to be settled after 12 months	1,575	1,458
	1,995	**1,922**

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 2015 because the directors do not believe that it is appropriate to regard realisation of the future income tax benefit as probable. Similarly, future benefits attributable to net temporary differences have not been brought to account as the directors do not regard the realisation of such benefits as probable.

Realisation of the benefit of tax losses would be subject to the group satisfying the conditions for deductibility imposed by tax legislation and no subsequent changes in tax legislation adversely affecting the group. The group is making an assessment as to the satisfaction of deductibility conditions at 30 June 2015 which it believes will be satisfied.

8. Current Assets – Cash and Cash Equivalents

	30 June 2015 $'000	30 June 2014 $'000
Cash at bank and on hand	2,795	1,469
Term Deposits and deposits at call	28,053	22,559
	30,848	**24,028**

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 $743,000 (2014: $415,023) of cash not available for use due to restrictions associated with a bank guarantee on the premises lease, other restrictions for finance lease and credit card facilities; all of which are guaranteed by term deposits.

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

30 June 2015		Floating Interest rate	Fixed interest maturing								
	Notes	$'000	1 year or less $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000	Contractual cash flows
Financial Assets											
Cash & deposits	8	16,225	12,943	–	–	–	–	–	1,680	30,848	N/A
Receivables	9	–	–	–	–	–	–	–	4,232	4,232	4,232
		16,225	**12,943**	**–**	**–**	**–**	**–**	**–**	**5,912**	**35,080**	**4,232**
Weighted average interest rate		*0.4%*	*2.9%*	*–%*	*–%*	*–%*	*–%*	*–%*	*–%*		
Financial Liabilities											
Payables	12	–	–	–	–	–	–	–	5,933	5,933	5,933
Borrowings	13	–	30	18	–	–	–	–	–	48	48
		–	**30**	**18**	**–**	**–**	**–**	**–**	**5,933**	**5,981**	**5,981**
Weighted average interest rate		*–%*	*8.2%*	*8.2%*	*–%*	*–%*	*–%*	*–%*	*–%*		

8. Current Assets – Cash and Cash Equivalents (continued)

30 June 2014	Notes	Floating Interest rate	Fixed interest maturing								
		$'000	1 year or less $'000	1 to 2 years $'000	2 to 3 years $'000	3 to 4 years $'000	4 to 5 years $'000	More than 5 years $'000	Non-interest bearing $'000	Total $'000	Contractual cash flows
Financial Assets											
Cash & deposits	8	2,034	20,621	–	–	–	–	–	1,373	24,028	N/A
Receivables	9	–	–	–	–	–	–	–	4,570	4,570	4,570
		2,034	**20,621**	**–**	**–**	**–**	**–**	**–**	**5,943**	**28,598**	**4,570**
Weighted average interest rate		*2.7%*	*3.3%*	*–%*	*–%*	*–%*	*–%*	*–%*	*–%*		
Financial Liabilities											
Payables	12	–	–	–	–	–	–	–	3,114	3,114	3,114
Borrowings	13	–	27	30	18	–	–	–	–	75	75
		–	**27**	**30**	**18**	**–**	**–**	**–**	**3,114**	**3,189**	**3,189**
Weighted average interest rate		*–%*	*8.2%*	*8.2%*	*8.2%*	*–%*	*–%*	*–%*	*–%*		

9. Current Assets – Trade and Other Receivables

	30 June 2015 $'000	30 June 2014 $'000
Trade and grant receivables	3,866	4,211
Interest receivables	39	120
Prepayments	221	154
Other receivables	106	85
	4,232	**4,570**

Trade and grant receivables
Trade and grant receivables primarily comprise of $3,426,000 (2014: $4,154,000) of expenditure reimbursable under the Australian Government's R&D tax incentive scheme. Other trade receivables largely consist of research fees, royalty and licensing receivables and are subject to normal terms of settlement within 30 to 60 days.

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

Impaired receivables
As at 30 June 2015, there were no material trade and grant receivables that were past due (2014: nil). No receivables are considered impaired at 30 June 2015 (2014: nil) other than from subsidiaries within the group.

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

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

	Plant and Equipment $'000	Leasehold improvements $'000	Plant and Equipment under finance lease $'000	Total Plant and Equipment $'000
At 30 June 2013				
Cost	2,116	1,193	419	3,728
Accumulated depreciation and amortisation	(1,818)	(1,188)	(311)	(3,317)
Net book amount	**298**	**5**	**108**	**411**
Year ended 30 June 2014				
Opening net book amount	298	5	108	411
Additions	244	7	–	251
Disposals	–	–	–	–
Depreciation and amortisation	(115)	(8)	(30)	(153)
Closing net book amount	**427**	**4**	**78**	**509**
At 30 June 2014				
Cost	2,203	1,199	419	3,821
Accumulated depreciation and amortisation	(1,776)	(1,195)	(341)	(3,312)
Net book amount	**427**	**4**	**78**	**509**
Year ended 30 June 2015				
Opening net book amount	**427**	**4**	**78**	**509**
Additions	281	379	–	660
Disposals	(6)	(3)	–	(9)
Depreciation and amortisation	(146)	(75)	(29)	(250)
Closing net book amount	**556**	**305**	**49**	**910**
At 30 June 2015				
Cost	2,376	379	419	3,174
Accumulated depreciation and amortisation	(1,820)	(74)	(370)	(2,264)
Net book amount	**556**	**305**	**49**	**910**

11. Non-Current Assets – Intangible Assets

	Patents & Licences $'000	Goodwill $'000	Total Intangibles $'000
At 30 June 2013			
Cost	16,507	1,606	18,113
Accumulated depreciation and amortisation	(9,306)	–	(9,306)
Net book amount	**7,201**	**1,606**	**8,807**
Year ended 30 June 2014			
Opening net book amount	7,201	1,606	8,807
Exchange differences	(84)	(25)	(109)
Depreciation and amortisation	(943)	–	(943)
Closing net book amount	**6,174**	**1,581**	**7,755**
At 30 June 2014			
Cost	16,321	1,581	17,902
Accumulated depreciation and amortisation	(10,147)	–	(10,147)
Net book amount	**6,174**	**1,581**	**7,755**
Year ended 30 June 2015			
Opening net book amount	**6,174**	**1,581**	**7,755**
Exchange differences	1,251	358	1,609
Depreciation and amortisation	(971)	–	(971)
Closing net book amount	**6,454**	**1,939**	**8,393**
At 30 June 2015			
Cost	19,028	1,939	20,967
Accumulated depreciation and amortisation	(12,574)	–	(12,574)
Net book amount	**6,454**	**1,939**	**8,393**

(a) Impairment tests for goodwill

Goodwill is tested annually for impairment, and an impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.
The group has companies in both Australia and the United States – these are also determined to be the Cash Generating Units (CGUs) of the group. The directors have determined that the goodwill (which arose on the acquisition of the remaining share of the US business and intellectual property) should be allocated across these CGUs as the business combination gives rise to synergies within the group's Australian and United States companies and their intellectual property.

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

(b) Key assumptions used for fair value less costs to sell estimation

The market capitalisation of the group is used to determine an approximation of the fair value less costs to sell of the two CGUs which make up the group. Given the excess of the market capitalisation of Starpharma Holdings Limited over the carrying value of total assets (including goodwill) at 30 June 2015, goodwill is not considered to be impaired at the end of the reporting period.

(c) Impairment tests for finite life intangible assets

Identifiable intangible assets with finite lives are carried at cost less accumulated amortisation and adjusted for any accumulated impairment loss. The directors have assessed these assets for indicators of impairment at 30 June 2015 and determined that there is no indication that the asset is impaired.

(d) Remaining useful life

The patents being amortised have a remaining useful life of up to 11 years as at 30 June 2015.

12. Current Liabilities – Trade and Other Payables

	30 June 2015 $'000	30 June 2014 $'000
Trade payables and accruals	5,481	2,586
Other payables	452	528
	5,933	**3,114**

Trade payables and accruals

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

13. Current and Non-Current Liabilities – Borrowings

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

2015

	Notes	Floating Interest rate	Fixed interest rate					
			1 year or less $'000	Over 1–2 years $'000	Over 2–3 years $'000	Over 3–4 years $'000	Over 4–5 years $'000	Over 5 years $'000	Total $'000
Lease Liabilities	20	–	30	18	–	–	–	–	48
Weighted average interest rate		–%	8.2%	8.2%	–%	–%	–%	–%	

2014

	Notes	Floating Interest rate	Fixed interest rate					
			1 year or less $'000	Over 1–2 years $'000	Over 2–3 years $'000	Over 3–4 years $'000	Over 4–5 years $'000	Over 5 years $'000	Total $'000
Lease Liabilities	20	–	27	30	18	–	–	–	75
Weighted average interest rate		–%	8.2%	8.2%	8.2%	–%	–%	–%	

14. Contributed Equity

(a) Share capital

	2015 Shares	2014 Shares	2015 $'000	2014 $'000
Share Capital				
Ordinary shares – fully paid	319,138,501	285,109,680	160,884	140,349

(b) Movements in ordinary share capital

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

Date	Details	Number of shares	Issue Price	$'000
1 Jul 2014		285,109,680		140,349
25 Sep 2014	Employee performance rights plan share issue	481,400	$ –	–
29 Sep 2014	Share Placement	27,692,308	$0.65	18,000
	less transaction costs			(842)
14 Oct 2014	Employee performance rights plan share issue	465,000	$ –	–
5 Nov 2014	Share Purchase Plan	5,259,937	$0.65	3,419
	less transaction costs			(74)
3 Dec 2014	Employee performance rights plan share issue	50,000	$ –	–
23 Dec 2014	Employee performance rights plan share issue	22,000	$ –	–
22 Jan 2015	Employee share plan ($1,000) issue	58,176	$0.55	32
	Balance at 30 June 2015	**319,138,501**		**160,884**

(c) Ordinary shares

As at 30 June 2015 there were 319,138,501 issued ordinary shares. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital. There is no current on-market share buy-back.

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

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

(e) Employee Performance Rights Plan

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

(f) Options

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

(g) Capital risk management

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

15. Reserves

(a) Reserves

	30 June 2015 $'000	30 June 2014 $'000
Share-based payments reserve	7,044	5,648
Foreign currency translation reserve	(1,385)	(3,011)
Asset revaluation reserve	2,215	2,215
	7,874	**4,852**

(b) Movement in reserves

Share-based payments reserve	30 June 2015 $'000	30 June 2014 $'000
Balance at 1 July	5,648	4,188
Performance right expense	1,396	1,460
Balance at 30 June	**7,044**	**5,648**

Foreign currency translation reserve		
Balance at 1 July	(3,011)	(2,901)
Currency translation differences arising during the year	1,626	(110)
Balance at 30 June	**(1,385)**	**(3,011)**

(c) Nature and purpose of reserves

(i) Share-based payments reserve

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

(ii) Foreign currency translation reserve

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

(iii) Asset revaluation reserve

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

16. Accumulated Losses

	30 June 2015 $'000	30 June 2014 $'000
Accumulated losses balance at 1 July	(112,250)	(97,615)
Net loss for the year	(18,950)	(14,635)
Accumulated losses balance at 30 June	**(131,200)**	**(112,250)**

17. Related Party Transactions

(a) Parent entity and subsidiaries

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

(b) Transactions with related parties

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

(c) Key management personnel compensation

	30 June 2015 $	30 June 2014 $
Short-term employee benefits	2,275,425	2,226,843
Post-employment benefits	176,266	186,089
Other long term benefits	39,496	39,461
Share-based payments	987,876	978,306
	3,479,063	**3,430,699**

Detailed remuneration disclosures are provided in the remuneration report on pages 18 to 33.

18. 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 2015 $	30 June 2014 $
Statutory audit services		
Audit or review of financial reports of the entity or any entity in the consolidated entity		
PricewaterhouseCoopers	94,860	92,106
Total remuneration for statutory audit services	**94,860**	**92,106**

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

19. Events Occurring After the Balance Sheet Date

There are no other matters or circumstances have arisen since 30 June 2015 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.

20. Commitments

(a) Capital Commitments

There is no capital expenditure contracted for, not recognised as liabilities at the reporting date (2014: nil).

(b) Lease Commitments

Operating leases

The group leases laboratory and offices under a lease until 31 December 2017. Under a new premises lease agreement, rental commitments are inclusive of outgoings. The group also leases office equipment generally over a four year term.

	30 June 2015 $'000	30 June 2014 $'000
Commitments for minimum lease payments in relation to cancellable operating leases are payable as follows:		
Not later than one year	579	380
Later than one year and not later than five years	881	70
Later than five years	–	–
Representing cancellable operating leases	**1,460**	**450**

Finance Leases

The group leases plant and equipment under a finance leases expiring within two (2014: three) years.

Commitments in relation to finance leases are payable as follows:	Notes	30 June 2015 $'000	30 June 2014 $'000
Not later than one year		32	32
Later than one year and not later than five years		19	51
Later than five years		–	–
Minimum lease payments		**51**	**83**
Future finance charges		(3)	(8)
Recognised as a liability		**48**	**75**
Representing finance lease liabilities:			
Current	13	30	27
Non-Current	13	18	48
		48	**75**

The weighted average interest rate implicit in the lease is 8.2% (2014: 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.

21. Subsidiaries

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

			Equity Holding	
Name of entity	Country of Incorporation	Class of Shares	2015 %	2014 %
Starpharma Pty Limited	Australia	Ordinary	100.00%	100.00%
Dendritic Nanotechnologies Inc.	USA	Ordinary	100.00%	100.00%

22. Contingencies

The company has no contingent assets or liabilities at 30 June 2015 (2014: nil).

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

	30 June 2015 $'000	30 June 2014 $'000
Operating loss after tax	(18,950)	(14,635)
Depreciation and amortisation	1,221	1,096
Foreign exchange (gains) / losses	(617)	(49)
Non-cash employee benefits: share-based payments	1,428	1,493
Gain (loss) on sale of property, plant and equipment	(8)	–
Change in operating assets and liabilities, net of effects of acquisitions and disposals of entities:		
Decrease (increase) in receivables and other assets	370	928
Increase (decrease) increase in trade creditors	2,819	1,418
Increase in employee provisions	92	3
Increase (decrease) in deferred income	30	(67)
Net cash outflows from operating activities	**(13,615)**	**(9,813)**

24. Earnings Per Share

	30 June 2015	30 June 2014
Basic loss per share ($)	(0.06)	(0.05)
Diluted loss per share ($)	(0.06)	(0.05)
Net loss attributable to members of Starpharma Holdings Ltd used as the numerator in calculating diluted and basic earnings per share ($'000)	(18,950)	(14,635)
Weighted average number of ordinary shares outstanding during the year used as the denominator in calculating diluted and basic earnings per share	310,143,800	284,414,837

As at 30 June 2015 the company had on issue 6,469,100 (30 June 2014: 3,161,000) performance rights that are not considered dilutive.

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

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

25. Share-Based Payments

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 2015 was $0.46 per right (2014: $0.83). There were 4,597,500 performance rights granted in the current year (2014: 2,211,600). The estimated fair value at grant date is determined using either an option pricing or a binomial/trinomial model that takes into account the exercise price, the performance measure, the term of the right, the impact of dilution, the share price at grant date and the expected price volatility of the underlying share, the expected dividend yield and the risk free rate for the term of the option. The expected price volatility is based on the historic volatility, adjusted for any expected changes to future volatility due to publicly available information.

Set out below are summaries of performance rights:

2015

Grant Date	Vesting Date	Holding Lock Date	Balance at start of the year	Granted during the year	Converted during the year	Forfeited during the year	Balance at end of the year
			Number	Number	Number	Number	Number
13 Sep 2012	19 Sep 2014	19 Sep 2015	499,400	–	481,400	18,000	–
30 Nov 2012	30 Nov 2014	30 Nov 2015	200,000	–	50,000	150,000	–
30 Nov 2012	30 Nov 2015	30 Nov 2016	360,000	–	–	–	360,000
16 Sep 2013	16 Sep 2015	16 Sep 2016	1,151,600	–	22,000	68,000	1,061,600
22 Nov 2013	30 Sep 2014	30 Sep 2015	500,000	–	465,000	35,000	–
22 Nov 2013	22 Nov 2015	22 Nov 2016	200,000	–	–	–	200,000
22 Nov 2013	22 Nov 2016	22 Nov 2017	250,000	–	–	–	250,000
20 Nov 2014	30 Sep 2015	30 Sep 2016	–	300,000			300,000
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	–	–	1,084,125
30 Jan 2015	30 Sep 2017	–	–	1,084,125	–	–	1,084,125
30 Jan 2015	30 Sep 2018	–	–	929,250	–	–	929,250
Total			**3,161,000**	**4,597,500**	**1,018,400**	**271,000**	**6,469,100**

2014

Grant Date	Vesting Date	Holding Lock Date	Balance at start of the year	Granted during the year	Converted during the year	Forfeited during the year	Balance at end of the year
			Number	Number	Number	Number	Number
25 Nov 2011	25 Nov 2013	25 Nov 2014	410,000	–	410,000	–	–
13 Sep 2012	19 Sep 2014	19 Sep 2015	600,900	–	10,000	91,500	499,400
30 Nov 2012	30 Sep 2013	30 Sep 2014	400,000	–	200,000	200,000	–
30 Nov 2012	30 Nov 2014	30 Nov 2015	200,000	–	–	–	200,000
30 Nov 2012	30 Nov 2015	30 Nov 2016	360,000	–	–	–	360,000
16 Sep 2013	16 Sep 2015	16 Sep 2016	–	1,261,600	–	110,000	1,151,600
22 Nov 2013	30 Sep 2014	30 Sep 2015	–	500,000	–	–	500,000
22 Nov 2013	22 Nov 2015	22 Nov 2016	–	200,000	–	–	200,000
22 Nov 2013	22 Nov 2016	22 Nov 2017	–	250,000	–	–	250,000
Total			**1,970,900**	**2,211,600**	**620,000**	**401,500**	**3,161,000**

Information used in assessing the fair value of performance rights granted during the year ended 30 June 2015 is as follows:

Right grant date	20 November 2014	20 November 2014	20 November 2014	20 November 2014
Number of rights granted	300,000	450,000	210,000	90,000
Vesting date	30 September 2015	30 September 2016	30 September 2017	30 September 2017
Disposal Restriction until	30 September 2016	30 September 2017	30 September 2018	30 September 2018
Performance Measure	KPIs	KPIs	KPIs	TSR
Expected price volatility of the company's shares	50%	50%	50%	50%
Risk-free interest rate	2.5%	2.4%	2.6%	2.6%
Expected dividend yield	–	–	–	–
Share price at grant date	$0.52	$0.52	$0.52	$0.52
Assessed fair value	$0.49	$0.49	$0.49	$0.41

Right grant date	20 November 2014	20 November 2014	30 January 2015	30 January 2015
Number of rights granted	315,000	135,000	560,000	476,000
Vesting date	30 September 2017	30 September 2017	30 September 2016	30 September 2017
Performance Measure	KPIs	TSR	KPIs	KPIs
Expected price volatility of the company's shares	50%	50%	50%	50%
Risk-free interest rate	2.6%	2.6%	1.7%	1.6%
Expected dividend yield	–	–	–	–
Share price at grant date	$0.52	$0.52	$0.46	$0.46
Assessed fair value	$0.52	$0.44	$0.46	$0.46

Right grant date	30 January 2015	30 January 2015	30 January 2015	30 January 2015
Number of rights granted	84,000	408,000	72,000	524,125
Vesting date	30 September 2017	30 September 2018	30 September 2018	30 September 2016
Performance Measure	TSR	KPIs	TSR	KPIs
Expected price volatility of the company's shares	50%	50%	50%	50%
Risk-free interest rate	1.6%	2.0%	2.0%	1.7%
Expected dividend yield	–	–	–	–
Share price at grant date	$0.46	$0.46	$0.46	$0.46
Assessed fair value	$0.25	$0.46	$0.27	$0.46

Right grant date	30 January 2015	30 January 2015
Number of rights granted	524,125	449,250
Vesting date	30 September 2017	30 September 2018
Performance Measure	KPIs	KPIs
Expected price volatility of the company's shares	50%	50%
Risk-free interest rate	1.6%	2.0%
Expected dividend yield	–	–
Share price at grant date	$0.46	$0.46
Assessed fair value	$0.46	$0.46

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

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

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

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

Shares

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

(b) Fair value of shares granted
The weighted average assessed fair value at grant date of employee shares granted during the year ended 30 June 2015 was $0.55 (2014: $0.83 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 2015 is as follows:

Share grant date	22 January 2015
Number of shares granted	58,176
Share price at grant date	$0.55
Assessed fair value	$0.55

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

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

25. Share-Based Payments (continued)

Options

(a) Employee Option Plan

There were no options granted, exercised, forfeited or expired in the year ended to 30 June 2015. The options exercised in 2014 were granted under the Starpharma Holdings Limited Employee Share Option Plan (ASX code SPLAM).

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

2014

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

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2014 was $0.72.

(b) Fair value of options granted

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

Expenses arising from share-based payment transactions

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

	30 June 2015 $'000	30 June 2014 $'000
Employee shares issued	32	33
Employee performance rights issued	1,396	1,460
	1,428	**1,493**

26. Parent Entity Financial Information

(a) Summary financial information

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

	Parent	
	30 June 2015	30 June 2014
	$'000	$'000
Balance Sheet		
Current assets	27,869	22,657
Total assets	47,115	39,342
Current liabilities	753	800
Total liabilities	753	800
Shareholders' equity		
Contributed equity	160,884	140,349
Reserves	6,535	5,139
Accumulated losses	(121,057)	(106,946)
Loss for the year	(14,111)	(12,283)
Total comprehensive income	(14,111)	(12,283)

(b) Contingencies of the parent entity

The parent entity has no contingent assets or liabilities at 30 June 2015 (2014: nil).

Directors' Declaration for the year ended 30 June 2015

In the directors' opinion:

(a) the financial statements and notes set out on pages 41 to 71 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 2015 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, 21 August 2015

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

Report on the financial report

We have audited the accompanying financial report of Starpharma Holdings Limited (the company), which comprises the consolidated balance sheet as at 30 June 2015, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Starpharma Holdings Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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

Report on the Remuneration Report

We have audited the remuneration report included in pages 18 to 33 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Starpharma Holdings Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Jon Roberts
Partner

Melbourne
21 August 2015

Shareholder Information

The shareholder information set out below was applicable as at 31 July 2015.

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	694	–
1,001–5,000	1,506	–
5,001–10,000	880	–
10,001–100,000	1,525	20
100,000 and over	230	13
Total	**4,835**	**33**

There were 452 holders of less than a marketable parcel of ordinary shares.

B. Equity Security Holders

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

		Ordinary shares	
	Name	Number held	Percentage of issued shares
1.	HSBC Custody Nominees (Australia) Limited	88,860,483	27.84
2.	JP Morgan Nominees Australia Limited	26,856,613	8.42
3.	National Nominees Limited	24,249,812	7.60
4.	Citicorp Nominees Pty Limited	11,979,804	3.75
5.	T & N Argyrides Investments P/L <Super Fund A/C>	5,410,449	1.70
6.	UBS Nominees Pty Ltd	5,391,262	1.69
7.	BNP Paribas Noms Pty Ltd <DRP>	4,931,225	1.55
8.	UBS Wealth Management Australia Nominees Pty Ltd	4,249,094	1.33
9	Sunshine Group Investments Pty Ltd <Investments Family A/C>	4,136,977	1.30
10.	Mr Peter Malcolm Colman	3,805,968	1.19
11.	Kenneth Nominees Pty Ltd <Rayse Super Fund A/C>	3,422,053	1.07
12.	Mr Kingsley Bryan Bartholomew	2,442,072	0.77
13.	Dollar Coin Investments <Cousins Discretionary A/C>	1,922,664	0.60
14.	Applecross Secretarial Services Pty Ltd <Gorr Pension Plan A/C>	1,757,000	0.55
15.	Applecross Secretarial Services Pty Ltd <L Gorr Family A/C>	1,604,550	0.50
16.	JPS Distribution Pty Ltd <Raff Super Fund A/C>	1,588,291	0.50
17.	Commonwealth Scientific And Industrial Research Organisation	1,448,798	0.45
18.	HSBC Custody Nominees (Australia) Limited - A/C 2	1,445,942	0.45
19.	Mr Nicholas Wheeler	1,400,000	0.44
20.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,367,621	0.43
		198,270,678	**62.13**

Shareholder Information

	Unquoted equity securities over ordinary shares	
Name	**Number on issue**	**Number of holders**
Employee Performance Rights	6,469,100	33

C. Substantial Holders

Substantial shareholders with a shareholding greater than 5% as shown in substantial shareholder notices received by the company as at 31 July 2015:

	Ordinary shares	
Name	**Number held**	**Percentage of issue shares**
Allan Gray Australia Pty Ltd	47,381,272	14.85
M&G Investment Funds	37,069,789	13.06
FIL Limited	19,654,406	6.16

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 25 active patent families with over 80 granted patents and more than 60 patent applications pending.

Key patents within the Starpharma portfolio as at 31 July 2015:

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-I	30 March 2001 WO02/079299	Australia, Canada, China, Europe, Hong Kong, Japan, Mexico, New Zealand, Singapore, South Korea, USA	Brazil
Microbicidal Dendrimer Composition Delivery System (Condom related)	18 October 2005 WO2007/045009	Australia, India, Japan, Mexico, New Zealand, Russian Federation, South Korea, Taiwan, USA	Argentina, Canada, Europe, Hong Kong, Malaysia
Contraceptive Composition	22 March 2006 WO2007/106944	Australia, China, Japan, USA	Canada, Europe
Method Of Treatment Or Prophylaxis Of Bacterial Vaginosis	16 May 2011 WO2012/000891		Australia, Brazil, Canada, China, Europe, Hong Kong, India, Israel, Japan, South Korea, Mexico, Russia, USA
Method of Treatment or Prophylaxis of Infection of the Eye	13 September 2012 WO2014/043576		Canada, China, Europe, India, Japan, USA
Drug Delivery Patent Portfolio (includes DEP® Patents)			
Disulfide-containing dendritic polymers	30 September 1996 US6020457	USA	
Macromolecules Compounds Having Controlled Stoichiometry	25 October 2005 WO2007/048190	Australia, Canada, USA	Europe
Modified Macromolecules	20 January 2006 WO2007/082331	Australia, Canada, USA	China, Europe, India, Japan
Targeted Polylysine Dendrimer Therapeutic Agent	11 August 2006 WO2008/017125	China, USA	Europe, India
Macromolecules (Drug linkers)	6 June 2011 WO2012/167309		Australia, Brazil, Canada, China, Europe, Hong Kong, India, Japan, South Korea, USA
Macromolecules and their Use (Platinates)	10 September 2013 WO2015/035446		International
Priostar® Patent Portfolio			
Dendritic Polymers With Enhanced Amplification And Interior Functionality	20 April 2005 WO2006/065266	Argentina, Canada, China, Europe, India, Israel, Japan, Mexico, New Zealand, Singapore, South Korea, Taiwan, USA	Brazil, Hong Kong
Dendritic Polymers With Enhanced Amplification And Interior Functionality	21 December 2005 WO2006/115547	Argentina, Australia, Canada, China, India, Israel, Mexico, New Zealand, Singapore, South Korea, Taiwan, USA	Brazil, Europe, Hong Kong, Japan
PEHAM Dendrimers for use in Agriculture	26 October 2009 WO2011/053605	China	Australia, Brazil, Europe, India, Japan, USA

Corporate Directory

Company name

Starpharma Holdings Limited
ABN 20 078 532 180

Directors

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

Company Secretary

Nigel Baade

Registered office

4-6 Southampton Crescent
Abbotsford, Victoria 3067 Australia

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

Postal address

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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
Freshwater Place
Southbank VIC 3006 Australia

Solicitors

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

Stock exchange listing

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

Website address

www.starpharma.com