Starpharma Holdings Limited

ABN 20 078 532 180

Appendix 4E: Preliminary Financial Report
Year ended 30 June 2016

Lodged with the ASX under Listing Rule 4.3A
Previous corresponding period (pcp): Year ended 30 June 2015

Results for announcement to the market

				$'000
Revenue from continuing operations *(Appendix 4E item 2.1)*	Up	166%	to	**$4,505**
Loss from continuing operations after tax attributable to members *(Appendix 4E item 2.2)*	Up *(increase)*	20%	to	**$22,675**
Loss for the period attributable to members *(Appendix 4E item 2.3)*	Up *(increase)*	20%	to	**$22,675**

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 $4,505,000, an increase of $2,812,000 on the pcp. Revenue of $3,825,000 (2015: $804,000) was for licensing, royalty and research revenue from commercial partners, including the US$2M signing fee from AstraZeneca for the multi-product drug delivery license agreement. Interest income on cash invested was $680,000 (2015: $889,000) for the year.

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 $22,675,000 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 $18,950,000 with the major change as a result from the VivaGel® and DEP™ docetaxel clinical programs in progress, offset by the increase in revenue.

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

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

Refer to the Annual Report which follows this announcement.

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

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

NTA Backing *(Appendix 4E item 9)*

Net tangible asset backing per ordinary share at 30 June 2016 is $0.011 (2015: $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, 11, and 13 are not applicable

ASX ANNOUNCEMENT

Starpharma annual report and full year financial results

Melbourne, Australia; 29 August 2016: Starpharma Holdings Ltd (ASX: SPL, OTCQX: SPHRY) today released its annual report and financial results for the year ended 30 June 2016.

Financial Results

- Net cash burn (cash outflows before new capital) $17.5M[1]
- Cash position at end of the year $46.0M
- Net proceeds of $32.6M from equity placement and share purchase plan
- Total revenue and other income $4.6M including the first US$2M DEP™ milestone from AstraZeneca
- Reported loss $22.7M
- Receipt of $3.4M R&D tax incentive

Operational Highlights

VivaGel®

- EU marketing approval for the VivaGel® BV treatment and symptom relief product;
- Licensing deal with Aspen for VivaGel® BV treatment and symptom relief product in Australia and New Zealand with pre-launch activities well advanced;
- Phase 3 clinical trials of VivaGel® BV for the prevention of recurrent bacterial vaginosis (BV) more than 90% enrolled;
- VivaGel® active shows potent antiviral activity against Zika virus;
- License for VivaGel® condom in China for the Government market; and
- Significant progression of commercial and regulatory activities for the VivaGel® condom in important markets with approvals anticipated in coming months.

Drug Delivery

- Signing of a multiproduct drug delivery license with AstraZeneca for DEP™ enhanced oncology molecule;
- Second DEP™ candidate nominated by AstraZeneca under the license;
- DEP™ docetaxel phase 1 clinical trial showing promising efficacy signals and advancing to the final expansion phase with no neutropenia or hair loss reported;
- Extension of DEP™ programs with AstraZeneca adding a new DEP™ candidate from their portfolio;
- Impressive preclinical results for both DEP™ cabazitaxel and Targeted DEP™ candidates in human cancer models; and
- Two new Targeted DEP™ partnerships signed with world leading antibody-drug conjugate companies.

[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 2015 to 30 June 2016 adjusted for the net proceeds on the issue of equity of $32.6M.

Agrochemicals

- Adama licenses Priostar® for the US market to create novel dendrimer-enhanced versions of 2,4-D, a major global agrochemical;
- Signing of several new partnerships with leading agrochemical companies including major Japanese agrochemical business; and
- Important progress and results for Priostar® agrochemical internal programs.

Commenting on the 2016 financial year's achievements and the outlook, Starpharma CEO, Dr Jackie Fairley, said:

"FY16 has been a significant year in Starpharma's development as a company, with each of our business areas reaching important commercial milestones and a number of major development and regulatory accomplishments across our VivaGel®, drug delivery and agrochemical portfolios".

"The year saw Starpharma sign the multiproduct DEP™ license with AstraZeneca, starting with a DEP™ enhanced oncology molecule, and rapidly expanding to a second candidate under that license. The relationship with AstraZeneca was recently further cemented when they added a completely new compound from their portfolio to the DEP™ collaborative programs. In the wider drug delivery portfolio, the phase 1 clinical trial of our internal candidate, DEP™ docetaxel, is showing promising efficacy signals and advancing into its final expansion phase with no neutropenia or hair loss reported. Also, we've seen impressive preclinical efficacy results for DEP™ cabazitaxel and our Targeted DEP™ candidates. The latter generated a significant amount of industry interest and as a result we have very recently added two new partnerships with world leading antibody-drug conjugate (ADC) companies. It is great to have them working alongside Starpharma to exploit the unique benefits of the DEP™ technology for the development of the next generation of ADCs," she added.

"In the VivaGel® portfolio we achieved a landmark for VivaGel® BV this year - EU regulatory approval. This approval has been used to expedite regulatory processes in a number of markets as well as supporting a very active commercialisation and licensing program in preparation for product launch. The VivaGel® BV phase 3 clinical trials for the prevention of recurrent BV are more than 90% enrolled. Thirdly, the deal with Sky and Land adds the large Chinese Government sector as a new market opportunity to the existing Ansell and Okamoto licenses for the VivaGel® condom. We also anticipate FY17 will be another year of significant regulatory and commercial progress for the VivaGel® condom product".

"Finally in our agrochemical portfolio, over the period we secured an important deal with the Adama license of Priostar® to create new enhanced versions of a major global agrochemical 2,4-D, for the US market. We have also seen important progress with further promising field trial results for Priostar® agrochemicals in our internal programs. In addition to Adama we signed a number of external partnerships including one with a major Japanese agrochemical company," Dr Fairley stated.

Net cash outflows from operating and investing activities for the year were $17.8 million (2015: $14.3 million), with cash reserves at 30 June 2016 of $46.0 million (2015: $30.8 million). The net loss after tax was $22.7 million (2015: $19.0 million), with the increase primarily a result of the VivaGel® and DEP™ docetaxel clinical programs in progress, offset by an increase in revenue. Revenue increased for the year largely as a result of the first milestone (signature fee) from AstraZeneca under the multiproduct DEP™ license.

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 has antimicrobial properties. VivaGel® formulated as a water based gel and delivered vaginally now has EU regulatory approval for topical treatment and rapid relief of bacterial vaginosis (BV) and is under clinical development for the prevention of recurrent BV. Starpharma has signed a license agreement with Aspen Pharmacare Australia Pty Ltd for the sales and marketing of VivaGel® BV in Australia and New Zealand. 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®, Manix®, 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 field, Starpharma has both partnered and internal programs in Drug Delivery. 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 patients with solid tumours. 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). AstraZeneca has signed a licensing agreement with Starpharma for the use of its DEP™ drug delivery platform in the development and commercialisation of an AstraZeneca oncology compound, with potential for follow on compounds directed at a defined family of targets.

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 more information please visit: www.starpharma.com

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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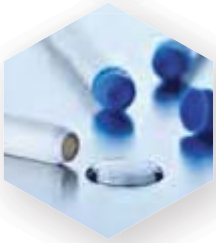


ANNUAL REPORT 2016

starpharma

Highlights


Signing of a multiproduct DEP™ license with AstraZeneca and rapid advancement of two candidates for development
EU marketing approval granted for VivaGel® BV
Phase 3 trials for VivaGel® BV prevention of recurrent BV have achieved >90% enrolment
License signed with Aspen for sales and marketing of VivaGel® BV in Australia & NZ
VivaGel® shows potent activity against Zika virus
Adama signed license for Priostar® for novel 2,4-D products
Phase 1 trial for DEP™ docetaxel shows encouraging anticancer activity and no neutropenia or hair loss
Targeted DEP™ conjugate outperforms leading treatments in ovarian cancer model
License signed for VivaGel® condom to supply Chinese Government market
AstraZeneca program to include a further product from its portfolio
Completion of $34 million capital raising
DEP™ cabazitaxel shows complete and sustained tumour regression in breast cancer model
Australian Olympic Team supplied with VivaGel® condoms for Brazil

Chairman's Letter

Mr Rob Thomas *AM*, Chairman

Dear Shareholders,

On behalf of the Starpharma Board it is a great pleasure to present the 2016 annual report to our investors.

Our strategy remains unchanged. The company aims to create value for shareholders through the commercial exploitation of our dendrimer technology in pharmaceutical, life science and other applications utilising a combination of internally funded and partnered projects across the portfolio.

To this end over the last 12 months Starpharma has achieved a number of significant milestones in our three focus areas – VivaGel®, DEP™ drug delivery and agrochemicals. Our achievements illustrate the strength of our business strategy and the confidence our industry partners have in our technology platform and the team at Starpharma.

FY16 was a milestone year with respect to striking important commercial deals and achieving key regulatory goals.

Early in the financial year, Starpharma signed a multiproduct license with AstraZeneca, for the development and commercialisation of DEP™ drug delivery products. This is both strategically important and a highly valuable deal. Our DEP™ program with AstraZeneca has since expanded beyond the initial agreement with the initiation of a further DEP™ program, highlighting the broad clinical applicability of the drug delivery platform. Success with any of these programs will be a powerful endorsement for the company.

Within our VivaGel® portfolio, we were granted EU approval for VivaGel® BV for treatment and rapid relief of bacterial vaginosis (BV) – a condition with a significant unmet medical need. This approval marks an important milestone for Starpharma, opening up a very large market, and has been used to expedite other approval processes for the product in countries that recognise the EU approval, further expanding our market reach.

Furthermore, we signed a license and supply agreement with Aspen Pharmacare Australia for the sales and marketing of VivaGel® BV in Australia and New Zealand, with discussions well advanced in other territories of the world. VivaGel® BV is currently under regulatory review in Australia – having benefited from the Australian-EU mutual recognition agreement.

As well as continuing regulatory activities with Ansell and Okamoto for the VivaGel® condom, an agreement was signed with Shenyang Sky and Land Latex Co for the manufacture and sale of VivaGel® condoms for the Chinese Government sector. This exclusive license and supply agreement opens up a significant market segment for Starpharma which is not captured by our current licenses.

We also licensed Starpharma's Priostar® dendrimer technology for the development and commercialisation of an enhanced, proprietary 2,4-D herbicide for the US market to one of the world's leading crop protection companies, Adama Agricultural Solutions. 2,4-D is one of the top three herbicides sold worldwide.

The company's phase 1 study for DEP™ docetaxel is now in advanced stages and interim clinical data reported this year revealed that cancer patients showed no neutropenia or alopecia, even at the highest doses. Encouraging efficacy signals and anticancer activity in a significant proportion of patients have also been seen. A large European site was recently added to facilitate the completion of phase 1 and as a lead-in to a phase 2 clinical trial.

Meanwhile, Starpharma's VivaGel® BV pivotal phase 3 program for the prevention of BV recurrence is now more than 90% recruited.

We continued to support growth in our pipeline of internal DEP™ candidates with exciting data generated in preclinical studies for our Targeted DEP™ conjugates and DEP™ cabazitaxel.

Like most other Australian biotechnology companies, achieving the right level of funding and investor mix is a critical success factor. The combination of an oversubscribed capital raising, share purchase plan and prudent management of cash flows, saw Starpharma end the year with a strong cash balance of $46 million, sufficient to fund our existing programs and secure the company's development. We thank our existing shareholders who participated and welcome a number of important new funds to the register.

I would like to thank our Chief Executive Officer, Dr Jackie Fairley, the executive management team and employees for their diligence, dedication and passion for our business. We have a highly experienced and focused team of professionals with the broad skill set and expertise required to take the company forward. The dendrimer platform technology has enormous commercial potential not just in drug delivery but also patent life extension. We remain ambitious and confident in our ability to realise our goals and prove up the inherent value that exists with the company. Our DEP™ platform offers significant leverage and optionality with tremendous potential beyond our current deals.

I also wish to thank my fellow Board members for their hard work and expertise through the year and we express our gratitude to Dr Peter Jenkins, who retired in November 2015, for his very significant contribution over the years.

Finally, on behalf of the Board, we would like to thank our shareholders for your ongoing support and for believing in Starpharma's vision and innovation. We do not take your support for granted. Your Board, Jackie, and her team are driven by the desire to produce significant returns from our technology for you, and for our society.

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 2016 financial year, achieving significant developments in our three business areas – VivaGel®, drug delivery and agrochemicals. The execution of commercial deals for VivaGel®, DEP™, and in agrochemicals, as well as regulatory approval for VivaGel® BV in Europe, all represent significant milestones for the company this year.

VIVAGEL® PORTFOLIO

Starpharma achieved important regulatory and development milestones and signed two new commercial deals within the VivaGel® portfolio this year.

VivaGel® BV treatment

A major milestone for VivaGel® BV this year was securing the marketing approval in the European Union (EU) for the treatment and rapid relief of symptoms of bacterial vaginosis (BV). The current market for products in this category is estimated to be in excess of US$750 million globally, with significant areas of unmet need for BV sufferers.

The EU approval allows VivaGel® BV to be marketed in the European Economic Area, which includes the 28 countries of the EU plus the European Free Trade Association, providing access to more than 260 million women. The approval is also being used to support regulatory and marketing approvals for VivaGel® BV in a number of other countries that recognise the EU approval, and these activities are now well underway.

In March 2016, Starpharma signed a license agreement with Aspen Pharmacare Australia Pty Ltd for the sales and marketing of VivaGel® BV in Australia and New Zealand. The company is part of Aspen Holdings Ltd, a global pharmaceutical company listed on the South African stock exchange. Aspen is a leading supplier of branded and generic pharmaceutical products globally, and is in the top five OTC (over-the-counter) pharmaceutical companies in Australia. Aspen is an ideal partner for VivaGel® BV in Australia and New Zealand given this background and their proven track record of successfully marketing products in the women's healthcare segment.

Under the license agreement, Aspen is responsible for all marketing, promotion and distribution of the product to clinicians and pharmacies, with a product launch targeted for later this year. Starpharma will supply Aspen with VivaGel® BV and will receive royalties on net sales.

Extensive launch preparations and progress on the commercial negotiations for VivaGel® BV have also occurred since approval in Europe. Negotiations for VivaGel® BV marketing rights are well advanced with a number of potential commercial partners. These commercial negotiations and Term Sheets involve partners with extensive experience in women's health and cover a number of territories including Europe, Asia-Pacific, Latin America, Canada and the Middle East.

"The European approval of VivaGel® BV and the multiple deals that we have signed this year, including the DEP™ license with AstraZeneca, Targeted DEP™ programs with industry leaders, and the Adama license represent critical milestones in the development of Starpharma".

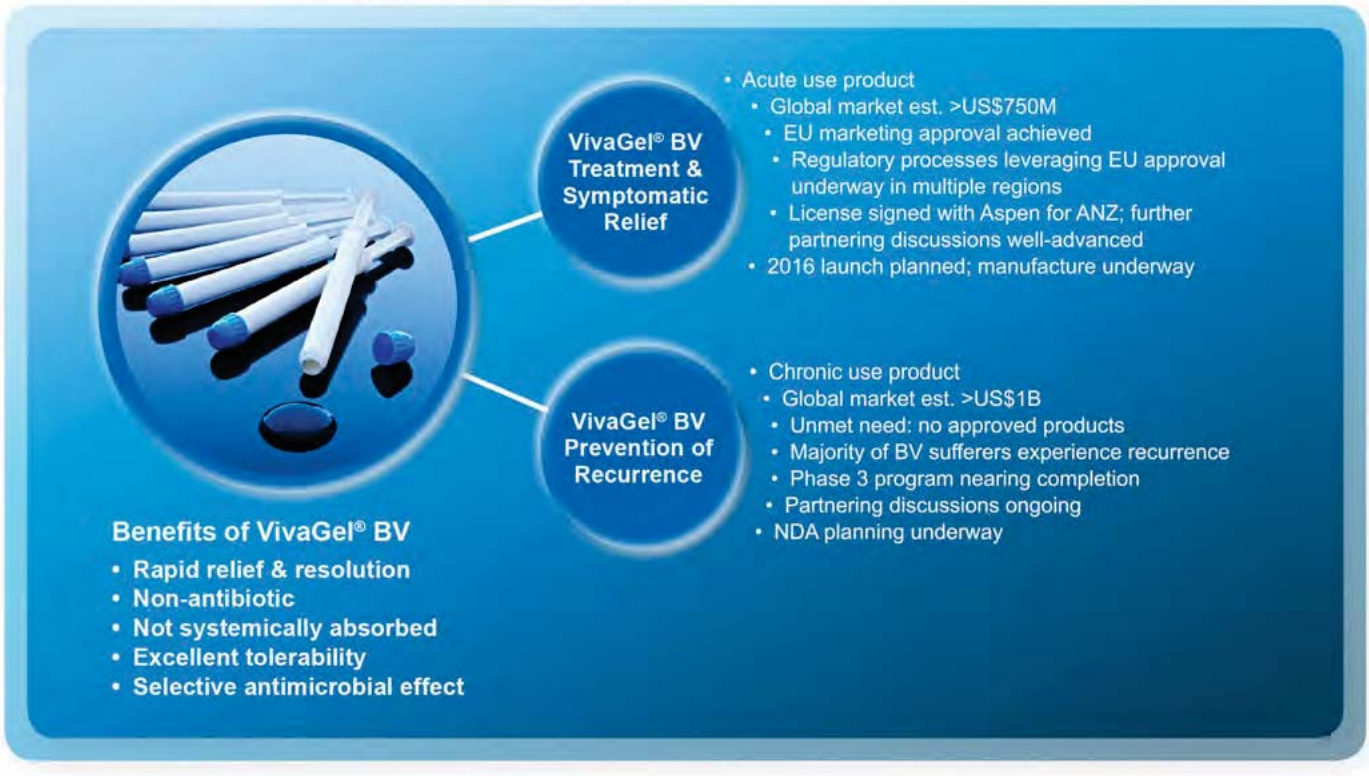
VivaGel® BV for prevention of recurrence

Starpharma is also developing the VivaGel® BV product for the prevention of recurrent BV indication. This is an area of significant unmet need with no approved therapeutic option currently available and affecting up to 50–60% of BV sufferers.

Two double-blinded, placebo controlled phase 3 trials are being conducted across the US, Canada, Mexico, Europe and Asia with recruitment in excess of 90%. The clinical program was granted a Special Protocol Assessment (SPA) by the US FDA, which reduces Starpharma's regulatory risk through a binding agreement on trial design. In addition, there was agreement on the trial design by the European regulatory authority.

The global market value for the prevention of recurrent BV is estimated to be more than US$1 billion. An additional patent for VivaGel® BV was granted in October 2015 by the US Patent Office, providing a seven year extension of the patent term to 2032. The grant of this new patent is confirmation of the innovation that VivaGel® brings to the BV field and adds to the value of the product through extended market exclusivity.

VivalGel® BV: Two attractive commercial opportunities



CEO's Report

The VivaGel® condom

In July 2016, Starpharma secured a significant new commercial opportunity for the VivaGel® condom with the signing of an exclusive license and supply agreement with Shenyang Sky and Land Latex Co. Ltd. (Sky and Land) for the sale of the product to the Government segment of the Chinese condom market. Sky and Land is a diversified Chinese company, with world-class local condom manufacturing capabilities and a successful history of supplying condoms to the Chinese Government. The Chinese Government provides condoms to its citizens under a number of programs, with an annual requirement of approximately 3 billion condoms. The Chinese condom market is expected to grow by nearly 60% in the next five years according to Bloomberg analysis.

Under the exclusive agreement, Starpharma will supply the VivaGel® active for Sky and Land to manufacture VivaGel® condoms under license. Starpharma and Sky and Land have already commenced regulatory activities to gain approval of a VivaGel® condom in China.

The VivaGel® condom is marketed in Australia as Dual Protect™ by Ansell and proudly travelled with our Olympic athletes to Rio in August. The VivaGel® condom is the world's first and only antiviral condom. While the physical barrier of the condom provides primary protection, the condom lubricant contains the VivaGel® active that has been proven in laboratory studies to inactivate up to 99.9% of HIV, HSV (genital herpes) and HPV (human papillomavirus), which are viruses that cause sexually transmitted infections (STIs). Together with its commercial partners Ansell and Okamoto, Starpharma has advanced regulatory processes in a number of important markets with approvals anticipated in coming months.

Starpharma announced in May 2016 that the VivaGel® active also showed potent antiviral activity against the Zika virus in laboratory studies. The near-complete antiviral protection was achieved at concentrations significantly below that of the VivaGel® condom and Starpharma is now investigating the potential to add Zika to the list of viruses inactivated for the VivaGel® condoms – further improving the value-add of the product opportunity.

VivaGel® condom goes to Rio

AUSTRALIA
TEAM SUPPLIER

"The health and wellbeing of the Team comes first and our association with Starpharma will provide extra protection for everyone on the Team, and is a common sense approach to a very serious problem we are facing in Rio."

The chief de Mission of the 2016 Australian Olympic Team, Kitty Chiller

DEP™ DRUG DELIVERY PORTFOLIO

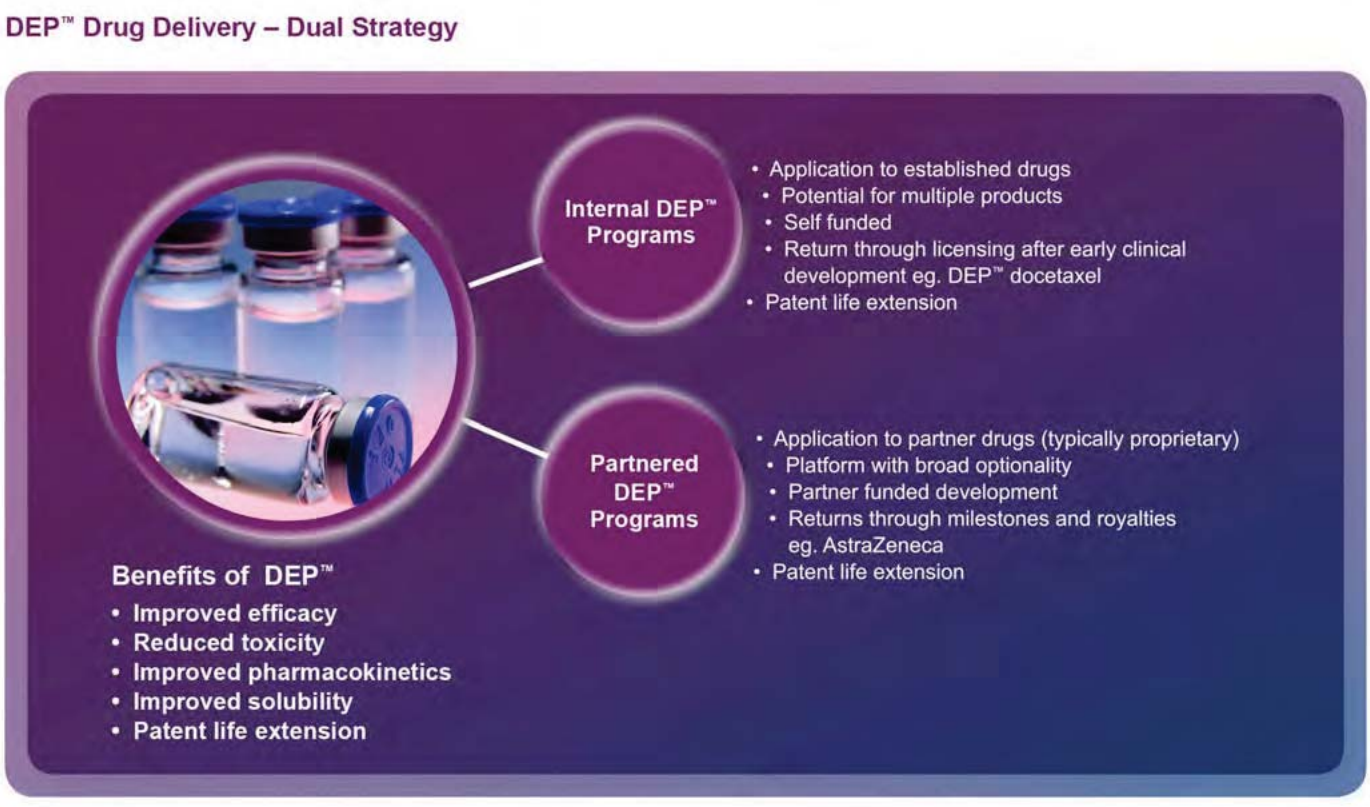
Starpharma's Dendrimer Enhanced Product technology, known as DEP™, can enhance the performance of pharmaceuticals to improve health outcomes for patients. Both preclinical and early clinical data have shown DEP™ versions of drugs to be enhanced in a variety of ways compared to the original or unmodified drugs. Over and above the therapeutic and clinical benefits, DEP™ also provides a valuable commercial benefit to commercial partners through significant additional patent life.

Starpharma achieved important milestones for DEP™ during the year in both partnered and internal programs, with the signing of a license with AstraZeneca, and generation of exciting clinical and preclinical data for the company's own internal candidates.

DEP™ docetaxel clinical program

Our lead internal drug delivery program for DEP™ docetaxel is now in the final expansion phase, with a large European site recently added to facilitate completion of phase 1, and to facilitate rapid start-up for phase 2. Interim results of the trial have shown encouraging efficacy signals in a significant proportion of patients including in cancers not typically sensitive to docetaxel. Efficacy signals have been seen in cancers such as pancreatic, lung, prostate, gastro-oesophageal, and brain. This activity, sometimes at quite low doses, is considered very encouraging given the patients in the trial have often failed multiple other cancer drugs before enrolment. Remarkably, no cases of neutropenia or alopecia (hair loss) have been reported to date. Neutropenia is a common dose-limiting and life-threatening side-effect of docetaxel and many currently available chemotherapy drugs. In addition, as a result of the DEP™ formulation being polysorbate-80 free (detergent free), patients have not required steroid pre-treatment or experienced any hypersensitivity reactions.

Preparations for a phase 2 trial of DEP™ docetaxel are progressing well with product manufacture, and site and CRO selection well advanced to facilitate rapid progression from phase 1 into phase 2.



AstraZeneca DEP™ license

In September 2015, Starpharma signed a multiproduct license with AstraZeneca for use of Starpharma's DEP™ technology, and this has been extended to a second drug candidate being selected for development. Under the multiproduct license agreement, Starpharma has granted access to use DEP™ technology in the development and commercialisation of AstraZeneca compounds against a defined family of drug targets. AstraZeneca will fund all development and commercialisation costs for AstraZeneca DEP™ products. The license deal provides for potential development, launch and sales milestones payable to Starpharma of up to US$124 million as well as royalties on net sales for the first AstraZeneca DEP™ product. The nomination of a second candidate illustrates the multiproduct opportunity, validates the DEP™ technology and allows Starpharma to be eligible for additional potential milestones of up to US$93 million, plus royalties for this second and subsequent candidates under the agreement. This collaboration has been extremely positive and recently Starpharma's partnership with AstraZeneca was further strengthened with the initiation of a new program with AstraZeneca, which is in addition to, and outside the scope of, the existing multiproduct agreement.

"We estimate that each product successfully commercialised under this agreement could be worth around US$450M to Starpharma and, depending on the range of indications and degree of commercial success in the market, potentially significantly more."

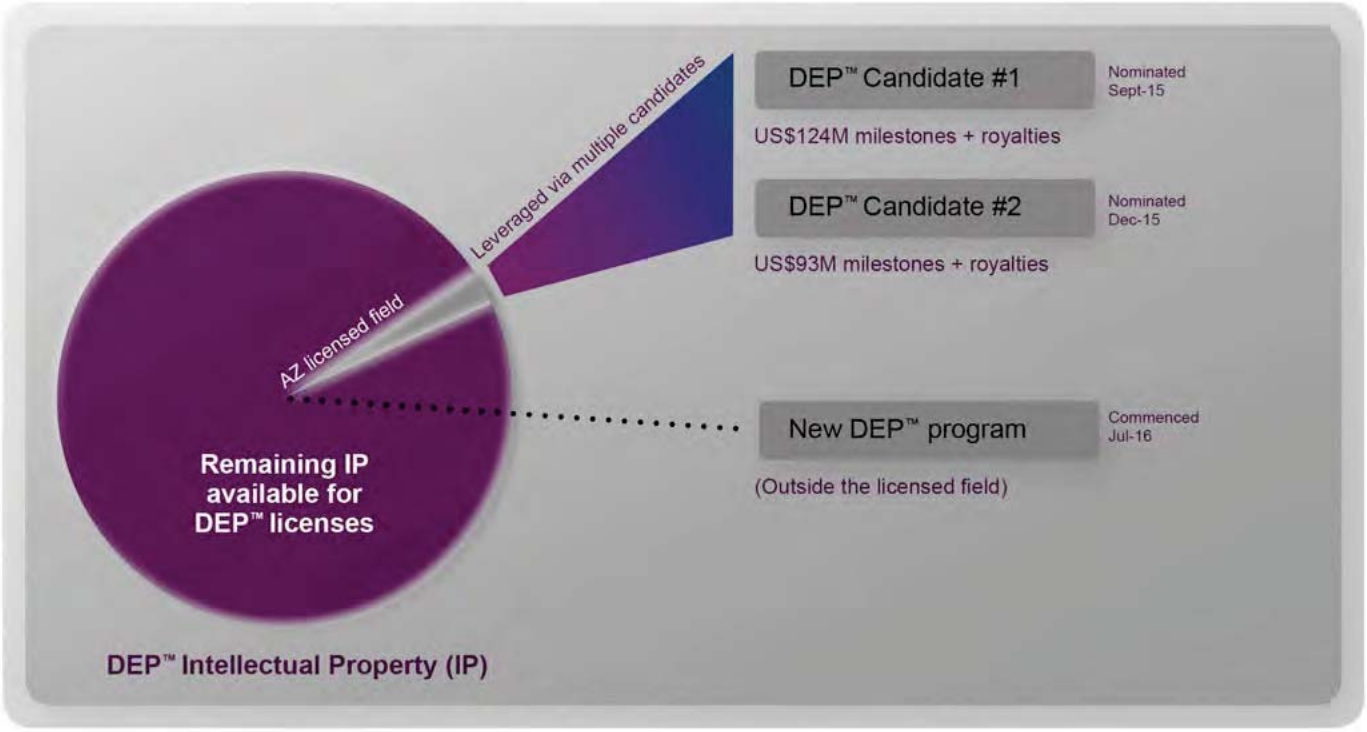
Dr Jackie Fairley

AstraZeneca

"We already have a long-standing and successful working relationship with Starpharma. This license agreement will enable us to further harness the DEP™ technology and evaluate its potential across novel molecules within our oncology portfolio."

Susan Galbraith, Head of the Oncology Innovative Medicines Unit at AstraZeneca

AstraZeneca Multiproduct DEP™ License



Additional internal DEP™ programs

In April 2016, Starpharma announced results of its most recent DEP™ candidate, DEP™ cabazitaxel, which showed complete and sustained tumour regression in a human breast cancer model. DEP™ cabazitaxel is Starpharma's dendrimer-enhanced, water soluble, detergent-free version of the cancer drug, Jevtana® (cabazitaxel). Jevtana® is a leading oncology agent marketed for advanced prostate cancer by Sanofi-Aventis with 2015 sales of approximately US$430 million, growing at approximately 18% per annum.

In the study, Starpharma's DEP™ cabazitaxel was compared to Jevtana® in a human breast cancer preclinical model (xenograft) which showed it significantly outperformed Jevtana® with respect to both the level and duration of tumour regression (anticancer activity). Within four weeks of dosing, 100% of mice treated with Starpharma's DEP™ cabazitaxel were tumour-free and remained so for the 150-day study duration. Mice treated with Jevtana® alone showed significant tumour regrowth from 60 days after dosing. DEP™ cabazitaxel also significantly outperformed Jevtana® for survival in the model ($p<0.0001$).

Additional preclinical data showed that DEP™ cabazitaxel eliminated neutropenia associated with cabazitaxel (Jevtana®). Jevtana® has an FDA "black box" warning regarding neutropenia and severe hypersensitivity to polysorbate-80. In contrast, Starpharma's DEP™ cabazitaxel is water soluble and completely free of polysorbate-80.

In November 2015, Starpharma announced data showing its novel antibody-targeted DEP™ conjugate resulted in complete tumour regression and 100% survival in a human ovarian cancer model. Starpharma's antibody-targeted DEP™ conjugate (using Herceptin® as the targeting group) significantly outperformed Roche's Kadcyla®, a Herceptin® antibody-drug conjugate (ADC) in the preclinical ovarian cancer model.

Final results of the study, announced earlier this year, showed that the HER2-targeted DEP™ conjugate resulted in complete tumour regression at 60 days post dosing and demonstrated overall superior anticancer effectiveness compared to Kadcyla®. These impressive results and the benefits of DEP™ quickly led to the company signing Targeted DEP™ partnerships with two of the leading players in the ADC space. The market for ADCs is expected to grow to US$9 billion by 2023.

CEO's Report

PRIOSTAR® AGROCHEMICALS

During the year, the agrochemical portfolio progressed on a number of fronts and reached an important commercial milestone when one of the world's leading crop protection companies, Adama Agricultural Solutions, licensed Priostar® for an enhanced, proprietary, 2,4-D herbicide for the US market.

2,4-D is one of the top three herbicides sold worldwide, with 2014 global sales of approximately US$680 million. Under the license, Starpharma will receive royalties on sales of the proprietary Adama Priostar®-improved 2,4-D products. In addition to the US rights, the agreement also includes a mechanism to expand the licence into additional territories.

The improved product is expected to provide better flexibility and weed control benefits to the grower, as well as on-target application, and reduced environmental impact by decreasing overall exposure to 2,4-D.

We continue to see strong international interest in Priostar® including a collaborative program with a major Japanese company and interest from several Chinese agrochemical entities.

Starpharma's internal Priostar® programs including Glyphosate, Glyphosinate Ammonium and Metolachlor have all generated valuable new field trial data this year. As agrochemical markets become more genericised and are saturated with equivalent products, the Priostar® platform will allow users to create differentiated, patented formulations securing better commercial outcomes.

ADAMA

"The innovative nature and superior performance of the Priostar® formulations fit well with our strategy to deliver simple and efficient solutions to farmers to help them grow."

Sambi Shabtai, Head of Innovative Development at Adama

Priostar® Agrochemicals – Dual Strategy

CEO’s Report

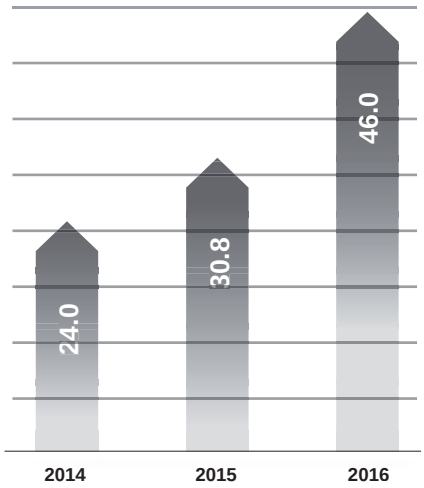
Dr David Owen VP, Research

ORPOR TE

This year Starpharma continued to receive strong support from institutional investors with its share placement and share purchase plan raising a combined total of approximately $34 million. The placement to sophisticated and institutional investors was oversubscribed and was well supported by existing holders. Our share register continues to comprise a diversified investor base, with solid support from well-known and respected institutions across Australia, Europe, Asia and the US.

Starpharma’s patent position has been further strengthened during the year with a number of important patents being granted or allowed across the VivaGel®, DEP™ and Agrochemical (Priostar®) portfolios. These include allowance of key DEP™ patents in a number of jurisdictions and the granting of a US patent for VivaGel® BV. The VivaGel® BV patent term to 2032 provides an extension of seven years over the existing granted VivaGel® patents and builds on the company’s extensive patent portfolio of over 120 patents granted and more than 50 patent applications pending across VivaGel®, DEP™ drug delivery and Priostar®.

CASH & CASH EQUIVALENTS
$M (AT 30 JUNE)



CEO's Report

OVERVIEW OF FINANCIAL RESULTS

Total revenue and other income for the year was $4.6 million, a 173 per cent increase from the previous year mainly due to the signature payment received from AstraZeneca under the DEP™ license.

Net loss after tax was $22.7 million, a 20 per cent increase over the prior year loss of $19.0 million. The increase is primarily a result of the clinical programs in progress this year for VivaGel® BV and DEP™ docetaxel. The R&D tax incentive for the 2016 financial year of $3.5 million is comparable to the previous year.

The net operating and investing cash outflows for the year were $17.8 million. Starpharma received the total anticipated $3.4 million of R&D tax incentive relating to FY15. Net cash inflows from financing activities of $32.6 million reflected net proceeds from the equity raise. Starpharma ended the financial year to 30 June 2016 with cash reserves of $46.0 million.

YE R FI I L U RY

	2016 $M	2015 $M	2014 $M
Revenue, grant income & other income	3.9	0.8	0.3
Interest revenue	0.7	0.9	1.0
Total revenue and income	4.6	1.7	1.3
Expenditure	(27.3)	(20.7)	(15.9)
Net loss after tax	(22.7)	(19.0)	(14.6)
Net operating and investing cash outflows	(17.8)	(14.3)	(10.1)
Net proceeds from issue of equity	(32.6)	20.5	0.2
Cash and cash equivalents at the end of year	46.0	30.8	24.0

FUTURE OUTLOOK

2016 has been a year filled with significant progress for Starpharma, with several products achieving important commercial and regulatory milestones. Starpharma's key programs continue to gain interest from global companies, and the company is well placed financially to build on these developments.

Starpharma is proud to call itself one of Australia's most innovative biotechnology companies working in important areas of unmet patient need, such as cancer and women's health. As we continue to advance our internal programs, we will also strengthen and expand our external commercial relationships with global leaders to fully leverage the immense value of our dendrimer platform. In the coming year, I expect that all three of our business areas will gain traction in new markets, receive further key regulatory approvals and achieve additional commercial milestones.

Our success is the result of exceptional work by a dedicated team – I would like to thank everyone at Starpharma for their skills and commitment to the important work we do.

Finally, I would like to acknowledge the continued support of our shareholders and invite you to read the full report.

Jackie Fairley
Chief Executive Officer

Corporate & Social Responsibility

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

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

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

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

OUR PARTNERS

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

THE COMMUNITY

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

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

THE ENVIRONMENT

The broad application of Starpharma's dendrimer research extends into projects that may assist the environment. Research in the field of agrochemicals may improve existing products and reduce the negative impact of current practices on the environment. More effective chemical formulations for agrochemicals could reduce the frequency of application and potentially improve the environmental profile of such products. Early studies in combining the company's proprietary dendrimer technology with major agrochemicals indicate that improvements such as enhanced solubility, better adhesion to plants and modification of soil penetration properties are possible.

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 2016.

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
Z Peach
P R Turvey
J K Fairley (Chief Executive Officer)

All were directors during the whole of the financial year. Dr P J Jenkins was a director for part of the financial year, from 1 July 2015 until his retirement following the AGM on 19 November 2015.

Information on Directors

Rob B Thomas AM, BEc, MSAA, SF Fin, FAICD
Finance and Management
Independent non-executive director (appointed 4 December 2013)
Chairman (from 13 June 2014)

Experience
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. Formerly, he was a Partner of Potter Partners (now UBS) and also held the roles of CEO and Head of Research. Mr Thomas is a former CEO of County NatWest and Citibank Corporate and Investment Bank. For many years, he was regarded as one of Australia's leading analysts and regularly lectured with FINSIA. Mr Thomas has chaired the Audit and Risk Committee of Virgin Australia Limited since 2006, and is approved under the NSW prequalification scheme for Audit and Risk Committee Independent Chairs and Members for government public sector agencies.

Mr Thomas is a former past Chairman of TAL Limited (formerly Tower Australia Limited), the NSW State Library and Heartware International Inc. Mr Thomas is currently a non-executive director of ASX listed REVA Medical Inc., Virgin Australia Limited and Biotron Limited.

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

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

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

Directorships of other ASX listed entities within last three years
Heartware International Inc. (NASDAQ listed, de-listed from ASX on September 2013)

Interests in Starpharma Holdings Limited
550,000 ordinary shares

Jacinth (Jackie) K Fairley BSc, BVSc (Hons), MBA, GAICD
International Pharmaceutical Industry and Management
Chief Executive Officer and Director (appointed 1 July 2006)

Experience
Dr Jackie Fairley has more than 25 years of operational experience in the pharmaceutical and biotechnology industries working in business development and senior management roles with companies including CSL and Faulding (now Pfizer). 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 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.

Committees
Attends Board committee meetings by invitation.

Other current directorships of ASX listed entities
None

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

Interests in Starpharma Holdings Limited
2,781,072 ordinary shares
2,563,246 employee performance rights

Information on Directors (continued)

Richard A Hazleton BSChE, MSChE, MBA, HonDrEng, HonDrCommSc
Finance, Engineering, Science and Management
Independent non-executive director (appointed 1 December 2006)

Experience
Mr Hazleton is a former Chairman and CEO of US-based global corporation Dow Corning. He joined Dow Corning in 1965 and held numerous positions in engineering, manufacturing and finance, both in the US and Europe. He was appointed as Chief Executive Officer of the company in 1993, and Chairman of the Board of Directors and CEO in 1994. During his career with Dow Corning, Mr Hazleton performed the roles of European Area Vice President and Director of Finance and later Corporate Controller and Chief Accounting Officer. In this latter global role he was responsible for the preparation of all public financial reports, and relationships with financial regulatory agencies and independent auditors.
Mr Hazleton retired from Dow Corning in 2001.

Mr Hazleton has served on the boards of the American Chemistry Council and the Chemical Bank and Trust Company (Midland, MI, USA) as well as several non-profit social service agencies in Michigan and Belgium.

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

Other current directorships of ASX listed entities
None

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

Interests in Starpharma Holdings Limited
208,466 ordinary shares

Zita Peach BSc, GAICD, FAMI
International Pharmaceutical Industry and Management
Independent non-executive director (appointed 1 October 2011)

Experience
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 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 AirXpanders, Inc. and Vision Eye Institute Limited (delisted in December 2015). Ms Peach also holds board positions with 4Dx Limited, Bionic Vision Technologies Pty Ltd, Hudson Institute of Medical Research and Mt Buller and Mt Stirling Alpine Resort Management Board.
Ms Peach is a graduate member of the Australian Institute of Company Directors.

Committee membership
Chair of the Remuneration & Nomination Committee

Other current directorships of ASX listed entities
AirXpanders Inc.

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

Interests in Starpharma Holdings Limited
48,975 ordinary shares

Peter R Turvey BA/LLB, MAICD
International Pharmaceutical Industry, IP, Law, Risk & Management
Independent non-executive director (appointed 19 March 2012)

Experience
Mr Turvey has had more than 30 years of experience in the biotech/pharmaceutical industry having been former Executive Vice President Licensing, Group General Counsel and Company Secretary of global biopharmaceutical company CSL, retiring in 2011. Mr. Turvey is currently a principal of Foursight Associates Pty Ltd, a non-executive director of ASX-listed Viralytics Limited, and a director of Victorian Government owned entity Agriculture Victoria Services Pty Ltd.

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.

Committee membership
Chair of Audit & Risk Committee

Other current directorships of ASX listed entities
Viralytics Limited

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

Interests in Starpharma Holdings Limited
131,838 ordinary shares

Peter J Jenkins MB BS (Melb), FRACP
Independent non-executive director
(appointed 13 May 1997, retired 19 November 2015).

Member of Remuneration & Nomination Committee
(from 18 December 2014 until 19 November 2015) and immediate past Chairman of Remuneration & Nomination Committee until 18 December 2014.

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 (now Pfizer) and UMT (Fonterra). He holds qualifications from University of Tasmania and Monash University.

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

Principal activities

The principal activities of the group consist of research, development and commercialisation of dendrimer products for pharmaceutical, life-science and other applications. Activities within the group are directed towards the development of precisely defined nano-scale materials, with a particular focus on the development of VivaGel® BV 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 2016, 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 2016 was $22,675,000 (2015: $18,950,000). The net operating and investing cash outflows for the year were $17,782,000 (2015: $14,268,000), with a cash balance at 30 June 2016 of $45,972,000 (June 2015: $30,848,000). Net financing cash inflows for the year of $32,564,000 included net proceeds of $32,596,000 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 2016 (2015: Nil).

Review of operations

Key highlights until the date of this report include:

ommercial and regulatory

- License and supply agreement signed with Shenyang Sky and Land Latex who is a major provider of condoms to the Chinese Government;
- License and supply agreement signed with Aspen Pharmacare Australia for VivaGel® BV in Australia and New Zealand;
- Multiproduct licensing agreement signed with AstraZeneca utilising Starpharma's DEP™ drug delivery platform;
- An expanded drug delivery program was initiated by AstraZeneca in addition to the existing multiproduct license;
- New licensing agreement signed with Adama for the development and commercialisation of a Priostar® enhanced, proprietary 2,4-D herbicide for the US market; and
- Marketing approval in the EU was granted for VivaGel® BV.

linical

- Phase 3 VivaGel® BV trial for prevention of recurrent BV was more than 90% recruited; and
- Early results showing encouraging efficacy signals, without the typical side effects, in phase 1 clinical trial of DEP™ docetaxel and was more than 75% recruited.

Preclinical

- Targeted DEP™ conjugate achieves complete and sustained tumour regression in a human ovarian cancer model;
- DEP™ cabazitaxel significantly outperformed Jevtana® in a human breast cancer model; and
- VivaGel® active, astodrimer sodium (SPL7013) showed potent activity against Zika virus in laboratory studies.

Financial

- Successful capital raising of $34 million via an institutional placement and share purchase plan; and
- Receipt of a $3.4 million R&D tax incentive refund.

VivaGel® Program
Starpharma has progressed its two double-blinded, placebo controlled phase 3 trials of VivaGel® BV for the prevention of recurrent BV. More than 90% of the targeted participants have been recruited across 100+ sites in the US, Canada, Mexico, Europe and Asia. There is currently no approved therapeutic option available for recurrent BV, which affects up to 50-60% of BV sufferers.

During the period, Starpharma achieved marketing approval in the European Union (EU) for VivaGel® BV as a stand-alone gel for the topical treatment and rapid relief of BV including symptoms. This approval will allow VivaGel® BV to be marketed in the European Economic Area, which includes approximately 30 countries, providing access to more than 260 million women. The company continues negotiations with potential commercial European partners for distribution rights for this VivaGel® BV product opportunity.

In Australia, Starpharma signed a license agreement with Aspen Pharmacare Australia Pty Ltd for the sales and marketing of VivaGel® BV in Australia and New Zealand. Under the license agreement, Aspen is responsible for all marketing, promotion and local distribution of the product to clinicians and pharmacies. Starpharma will supply Aspen with VivaGel® BV product and will receive royalties on net sales. Launch preparations are well advanced whilst regulatory approval is being reviewed.

Starpharma signed an exclusive license and supply agreement with Shenyang Sky and Land Latex Co. Ltd ('Sky and Land') - a major provider of condoms to the Chinese Government, in July 2016 following the MOU signed in December 2015. This commercial deal will expand the availability of the VivaGel® condom to a market not captured by Starpharma's current licenses. Sky and Land is a diversified Chinese company that owns and operates a number of condom manufacturing plants in China. They are a major provider of condoms to the Chinese Government who provides condoms to its citizens under a number of programs, with an annual requirement of an estimated 3 billion condoms.

Having successfully tested VivaGel® active, astodrimer sodium (SPL7013) against Zika virus in laboratory studies, Starpharma is investigating the inclusion of Zika in the list of viruses inactivated for the VivaGel® condom, given the outbreak of Zika virus world-wide. The company gained wide-spread media attention upon announcing that Starpharma and Ansell would be providing the Australian Olympic Team with antiviral Dual Protect™ VivaGel® condoms for the 2016 Olympic Games held in Rio de Janeiro, Brazil.

Drug Delivery Program
Starpharma's DEP™ technology is used to improve the performance of pharmaceuticals. Both preclinical and early clinical data have shown DEP™ versions of drugs to be superior in a variety of ways to the unmodified drugs in currently marketed formulations and others in development.

During the reporting period, Starpharma signed a licensing agreement with global pharmaceutical company AstraZeneca. The agreement enables the development and commercialisation by AstraZeneca of compounds directed at a defined family of targets using Starpharma's DEP™ drug delivery technology. Under the agreement Starpharma is eligible to receive milestone payments on one or more AstraZeneca DEP™ products as they progress through the development pipeline, and milestone and royalty payments on any net sales of the resultant products. An upfront signature payment of US$2 million was received during FY16. AstraZeneca will fund all development and commercialisation costs under the agreement, including ongoing and future collaborative work conducted with Starpharma.

Review of operations (continued)

Starpharma has advanced its phase 1 clinical trial of lead internal drug delivery program DEP™ docetaxel into the final expansion phase with a large European site recently added to facilitate completion of phase 1 and in preparation for phase 2. The phase 1 trial has shown very encouraging efficacy signals in a significant proportion of patients including in cancers not typically sensitive to docetaxel. Efficacy signals have now been seen in cancers such as pancreatic, lung, prostrate, gastro-oesophagel, and brain. Importantly, there have been no reports of neutropenia and alopecia. Neutropenia is a common dose-limiting and life-threatening side-effect of currently available chemotherapy drugs. In addition to DEP™ docetaxel, Starpharma is developing a number of dendrimer-enhanced, or DEP™ versions of existing drugs. The company's most recent DEP™ candidate in the development pipeline is DEP™ cabazitaxel - Starpharma's dendrimer-enhanced, water soluble, detergent free version of the cancer drug, Jevtana® (cabazitaxel). Jevtana® is a leading oncology agent marketed by Sanofi-Aventis.

During the year, DEP™ cabazitaxel was tested in a human breast cancer model (xenograft) which showed it significantly outperformed Jevtana® with respect to both the level and duration of tumour regression (anticancer activity). Within four weeks of dosing, 100% of mice treated with Starpharma's DEP™ cabazitaxel were tumour-free and remained so for the 150-day study duration. Jevtana® alone showed significant tumour regrowth from day 60 after dosing. DEP™ cabazitaxel also significantly outperformed Jevtana® for survival in the model ($p<0.0001$). Additional preclinical data also showed that DEP™ cabazitaxel eliminated neutropenia associated with Jevtana®.

Another drug in the development pipeline, Starpharma's antibody-targeted DEP™ conjugate (using Herceptin as the targeting group), significantly outperformed both Roche's Kadcyla® (T-DM1), a Herceptin® antibody-drug conjugate (ADC), and the monoclonal antibody Herceptin® (Trastuzumab) itself in a preclinical human ovarian cancer model. Data from the study indicated that treatment resulted in complete and sustained tumour regression and 100% survival. Final results of the preclinical study showed complete tumour regression at 60 days' post dosing with the HER2-targeted DEP™ conjugate.

Agrochemicals

Starpharma's agrochemicals business focuses on dendrimer-enhanced technology for crop protection products with market potential of over US$10 billion. Starpharma's Priostar® patented technology has been scientifically proven to enhance the effectiveness of crop protection products through the delivery and formulation of agrochemical actives, providing significant value adding potential. Core benefits include improved solubility, increased adhesion to leaves and stems, higher weather resistance, improved movement through soil, increased efficacy and uptake and reduced level of hydrocarbon content.

During the year, one of the world's leading crop protection companies, Adama Agricultural Solutions, signed a licensing agreement with Starpharma to commercialise an enhanced, proprietary, 2,4-D herbicide for the US market, utilising Priostar®.

2,4-D is one of the top three herbicides sold worldwide, with 2014 global sales of approximately US$680 million. Under the license, Starpharma will receive royalties on sales of the proprietary Adama Priostar®-improved 2,4-D products. In addition to the US rights, the agreement also includes an opportunity to expand the license into additional territories.

Matters subsequent to the end of the financial year

No other matters or circumstances have arisen since 30 June 2016 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, patent opportunity, a partner's relative strength of product and market expertise, comparison of current and future potential returns, and the risks involved in advancing the product to the next value inflection point or milestone.

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 strong cash position. The company will continue using its cash resources to invest in selected research and development activities to achieve its objectives.

Legal

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

Review of Financials

Income statement	30 June 2016 $'000	30 June 2015 $'000
Revenue from continuing operations	4,505	1,693
Other income	128	4
Research and development expenses	(22,157)	(16,250)
Administration expenses	(5,149)	(4,392)
Finance costs	(2)	(5)
Loss attributable to members	**(22,675)**	**(18,950)**

Income statement
The reported net loss after tax of $22,675,000 (2015: $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 with the major variance a result from the VivaGel® BV and DEP™ docetaxel clinical programs and activities in progress, offset by an increase in revenue.

Total revenue and other income for the year was $4,633,000 (2015: $1,697,000), comprising revenue of $3,825,000 (2015: $804,000) for licensing, royalty and research revenue, interest income of $680,000 (2015: $889,000) and other income of $128,000 (2015: $4,000). The increase in revenue from the previous year was mainly due a signature payment of $2,869,000 received from AstraZeneca under a drug delivery licensing agreement.

Research and development expenses include the costs of the VivaGel® BV and DEP™ docetaxel clinical programs, regulatory requirements for the VivaGel® BV symptomatic relief of BV 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.

A contra research and development expense of $3,518,000 (2015: $3,478,000) has been recorded for research and development activities eligible under the Australian Government's R&D tax incentive program.

Balance sheet
At 30 June 2016 the group's cash position was $45,972,000 (June 2015: $30,848,000). Trade and other receivables of $4,304,000 (June 2015: $4,232,000) includes $3,522,000 receivable from the Australian Government under the R&D tax incentive program. Trade and other payables of $8,839,000 (June 2015: $5,933,000) is a result of the current clinical trial activity.

Statement of cash flows
The net operating and investing cash outflows for the year were $17,782,000 (2015: $14,268,000). During the financial year $3,422,000 (2015: $4,206,000) 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 $32,564,000 (2015: $20,471,000) included $32,596,000 net proceeds from an equity raise.

Earnings Per Share

	2016	2015
Basic loss per share	($0.07)	($0.06)
Diluted loss per share	($0.07)	($0.06)

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 may significantly impact the company. Insurance, at an acceptable cost, may not be available or be adequate to cover liability claims or any product recall costs (if any) if a product is found to be unsafe.
- Key personnel – the company's success and achievements against timelines depend on key members of its highly qualified, specialised and experienced management and scientific teams. The ability to retain and attract such personnel is important.
- Grant and R&D incentives – the company may undertake R&D activities under competitive grants and be part-funded by other incentive programs (eg. R&D tax credits). There is no certainty that grants or incentive programs will continue to be available to the company, and changes in government policy may reduce their applicability.

In accordance with good business practice in the pharmaceutical industry the company's management actively and routinely employs a variety of risk management strategies. These are broadly described in the Corporate Governance Statement (section 7.2 Risk assessment and management).

Health and Safety

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

Environment and Regulation

The group is subject to environmental regulations and other licenses in respect of its research and development facilities. There are adequate systems in place to ensure compliance with relevant Federal, State and Local environmental regulations and the Board is not aware of any breach of applicable environmental regulations by the group. There were no significant changes in laws or regulations during the 2016 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 2016, and the numbers of meetings attended by each director were:

Directors	Board	Audit & Risk Committee	Remuneration & Nomination Committee
J K Fairley	9 of 9	N/A	N/A
R A Hazleton	9 of 9	1 of 2	1 of 1
Z Peach	8 of 9	N/A	3 of 3
R B Thomas	9 of 9	2 of 2	3 of 3
P R Turvey	9 of 9	2 of 2	N/A
P J Jenkins[1]	3 of 3	N/A	2 of 2

[1] Director P J Jenkins retired as a director on 19 November 2015.

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 2016 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) Details of executive equity incentive plans
    d) Grant of equity incentives to KMP executives in FY16
5. Executive remuneration outcomes, including link to performance
6. Details of remuneration
7. Executive employment agreements
8. Additional disclosures relating to employee equity schemes
9. Actual remuneration of KMP executives

1. Introduction

Remuneration strategy
Starpharma aims to ensure that its remuneration strategy successfully aligns the interests of its executives and employees with those of its shareholders. In framing its remuneration strategy, the Board is conscious that Starpharma only has a small number of employees (35-40) so endeavours to keep its remuneration relatively straightforward. 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 approaching important regulatory and commercial milestones.

ew remuneration arrangements im lemented in F
Having conducted a comprehensive review of remuneration arrangements in FY15, substantive amendments were implemented to achieve the objective of a simplified remuneration strategy to better reflect a key performance indicator (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 value-adding milestones, such as commercial deals.

The structure and quantum of remuneration for FY16 remains largely consistent with the previous period. Key improvements resulting from the remuneration review include that all equity awards are now subject to either KPIs or total shareholder return (TSR) hurdles, performance periods and vesting periods are clearly delineated between short-term incentive (STI) and long-term incentive (LTI) awards based on a three year performance period, an increase in the proportion of LTI equity awards, and all performance review periods for the grant of equity awards have been aligned with financial years. There are transitional elements for executive remuneration reported for the FY16 year, these are necessary to cater for the differences between the current and past remuneration arrangements.

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 2016. 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[1]	Non-executive Director
R A Hazleton	Non-executive Director
Z Peach	Non-executive Director
P R Turvey	Non-executive Director

[1] P J Jenkins retired as a non-executive director on 19 November 2015

(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[2]	VP, Business Development
A Eglezos	VP, Business Development
D J Owen	VP, Research
J R Paull	VP, Development & Regulatory Affairs

[2] C P Barrett resigned as an employee on 18 September 2015

There were no changes to the KMP after the reporting date and up 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 STI and LTI plans, following recommendations from the Remuneration and Nomination Committee. The Board approves, having regard to recommendations made by the CEO to the Remuneration and Nomination Committee, the level of 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.

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.

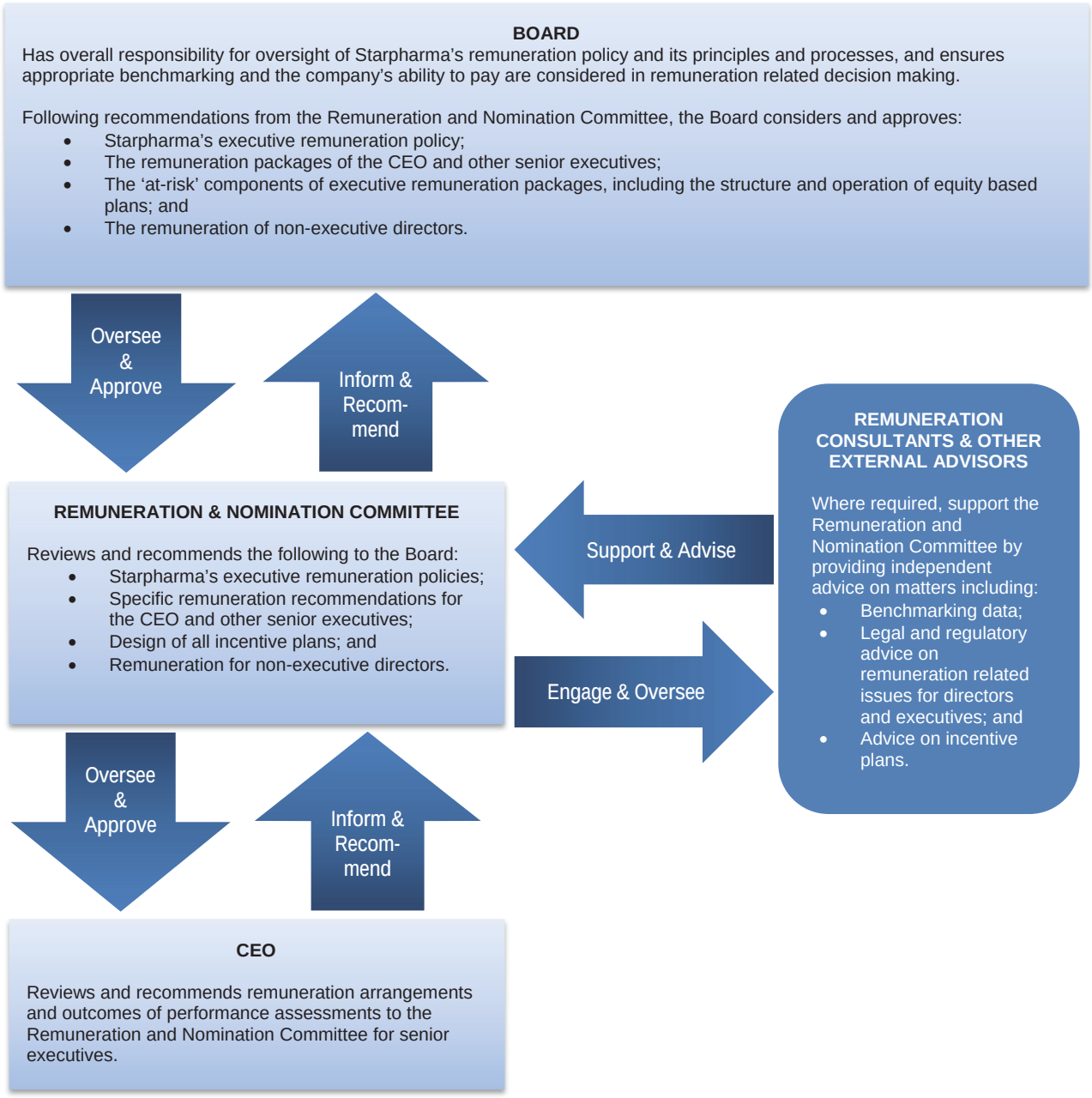
All staff participate in a formal performance review consisting of an objective planning and development session at the commencement of the annual cycle and a performance and salary review at the end of the cycle. The objective of the salary review is to ensure that all employees are appropriately remunerated,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

Use of remuneration consultants
If remuneration consultants are to be engaged to provide remuneration recommendations as defined in section 9B of the *or orations ct* , 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 2015 Annual General Meeting (AGM)
Of the votes cast on the company's remuneration report for the 2015 financial year, 99% 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. During the year, members of the Board engaged with proxy advisors and shareholders to discuss a range of governance and remuneration matters.

Starpharma remuneration process summary



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

Trading in company securities
The trading of shares issued to participants under any of the company's employee equity plans is governed by the company's securities dealing policy. All employees and directors are prohibited from entering into any hedging arrangements over unvested securities and from margin lending on Starpharma securities. Further information regarding the company's dealing in securities policy is set out in the Corporate Governance Statement and the policy is available at http://www.starpharma.com/corporate_governance.

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

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 2016 AGM.

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

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

Fees paid in FY16
The aggregate amount paid to non-executive directors for the year ended 30 June 2016 was $359,840 (2015: $393,000). The lower amount reflects the decrease of one non-executive director from five to four for the period from November 2015. The details of remuneration for each non-executive director for the years ended 30 June 2016 and 30 June 2015 are outlined in the tables in section 6.

Proposed fee adjustments for FY17
Having reviewed benchmarking data for directors' fees, the Board proposes to increase base fees by 2.4% from 1 July 2016, whilst also aligning the fee amounts for both committees at $8,000 and $3,500 for committee chairs and members, respectively. This change reflects the increasing time and responsibility of the Remuneration and Nomination Committee in performing their duties. The proposed fees, compared to the current FY16 levels, are outlined in the below table. Non-executive directors' fees were last increased with effect from 1 April 2014.

Annual Non-Executive Directors' Fees		Proposed Fees from 1 July 2016	Actual Fees to 30 June 2016
Board fees		**$**	**$**
Chair (no additional fees for serving on Board committees)		128,000	125,000
Base fee for other non-executive directors		64,000	62,500
Committee fees			
Audit & Risk Committee	Chair	8,000	7,500
	Member	3,500	3,000
Remuneration and Nomination Committee	Chair	8,000	5,000
	Member	3,500	2,500

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, which is based on a performance assessment, with a one year performance period and deferred vesting date of a further one year, subject to continued employment.	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 KPIs, both business unit and corporate, over the medium term which are important drivers of value and typical within the biotechnology industry. For example, achievement of specified development, clinical, regulatory and commercial milestones
Long-Term Incentives (LTI) (Performance period of 3 years or more)	Equity The equity instrument is currently performance rights	Rewards executives for their contribution to the creation of shareholder value over the longer term, acts as a retention tool and aligns with interests of shareholders	Vesting of grants are dependent on internal measures, both business unit and corporate over the longer term; and total shareholder return (TSR) relative to the S&P/ASX300 Index

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

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

As in prior years, remuneration benchmarking was undertaken with reference to industry peers, together with, where appropriate, other benchmarking reports which apply to specific positions. There are no guaranteed base pay increases or bonuses in any executive contracts.

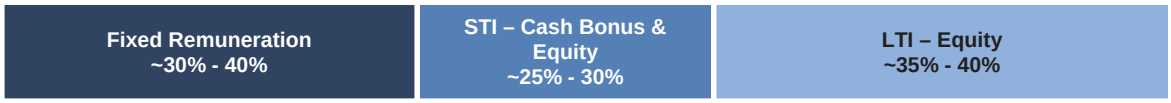
The CEO has a maximum cash bonus entitlement as a component of STI, which for FY16 was $220,000. Other executives do not have a pre-specified maximum cash bonus entitlement; however bonuses are awarded from a benchmarked, maximum shared pool for executives which equates to 20% of total fixed remuneration, based on personal and business unit KPIs and subject to cash availability. The Remuneration and Nomination Committee considers that this approach provides flexibility in rewarding superior executive performance and is appropriate for the size of the company at this time enabling it to manage its cash reserves as required. The Remuneration and Nomination Committee, having discussions with the CEO, annually reviews the appropriateness of this approach.

The target remuneration mix is outlined in the table below. Following the implementation of the remuneration review, there is a period of transition to achieve the desired target mix - 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.

4. Executive remuneration policy (continued)

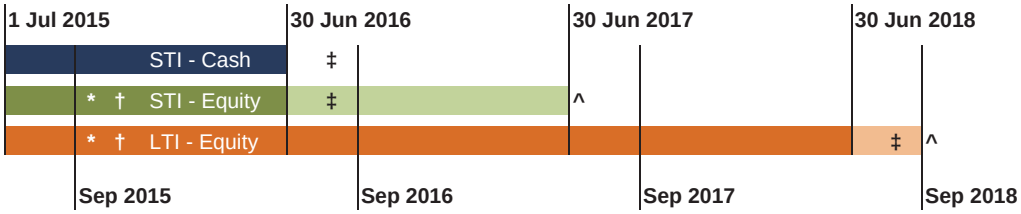
arget Remuneration Mi

CEO



Other KMP executives

To achieve the target remuneration mix, the below performance pay structure was adopted in FY16. The timeline and structure of the proposed performance related pay to be granted in FY17 to executives is consistent with this structure.



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

c) Details of executive equity incentive plans

Star harma Short erm Incenti es S I includes cash onus and short term e uity

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, both based on a one year performance period, with the performance rights conditional upon a deferred vesting date of a further one year, subject to continued employment. 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 FY16 the CEO and executives were awarded STI equity with a 1 year performance period (1 July 2015 to 30 June 2016), with a deferred vesting date of 30 June 2017 dependent on continued employment.
What is the STI opportunity?	The STI opportunity is a target of ~25-30% and ~15%-20% of total remuneration for the CEO and other KMP executives, respectively. Due to the transitional arrangements implemented the target will not be achieved for FY16. The CEO had a target STI opportunity of 34% of total remuneration for FY16, comprised of a cash component of 16% and equity component of 18%. The cash component was equivalent to 44% of total fixed remuneration. In FY16, other KMP executives had an average target STI opportunity of 25% of total remuneration, with split between cash and equity in approximately equal proportions. The cash bonuses to other KMP executives are awarded from a maximum shared pool for executives equating to 20% of total fixed remuneration.

What are the STI performance conditions for FY16?

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 FY16, 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 STI 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?

At the end of each performance period (typically annually), after consideration of performance against KPIs, the Remuneration and Nomination Committee recommends the amount of STI to be paid from the maximum entitlement to the CEO for approval by the Board.

For executives other than the CEO, the Remuneration and Nomination Committee seeks recommendations from the CEO, and then makes recommendations to the Board.

When is performance assessed and when are awards paid or vest?

The end of the financial year corresponds with the end of each performance period. Performance is assessed following the end of the financial year to allow for the timely disclosure in the annual remuneration report. This is usually within two months of the end of the financial year.

The STI cash component is paid approximately three months following the end of the financial year and once the performance assessment review is complete.

For STI equity, a proportion of rights, based on the performance assessment, will remain available (deferred) to vest on 30 June the following year. Any rights forfeited based on the performance assessment will be forfeited within the first three months of the new financial year following the performance assessment.

The vesting of deferred rights on 30 June is subject to the continued employment condition being satisfied. Once vested, KMP executives can elect to convert vested rights into shares during prescribed exercise windows throughout future periods. The maximum period for the exercise of vested rights is 15 years from grant date.

STI equity awards prior to the FY16 awards vest on 30 September, for the performance period ending 30 June. The rights are automatically converted into shares within 10 business days of vesting.

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 STI cash bonus entitlement whereby the maximum amount achievable is set. There is no predetermined STI equity entitlement. No other executive service agreements contain any contractual entitlement to STI cash or equity.

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, or any vested right, not exercised, would lapse.

Re-testing

There is no re-testing of KPIs in subsequent years if performance conditions are not met.

How is the conversion of performance rights to shares satisfied?

As the company is currently in a development phase and not operating cash flow positive, the conversion of performance rights is currently satisfied by the issue of new shares, rather than a purchase of shares on market, to conserve the company's cash reserves. This is reviewed periodically and purchases of shares on market may be undertaken in the future if appropriate.

Are performance rights eligible for dividends?

Performance rights - whether unvested or vested, not exercised - are not eligible to receive dividends.

4. Executive remuneration policy (continued)

Star harma Long erm Incenti es L I E uity

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 FY16 have 3 year performance periods for all executives. In FY15, LTIs for other KMP executives included both 3 and 4 year performance periods as part of the transition arrangements to the new executive remuneration structure.
What is the LTI opportunity?	The CEO has a target LTI opportunity of 28% of total remuneration for FY16. For other KMP executives, the range of the target LTI opportunity for FY16 was 13% to 15% of total remuneration. As outlined in section 4 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 FY16?	Corporate KPIs reflect long-term (3 year) strategic, operational and financial management objectives. These relate to key value creating events and significant milestones that are linked to Starpharma's three business areas, VivaGel®, Drug Delivery and Agrochemicals, as follows: • To complete the clinical development, registration and the monetisation of the VivaGel®, Drug Delivery and Agrochemical portfolios. With monetisation represented by the completion of a number of commercial deals that build shareholder value and generate income; and • The development of new product candidates for the DEP™ platform technology and/or the licensing of such candidates. Due to the commercially sensitive nature of the specific performance metrics within these KPIs, Starpharma will provide further details in the annual report following the end of the performance period. Maintaining the link between executive remuneration outcomes and the returns to shareholders, TSR is also a relevant performance condition in respect of LTIs. TSR reflects Starpharma's TSR compared to the S&P/ASX300 Accumulation Index (Index), and includes share price growth, and any dividends and capital returns. The 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.

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 LTI awards for the CEO and other executives are noted in the table below:

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

How is performance assessed?	At the end of each performance period, after consideration of performance against KPIs, the Remuneration and Nomination Committee recommends the amount of LTIs to vest to the CEO for approval by the Board. 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.

When is performance assessed and when are awards paid or vest?	The end of the financial year corresponds with the end of each performance period. Performance is assessed following the end of the financial year to allow for the timely disclosure in the annual remuneration report. This is usually within two months of the end of the financial year. For LTI equity, the rights will vest on 30 September following the performance assessment. Once vested, the KMP executives can elect to convert vested rights into shares during prescribed exercise windows throughout future periods. The maximum period for the exercise of vested rights is 15 years from grant date. LTI equity awards prior to the FY16 awards vest in September when the performance period aligns with the end of the financial year. In some cases for the CEO, rights vest in November, being the anniversary of their grant at the company's AGM. These rights are automatically converted into shares within 10 business days of vesting.
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 predetermined LTI equity entitlements.
What happens if an executive leaves?	Same as for STI.
What happens on a change of control?	Same as for STI.
What happens in the case of fraud/dishonesty?	Same as for STI.
Re-testing	Same as for STI.
How is the conversion of performance rights to shares satisfied?	Same as for STI.
Are performance rights eligible for dividends?	Same as for STI.

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. From 1 July 2015, KMP executives are no longer invited to participate in this $1,000 Plan. Details of the shares issued under the $1,000 Plan in the previous period are included on page 75 of the annual report.

Starpharma Employee Share Option Plan
The Starpharma Employee Share Option Plan was utilised until 2009 for equity awards, until restrictive Australian taxation legislation was introduced for employee option plans. Subsequent amendments, effective 1 July 2015, have been made to the taxation legislation and the Board may change the structure of Starpharma's equity incentive plans in the future as it continually considers the optimal vehicle for awarding LTI.

No options were issued or vested under the Starpharma Employee Share Option Plan during FY16. The last options either exercised or lapsed in FY14.

d) Grant of equity incentives to KMP executives in FY16

The below tables summarise the equity incentives granted in FY16:

E and Managing irector Fairley

	Deferred STI equity	LTI equity
Value to grant	$150,000	$525,000
Method for calculating number of rights	Total value of grant at fair value divided by the fair value of rights	
Number of Rights	219,395	893,851
Face Value of grant (based on VWAP of $0.6837)	$150,000	$611,126
Performance Period	1 July 2015 to 30 June 2016	1 July 2015 to 30 June 2018
Deferral Period	12 months from end of performance period	Not applicable
Performance Conditions	100% Corporate KPIs	70% of the fair value subject to Corporate KPIs 30% of the fair value subject to TSR performance
Other Vesting Conditions	Remains employed until the vesting date and has not engaged in fraud or dishonesty	
Vesting Date	30 June 2017	30 September 2018

4. Executive remuneration policy (continued)

ther MP e ecuti es

		Deferred STI equity	LTI equity
J Paull	Value of grant	$41,022	$155,387
	Number of Rights	60,000	240,000
	Face Value of grant	$41,022	$164,088
N J Baade A Eglezos D J Owen	Value of grant	$34,185	$129,489
	Number of Rights	50,000	200,000
	Face Value of grant	$34,185	$136,740
	Performance Period	1 July 2015 to 30 June 2016	1 July 2015 to 30 June 2018
	Deferral Period	12 months from end of performance period	Not applicable
	Method for calculating number of rights	Total value of grant at fair value divided by the fair value of rights	
	Face Value of grant	Based on VWAP of $0.6837	
	Performance Conditions	70% Business Unit KPIs 30% Corporate KPIs	70% Business Unit KPIs 15% Corporate KPIs 15% TSR performance
	Other Vesting Conditions	Remains employed until the vesting date and has not engaged in fraud or dishonesty	
	Vesting Date	30 June 2017	30 September 2018

The value to grant in the above tables is the fair value based on the volume weighted average price (VWAP) of the company's shares traded on the ASX over the 3 month period to 30 June 2015, which reflects the beginning of the performance period. The VWAP (before applying any discount) for each right was $0.6837. In accordance with accepted valuation standards, the VWAP is not discounted for the rights that are subject to KPIs, and is discounted in respect of the LTI equity subject to the TSR performance condition. The undiscounted VWAP is considered the face value for the purpose of disclosing the face value of the grant of rights.

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

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

5. Executive remuneration outcomes, including link to performance

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

	FY16	FY15	FY14	FY13	FY12
Closing price 30 June	$0.645	$0.73	$0.58	$0.82	$1.37
Share price high	$0.98	$0.99	$1.11	$1.75	$1.88
Share price low	$0.54	$0.41	$0.54	$0.77	$0.92
Number of performance rights forfeited by CEO during FY based on share price performance	430,000	150,000	200,000	250,000	None scheduled to vest during FY12 therefore not applicable
% of performance rights forfeited by CEO during FY based on share price performance (as percentage of total performance rights)	50%	21%	50%	67%	None scheduled to vest during FY12 therefore not applicable

Fixed remuneration:
The average increase in KMP executive fixed remuneration for FY16 was 3.7%. There was one increase above 5% in the total fixed remuneration package for one KMP executive in the year reflecting increased responsibility.

Short-term incentives (STI):

Summary o er ormance ay related to F or the E

Performance Period	STI Cash ($)	STI Equity (# of Rights)	% Achieved
1 year to 30 June 2016	$181,500	181,001	82.5%
2 years to 30 June 2016	N/A	405,000	90.0%
Continued employment to 22 November 2015	N/A	50,000	100.0%
Index TSR related to 22 November 2015	N/A	–	0%
Total	$181,500	636,001	
Maximum Available	$220,000	869,395	
% Awarded	82.5%	73.2%	

STI awards (cash and equity) for the CEO in FY16 were based on the scorecard measures and weightings as disclosed below. These targets were set by the Remuneration and Nomination Committee and the Board at the beginning of the performance period and align to the company's strategic, operational and financial objectives. The 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 awarded.

The STI equity awarded for continued employment and TSR to 22 November 2015 was granted at the AGM in November 2013. This is the final tranche of STI equity award solely conditional on continued employment.

The company's TSR was tested against the TSR of the S&P/ASX300 Index for the two-year performance period ended 22 November 2015, the company's TSR for this period was -19.8% compared to the S&P/ASX300 Index TSR of -1.8%. Given the performance conditions were not achieved, no STI equity vested related to TSR. All ongoing equity awards for TSR will be LTI based on a three-year performance period.

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

STI Performance Assessment of corporate KPIs

		Performance period			
		1 July 2015 to 30 June 2016		1 July 2014 to 30 June 2016	
Performance category	**Metric**	**Weighting**	**Satisfied**	**Weighting**	**Satisfied**
VivaGel® BV phase 3 trials for prevention of recurrence of Bacterial Vaginosis (BV)	Progress of phase 3 trials and commercial arrangements	15%	Partially Met	20%	Partially Met
Commercialisation of VivaGel® BV for symptomatic relief of BV	Regulatory filings, approvals and partnering deals in selected territories	10%	Partially Met	15%	Partially Met
VivaGel® condom	Launch activities for product in additional selected markets	10%	Partially Met	15%	Met
Phase 1 DEP™ docetaxel trial	Progress with phase 1 trial and phase 2 planning	20%	Partially Met	20%	Partially Met
Advance further DEP™ candidate	Advanced preclinical studies on another DEP™ candidate, preparation for clinical trials	10%	Met	15%	Met
New partnering deals/licenses for DEP™ candidates	Completion of new partnering deals or expanded field/products with existing partner	15%	Met	5%	Met
Commercial arrangements in agrochemicals	New contracts	10%	Met		
Capital management and people	Manage company's capital in a prudent manner and develop personnel	10%	Met	10%	Met
		100%		100%	

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

- Multiproduct license signed with AstraZeneca for use of Starpharma's DEP™ drug delivery platform, including two candidates;
- License and supply agreement signed with Aspen Pharmacare Australia for VivaGel® BV;
- Memorandum of understanding signed with Sky and Land who is a major provider of condoms to the Chinese government (resulting in a license and supply agreement being executed subsequent to 30 June 2016);
- License agreement signed with Adama for the development and commercialisation of a Priostar® enhanced, proprietary, 2,4-D herbicide;
- Marketing approval in the EU granted for VivaGel® BV;
- Phase 3 VivaGel® BV trial for prevention of recurrent BV more than 90% recruited;
- Phase 1 clinical trial of DEP™ docetaxel shows encouraging efficacy signals without neutropenia or alopecia and more than 75% recruited;
- HER2-targeted DEP™ conjugate achieves complete and sustained tumour regression in a human ovarian cancer model;
- DEP™ cabazitaxel significantly outperformed Jevtana® in a human breast cancer model; and
- Successful capital raising of $34 million via an oversubscribed institutional placement and share purchase plan.

Summary o er ormance ay related to F or ther MP e ecuti es

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

The Remuneration and Nomination Committee and the Board determined that other KMP executives had achieved a median performance assessment of 86.0% (between 84.3% and 87.8%) for the performance period 1 July 2015 to 30 June 2016 for determining STI awards. For the performance period 1 July 2014 to 30 June 2016 all other KMP executives were assessed as achieving 97.0% of STI equity awards.

Under the STI equity grants prior to FY16, other KMP executives were to be awarded 100% upon achieving satisfactory performance. In September 2015, the final tranche of STI equity were awarded on this basis under these terms.

Long-term incentives (LTI):

Summary o er ormance ay related to F or the E

Performance Period	LTI Equity (# of Rights)	% Achieved
Continued employment to 30 November 2015	80,000	100%
Index TSR related to 30 November 2015	–	0%
Index TSR +10% related to 30 November 2015	–	0%
Total	80,000	
Maximum Available	360,000	
% Awarded	22%	

The LTI equity awarded for continued employment and TSR to 30 November 2015 was granted at the AGM in November 2012. With changes to remuneration outlined earlier in this report, LTI equity awards granted in FY16 are no longer granted solely based on continued employment.

The company's Index TSR was tested against the performance of the TSR of the S&P/ASX300 Index for the three-year performance period ended 30 November 2015, the company's TSR for this period was -45.9% compared to the S&P/ASX300 Index TSR of 13.6%. Given the performance condition was not achieved, no LTI equity vested related to TSR.

Summary o er ormance ay related to F or ther MP e ecuti es

There were no LTI equity awards to other KMP executives relating to performance in FY16. As discussed earlier in this report, there will be LTI equity awards for the performance period ending 30 June 2017.

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.

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

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

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

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

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

6. Details of remuneration (continued)

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**

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

The relative proportions of remuneration for 2016 that are linked to performance and those that are fixed are as follows:

		Fixed remuneration	At risk - STI cash	At risk - STI Equity[1]	At risk - STI Total	At risk - LTI Equity[1]
CEO	Target	30%-40%			25%-30%	35%-40%
J K Fairley	Actual	40%	14%	18%	32%	28%
Other KMP Executives	Target	55%-65%			15%-20%	20%-25%
N J Baade	Actual	63%	12%	12%	24%	13%
C P Barrett	Actual	88%	12%	**	**	**
A Eglezos	Actual	63%	12%	12%	24%	13%
D J Owen	Actual	63%	12%	12%	24%	13%
J R Paull	Actual	60%	12%	13%	25%	15%

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

** Percentage not disclosed as the total amount of STI and/or LTI remuneration expense was negative for the relevant period due to the cessation of employment during the year.

Following the substantive changes to remuneration arrangements in FY15, there is a period of transition over multiple years, to achieve the desired target mix, towards a higher proportion of LTI compared to STI.

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

For each cash bonus and grant of equity included in the tables on pages 31 to 37, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance objectives is set out below. Performance rights vest over the specified periods provided vesting criteria are met. No rights will vest if the conditions are not satisfied, hence the minimum value of the rights yet to vest is nil. The maximum value of the rights yet to vest has been determined as the amount of the grant date fair value of the rights that is yet to be expensed. The CEO was paid 82.5% of her maximum cash bonus entitlement of $220,000 in FY16, with the balance of 17.5% forfeited. The bonuses for other KMP executives are paid at the absolute discretion of the Board based on an individual's performance within the year, hence there is no component forfeited to report.

					Performance rights	
	Grant date fair value of rights granted during 2016[1,2]	Year granted	Vested	Forfeited	Financial years in which rights may vest	Maximum fair value yet to vest
Name	$		%	%		$
J K Fairley	784,367					
		2016	-	-	30/06/19	485,739
		2016	-	-	30/06/17	102,657
		2015	-	-	30/06/18	160,653
		2015	-	-	30/06/17	32,165
		2015	93%	7%	30/06/16	-
		2014	-	-	30/06/17	21,703
		2014	25%	75%	30/06/16	-
		2013	22%	78%	30/06/16	-
N J Baade	172,541					
		2016	-	-	30/06/19	106,566
		2016	-	-	30/06/17	21,867
		2015	-	-	30/06/19	19,973
		2015	-	-	30/06/18	17,788
		2015	-	-	30/06/17	6,476
		2014	100%	-	30/06/16	-
C P Barrett	-					
		2015	-	100%	30/06/19	-
		2015	-	100%	30/06/18	-
		2015	-	100%	30/06/17	-
		2014	100%	-	30/06/16	-
A Eglezos	172,541					
		2016	-	-	30/06/19	106,566
		2016	-	-	30/06/17	21,867
		2015	-	-	30/06/19	19,973
		2015	-	-	30/06/18	17,788
		2015	-	-	30/06/17	6,476
		2014	100%	-	30/06/16	-
D J Owen	172,541					
		2016	-	-	30/06/19	106,566
		2016	-	-	30/06/17	21,867
		2015	-	-	30/06/19	19,973
		2015	-	-	30/06/18	17,788
		2015	-	-	30/06/17	6,476
		2014	100%	-	30/06/16	-
J R Paull	207,049					
		2016	-	-	30/06/19	127,879
		2016	-	-	30/06/17	26,240
		2015	-	-	30/06/19	23,968
		2015	-	-	30/06/18	21,346
		2015	-	-	30/06/17	7,771
		2014	100%	-	30/06/16	-

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

[2] The maximum value of performance rights is determined at grant date and is amortised over the applicable vesting period. The amount which will be included in a given KMP executives' 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.

CEO and Managing Director (J K Fairley)

- No fixed term of agreement.
- Base salary, inclusive of superannuation, per annum as at 30 June 2016 of $495,000, to be reviewed annually by the Remuneration and Nomination Committee.
- A cash bonus up to $220,000 for the year to 30 June 2016 allocated proportionately on the achievement of predetermined KPIs.
- The CEO is entitled to participate in an equity STI and LTI plan, subject to receiving any required or appropriate shareholder approval.
- Fringe benefits consist of on-site car parking.

The CEO's termination provisions are as follows:

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

Other KMP executives

Standard executive termination provisions are as follows:

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

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.

2016

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	400,000	–	–	150,000	550,000
J K Fairley	2,302,274	–	408,250	70,548	2,781,072
P J Jenkins[#]	1,571,311		–	–	1,571,311
R A Hazleton	183,466	–	–	25,000	208,466
Z Peach	14,539	–	–	34,436	48,975
P R Turvey	70,077	–	–	61,761	131,838
Other key management personnel of the group					
N J Baade	420,416	–	100,000	(70,000)	450,416
C P Barrett[#]	377,290	–	100,000	–	477,290
A Eglezos	6,869	–	100,000	10,489	117,358
D J Owen	328,938	–	100,000	–	428,938
J R Paull	153,853	–	100,000	(70,000)	183,853

[#] Holding at the date the person ceased to be a KMP.
* Other changes relate to market transactions

Performance rights
The number of rights over ordinary shares in the company provided as remuneration during the financial year to any of the executive directors and the 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.

2016

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	Total Unvested
Directors of Starpharma Holdings Limited							
J K Fairley[1]	2,310,000	1,113,246	(408,250)	(451,750)	2,563,246	–	2,563,246
Other key management personnel of the group							
N J Baade	350,000	250,000	(100,000)	–	500,000	–	500,000
C P Barrett[2]	350,000	–	(100,000)	(250,000)	–	–	–
A Eglezos	350,000	250,000	(100,000)	–	500,000	–	500,000
D J Owen	350,000	250,000	(100,000)	–	500,000	–	500,000
J R Paull	400,000	300,000	(100,000)	–	600,000	–	600,000

[1] The market value of rights that were forfeited during the year was $368,654.
[2] The market value of rights that were forfeited during the year was $172,500 following resignation on 18 September 2015.
[#] Other changes during the year relate to the forfeiture of rights.

The market value at vesting date of performance rights that vested during 2016 was $674,246 (2015: $460,450). No other shares were issued on the vesting of performance rights in the current year provided as remuneration to any of the directors or the KMP of the group.

The market value is the opening share price on the vesting or forfeit date.

8. Additional disclosures relating to employee equity schemes (continued)

The terms and conditions of the grant of performance rights to the directors or the key management personnel of the group in the current year or which impact future years are as follows:

Grant date	Vesting date	Holding lock expiry date	Number of rights	Performance measure	Fair value per right at grant date	% vested
16 September 2013	16 September 2015	16 September 2016	500,000	Achievement of KPIs	$0.89	100
22 November 2013	22 November 2015	22 November 2016	50,000	Continued Employment	$0.85	100
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	93
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
11 November 2015	30 June 2017	-	210,000	Achievement of KPIs	$0.72	Nil
11 November 2015	30 September 2018	-	714,000	Achievement of KPIs	$0.72	Nil
11 November 2015	30 September 2018	-	126,000	TSR	$0.50	Nil
19 November 2015	30 June 2017	-	219,395	Achievement of KPIs	$0.76	Nil
19 November 2015	30 September 2018	-	625,696	Achievement of KPIs	$0.76	Nil
19 November 2015	30 September 2018	-	268,155	TSR	$0.54	Nil

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%

9. Actual remuneration of KMP executives

The actual remuneration earned by KMP executives in FY16 is set out below. Starpharma discloses actual remuneration voluntarily for increased transparency. This information is considered to be relevant as it provides shareholders with a view of the remuneration actually paid to KMP executives for performance in FY16 and the value of equity that vested during the period. This differs from the remuneration details prepared in accordance with statutory obligations and accounting standards on page 31 of this report, as those details include the values of performance rights granted that are yet to vest and may never vest.

2016

Name	Fixed remuneration (1)	STI cash paid in FY16 (2)	STI equity vested in FY16 (3)	LTI equity vested in FY16 (3)	Total remuneration earned
J K Fairley	498,415	194,775	251,046	63,200	1,007,436
N J Baade	250,725	21,000	72,000	–	343,725
C P Barrett[4]	115,226	25,000	72,000	–	212,226
A Eglezos	250,018	21,000	72,000	–	343,018
D J Owen	244,335	21,000	72,000	–	337,335
J R Paull	255,579	22,500	72,000	–	350,079

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

[2] STI cash paid during the financial year. The amount disclosed for FY16 reflects the FY15 STI paid in October 2015 following the release of the FY15 results.

[3] Intrinsic value of equity rights that vested during the year, based on the opening price on the date of vesting.

[4] Ceased employment on 18 September 2015, fixed remuneration includes accrued leave entitlements.

- 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
22 Nov 2013	22 Nov 2016	22 Nov 2017	250,000	250,000
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	944,125
30 Jan 2015	30 Sep 2017	N/A	1,084,125	944,125
30 Jan 2015	30 Sep 2018	N/A	929,250	809,250
11 Nov 2015	30 Jun 2017	N/A	519,200	513,200
11 Nov 2015	30 Sep 2018	N/A	2,076,800	2,052,800
19 Nov 2015	30 Jun 2017	N/A	219,395	219,395
19 Nov 2015	30 Sep 2018	N/A	893,851	893,851

Performance rights and the resultant shares are granted for nil consideration.

Shares issued on the vesting of rights

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

Date rights granted	Issue price of shares (Exercise price of right)	Number of shares issued
30 Nov 2012	$ -	80,000
16 Sep 2013	$ -	1,058,560
22 Nov 2013	$ -	50,000
20 Nov 2014	$ -	278,250

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	2016 $	2015 $
Audit or review of financial reports of the entity or any entity in the group under the *or orations ct*	99,297	94,860

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 *or orations ct* is set out on page 39.

Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off'' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *or orations ct* .

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

Rob Thomas *M*
Chairman
Melbourne, 29 August 2016

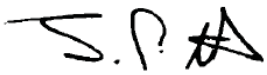
Auditor's Independence Declaration

As lead auditor for the audit of Starpharma Holdings Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

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

2. 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
29 August 2016

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

Corporate Governance Statement

Starpharma Holdings Limited ("the company") and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board guides and monitors the company's activities on behalf of the shareholders. In developing policies and setting standards, the Board considers the Australian Securities Exchange ("ASX") Corporate Governance Principles and Recommendations (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 2016. This Corporate Governance Statement is available on the company's website. The company and its controlled entities together are referred to as the group in this statement.

Principle 1: Lay solid foundations for management and oversight

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

1.1 Responsibilities of the Board
The responsibilities of the Board include oversight, accountability and approval in relation to certain:
- Strategic issues;
- Shareholding items;
- Financial items;
- Expenditure items;
- Audit related items; and
- Board and senior management, delegation and succession.

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

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

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

The commitments of non-executive directors are considered by the Remuneration and Nomination Committee prior to their appointment to the Board and are reviewed at least annually. Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the company.

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

In relation to director tenure, the Board charter provides that it is anticipated that non-executive directors would generally hold office for up to ten years, and shall serve a maximum of fifteen years from date of first election by shareholders.

The Board, on its initiative and on an exceptional basis, may exercise discretion to extend this maximum term where it considers that such an extension would benefit the company.

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

* Mr Hazleton was appointed in 2006 prior to being elected by shareholders the following year. The Board has considered the tenure of Mr Hazleton as part of its independence assessment of all directors.

No new directors were appointed to the Board during FY16.

1.3 Written agreements with Directors and Senior Executives
New directors receive a letter of appointment, which outlines the company's expectations of the director in relation to their participation, time commitments and compliance with policies and regulatory requirements.

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

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

1.5 Diversity objectives and achievement
The company is committed to workplace diversity, and the Board values the level of diversity already present within the organisation, believing that continuing to promote diversity is in the best interests of the company, its employees and its shareholders. The Board last revised its Diversity Policy in April 2016, 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 2016 financial year, and progress against these objectives is set out below:

Objective	Measurement	FY16 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 *E minus* 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 appropriate and in FY16, 21 different professional development programs were attended by female employees across all levels of the organisation, totalling support for 28 instances of professional development of varying durations across the year. 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 throughout the FY15-16 period considered female candidates. Of the positions advertised externally in FY16, 71% 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 Starpharma's selection process.
Pay parity	Ensure no significant pay difference for individuals in similar roles, based on gender.	Analysis was completed of pre- and post-remuneration review "remuneration differentials to benchmarks" by gender, and confirmed there were no significant gender differences in remuneration relative to role benchmarks.
Flexible working arrangements	Employees working under flexible working arrangements (including part time).	18% of employees work under flexible working arrangements.
	Granting a majority of requests for flexible work arrangements for family responsibilities.	Mutually satisfactory flexible work arrangements were agreed between the requesting employee and the company in 100% of cases during FY16.
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 FY16.

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 as at July 2016.

	Whole organisation (staff and Board)	Leadership/ management roles	Senior executive	Board
Total	45	20	7	5
Female	24	9	3	2
% female	53%	45%	43%	40%

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 40% of all employees born outside Australia in 13 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 FY16.

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/August 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 20 of this report.

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

Corporate Governance Statement

Principle 2: Structure the Board to add value

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

The committees established by the Board are:
- Remuneration and Nomination Committee; and
- Audit and Risk Committee.

Each committee's charter sets out its role, responsibilities, composition and structure. The committee charters are reviewed annually and were last reviewed in April 2016. Committee charters are available at www.starpharma.com/corporate_governance

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

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

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

Details of these directors' qualifications and attendance at committee meetings are set out in the directors' report on pages 13 to 18.

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

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

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

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

Mr P R Turvey (Chairman)
Mr R B Thomas
Mr R A Hazleton

Details of these directors' qualifications and attendance at committee meetings are set out in the directors' report on pages 13 to 18.

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

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

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

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

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

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

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

A skills and experience matrix is used to review the combined capabilities of the Board. Skills and experience areas critical to the success of the company are selected for directors to assess themselves against. These areas are updated as required to reflect the company's evolution. In FY16, the Board added Sales, Marketing and Business Development, reflecting the growing focus on sales and marketing following several commercial deals struck during the period.

In FY16, directors rated the depth of their skill and experience in each of following areas:

1. Leadership in a relevant industry
2. Pharmaceutical/Product Development
3. Commercialisation of Innovation
4. Sales, Marketing and Business Development
5. Governance
6. Strategy and Risk Management
7. Financial, Accounting and Risk
8. Health, Safety and Environment
9. Remuneration

The results of the matrix show there are three or more directors with intermediate to deep skills and experience in each of the nine areas above. The breadth and depth of the desired skills and experience represented by the directors is notable considering the size of the Board, and no existing or projected competency gaps have been identified. This process provides an important input to succession planning for the Board.

Giving regard for the current and future activities of the company, the Board considers that collectively it has the appropriate skills and experience in each area.

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

2.3 Board members
Details of the members of the Board, their experience, qualifications, term of office and independence status are set out in the directors' report under the heading "Information on Directors". There are four non-executive directors, all of whom are deemed independent under the principles set out below, and one executive director, at the date of signing the directors' report. The Board seeks to ensure that:

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

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

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

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

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

2.5 Chairman and Chief Executive Officer (CEO)
The current Chairman, Mr Rob Thomas, is an independent non-executive director appointed in 2013 and Chairman in June 2014. The CEO, Dr Jackie Fairley, was appointed as a director and CEO on 1 July 2006. The Chairman is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives. The Board has established the functions delegated to the CEO. The CEO is responsible for implementing company strategies and policies, and for the day to day business operations of the group in accordance with the strategic objectives of the group as approved by the Board from time to time.

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

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

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

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 in April 2016. 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 2016 half year financial statements and the 2016 full year financial statements which are included in this annual report.

4.3 External auditors
The company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually. The current auditors, PricewaterhouseCoopers, have been the external auditors of the company since it commenced operations. It is PricewaterhouseCoopers' policy to rotate audit engagement partners on listed companies at least every five years, and the current audit engagement partner assumed responsibility for the conduct of the audit in FY15. An analysis of fees paid to the external auditors is provided in note 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 17 of the directors' report under the heading 'Material Business Risks'.

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

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 19 to 37.

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 34).

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

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These financial statements are the consolidated financial statements for the consolidated entity consisting of Starpharma Holdings Limited and its subsidiaries. The financial statements are presented in Australian currency. Starpharma Holdings Limited is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Starpharma Holdings Limited
4-6 Southampton Crescent
Abbotsford, Victoria, 3067
Australia

A description of the nature of the group's operations and its principal activities is included in the CEO's Report on pages 3 to 11 and in the operating and financial review in the directors' report on pages 15 to 18, which are not part of this financial report.

The financial statements were authorised for issue by the directors on 29 August 2016. 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 2016

	Notes	30 June 2016 $'000	30 June 2015 $'000
Revenue from continuing operations	5	4,505	1,693
Other income	5	128	4
Administration expense	6	(5,149)	(4,392)
Research and development expense	6	(22,157)	(16,250)
Finance costs		(2)	(5)
Loss before income tax		**(22,675)**	**(18,950)**
Income tax expense	7	-	-
Loss from continuing operations attributable to members of Starpharma Holdings Limited		**(22,675)**	**(18,950)**
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company		**$**	**$**
Basic loss per share	24	($0.07)	($0.06)
Diluted loss per share	24	($0.07)	($0.06)

he a o e consolidated income statement should e read in con unction with the accom anying notes

Consolidated Statement of Comprehensive Income for the year ended 30 June 2016

	Notes	30 June 2016 $'000	30 June 2015 $'000
Loss for the year		**(22,675)**	**(18,950)**
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss			
Foreign exchange differences on translation of foreign operations	15	267	1,626
Other comprehensive income (loss)		**267**	**1,626**
Total comprehensive income (loss) for the year attributable to members of Starpharma Holdings Limited		**(22,408)**	**(17,324)**

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Consolidated Balance Sheet as at 30 June 2016

	Notes	30 June 2016 $'000	30 June 2015 $'000
Current Assets			
Cash and cash equivalents	8	45,972	30,848
Trade and other receivables	9	4,304	4,232
Total Current Assets		**50,276**	**35,080**
Non-Current Assets			
Property, plant and equipment	10	690	910
Intangible assets	11	8,073	8,393
Total Non-Current Assets		**8,763**	**9,303**
Total Assets		**59,039**	**44,383**
Current Liabilities			
Trade and other payables	12	8,839	5,933
Finance lease liabilities	13	18	30
Provisions (employee entitlements)		718	732
Deferred income		-	74
Total Current Liabilities		**9,575**	**6,769**
Non-Current Liabilities			
Finance lease liabilities	13	-	18
Provisions (employee entitlements)		40	38
Total Non-Current Liabilities		**40**	**56**
Total Liabilities		**9,615**	**6,825**
Net Assets		**49,424**	**37,558**
Equity			
Contributed equity	14	193,512	160,884
Reserves	15	9,787	7,874
Accumulated losses	16	(153,875)	(131,200)
Total Equity		**49,424**	**37,558**

he a o e consolidated alance sheet should e read in con unction with the accom anying notes

Consolidated Statement of Changes in Equity for the year ended 30 June 2016

	Notes	Contributed capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 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**
Loss for the year		-	-	(22,675)	(22,675)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations	15	-	267	-	267
Total comprehensive income (loss) for the year		-	**267**	**(22,675)**	**(22,408)**
Transactions with owners, recorded directly in equity					
Contributions of equity, net of transaction costs	14	32,596	-	-	32,596
Employee share plans	14	32	-	-	32
Employee performance rights plan	15	-	1,646	-	1,646
Total transactions with owners		**32,628**	**1,646**	**-**	**34,274**
Balance at 30 June 2016		**193,512**	**9,787**	**(153,875)**	**49,424**

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Consolidated Statement of Cash Flows for the year ended 30 June 2016

	Notes	30 June 2016 $'000	30 June 2015 $'000
Cash Flows from Operating Activities			
Receipts from trade and other debtors (inclusive of GST)		4,074	487
Grant income and R&D tax incentives (inclusive of GST)		3,430	4,215
Payments to suppliers and employees (inclusive of GST)		(25,982)	(19,282)
Interest received		670	970
Interest paid		(3)	(5)
Net cash outflows from operating activities	23	**(17,811)**	**(13,615)**
Cash Flow from Investing Activities			
Receipts for property, plant and equipment		1	-
Payments for property, plant and equipment		(97)	(653)
Proceeds from sale of available-for-sale financial assets		125	**-**
Net cash outflows from investing activities		**29**	**(653)**
Cash Flow from Financing Activities			
Proceeds from issue of shares		33,915	21,419
Share issue transaction costs		(1,319)	(916)
Lease repayments		(32)	(32)
Net cash inflows from financing activities		**32,564**	**20,471**
Net increase (decrease) in cash and cash equivalents held		**14,782**	**6,203**
Cash and cash equivalents at the beginning of the year		30,848	24,028
Effects of exchange rate changes on cash and cash equivalents		342	617
Cash and cash equivalents at the end of the year		**45,972**	**30,848**

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1. Significant Accounting Policies

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

(a) Basis of preparation

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

i om liance 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 ew and amended standards ado ted y the grou

The group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2015:

- AASB 2014-1 Amendments to Australian Accounting Standards (including Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles and Part B: Defined Benefit Plans: Employee Contributions – Amendments to AASB 119)

None of the new and amended standards that are mandatory for the first time for the financial year beginning 1 July 2015 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

iii Early ado tion o standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015.

i istorical cost con ention

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.

ritical 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.

i oing oncern

For the year ended 30 June 2016, the consolidated entity has incurred losses of $22,675,000 (2015: $18,950,000) and experienced net cash outflows of $17,811,000 from operations (2015: $13,615,000), 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 31 August 2017. 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 Su sidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Starpharma Holdings Limited ("company" or "parent entity") as at 30 June 2016 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 resentation 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 ransactions and alances

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

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

1. Significant Accounting Policies (continued)

iii rou com anies

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. License revenue is recognised in accordance with the underlying agreement. Upfront payments are brought to account as revenues unless there is a correlation to ongoing research and both components are viewed as one agreement, in which case the license income is amortised over the anticipated period of the associated research program. Unamortised license revenue is recognised on the balance sheet as deferred income. Interest revenue is recognised on a time proportion basis using the effective interest rate method. All revenue is stated net of the amount of Goods and Services Tax (GST).

(f) Government Grants

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

(g) Income Tax

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

i In estment allowances and similar ta incenti es

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

(j) Cash and cash equivalents

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

(k) Trade Receivables

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

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 recei a les

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 oodwill

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

ii Patents and licenses

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

iii Research and de elo ment

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

(p) Trade and other payables

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

(q) Finance Lease Liabilities

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

1. Significant Accounting Policies (continued)

(r) Provisions

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

(s) Employee benefits

i Short term o ligations

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 ther long term em loyee ene it o ligations

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 Su erannuation and Pension ene its

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.

i Share ased ayments

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

The fair value of performance rights granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or rights. Depending on the performance measure of the right vesting, the fair value at grant date represents either a volume weighted average price (VWAP) of shares leading up to the grant date, or a value calculated using a hybrid Monte-Carlo-trinomial option pricing model taking into account the absolute TSR target, the term of the right, the share price at grant date, the risk free rate, the expected dividend yield, expected share price volatility, the volatility of the relevant index, and the correlation between the share price and that index. The fair value excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options or share rights that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options or share rights that are expected to become exercisable. The employee benefit expense recognised in each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

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

onus ayments

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.

i ermination ene its

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 asic earnings er 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 iluted earnings er share

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

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

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

(x) Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 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.

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

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

(iii) AASB 16 *Leases* provides a new lessee accounting model which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The standard is not applicable until 1 January 2019 but is available for early adoption.

Management is currently assessing the impact of AASB 16 on the measurement and recognition of lease assets and liabilities. The group has not yet decided when to adopt AASB 16.

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 In estments in su sidiaries, associates and oint enture 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 ased ayments

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

2. Financial Risk Management

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

(a) Market risk

i Foreign E change 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 2016 of $0.7426 was as follows:

	30 June 2016 US $'000	30 June 2015 US $'000
Cash and cash equivalents	12,148	10,999
Trade and other receivables	3	6
Trade and other payables	4,565	2,565

rou Sensiti ity

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 2016 $'000	30 June 2015 $'000
Impact on profit / (loss) on a movement of the US Dollar:		
Australian dollar strengthens (increases) against the US Dollar by 10%	(1,487)	(1,303)
Australian dollar weakens (decreases) against the US Dollar by 10%	1,818	1,592

ii ash 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 2016 $'000	30 June 2015 $'000
Term Deposits and deposits at call	44,645	28,053

rou Sensiti ity

At 30 June 2016, 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 $226,000 higher or lower (2015 - change of 50 bps: $146,000 higher/lower) due to either higher or lower interest income from cash or cash equivalents.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents with banks and financial institutions, as well as credit exposures from royalty and licensing agreements. Credit risk for cash and deposits with banks and financial institutions is managed by maximising deposits held under major Australian banks. More than 99% of cash and deposits is held with major Australian banks, with the majority being held with the National Australia Bank. Other than government tax incentives, third party receivables largely consist of research fees, royalty and licensing receivables from leading, multinational organisations.

(c) Liquidity risk

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

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes. The fair value of forward exchange contracts is determined using forward exchange market rates at the reporting date. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

3. Critical Accounting Estimates and Judgements

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

(a) Critical accounting estimates and assumptions

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

i mortisation o inite li e intangi le 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 that are subject to amortisation at 30 June 2016 is $6,068,000 (2015: $6,454,000).

ii Im airment o oodwill

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 of disposal of the group of cash generating units over which the goodwill is allocated. Performing the assessment of fair value less costs of disposal requires the use of assumptions. Refer to note 11 for details of these assumptions.

iii Income a es

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.

i R& a Incenti es

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 2016 the group has recorded a contra research and development expense of $3,518,000 (2015: $3,478,000).

(b) Critical accounting judgements in applying accounting policies

i Im airment o ssets

The group follows the guidance of AASB 136 on determining when an investment is 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 2016 $'000	30 June 2015 $'000
Royalty, customer & license revenue	3,825	804
Interest revenue	680	889
Total revenue	**4,505**	**1,693**
Total other income (including government grants)	128	4
Total revenue and other income	**4,633**	**1,697**

Total revenue and other income for the year was $4,633,000, an increase of $2,936,000 from the previous year, mainly due a non-refundable signature payment of $2,869,000 received from AstraZeneca under a drug delivery licensing agreement, with no substantive continuing obligation required by the company. Interest revenue on cash deposits was lower by $209,000 due to lower term deposits rates, and other income included proceeds from the disposal of the group's shareholding of Dimerix Limited (ASX: DXB).

6. Expenses

Loss from continuing operations before income tax expense includes the following items:	30 June 2016 $'000	30 June 2015 $'000
R&D tax incentive (contra expense)[1]	(3,518)	(3,478)
Employee benefits expenses (including share-based payments)	7,384	6,802
Depreciation	312	250
Amortisation	619	971
Rental expense on operating leases	537	564

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

7. Income Tax Expense

	30 June 2016 $'000	30 June 2015 $'000
(a) Income tax expense/(credit)		
Current Tax	–	–
Deferred Tax	–	–
Total income tax expense	**–**	**–**

	30 June 2016 $'000	30 June 2015 $'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax	(22,675)	(18,950)
Tax at the Australian tax rate of 30% (2016: 30%)	(6,803)	(5,685)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Eligible expenses claimed under R&D tax incentive	1,290	1,275
Amortisation of intangibles	49	172
Share-based payments	503	428
Unearned income	(3)	33
Sundry items	(159)	112
Difference in overseas tax rates	1	(132)
Previously unrecognised tax losses now recouped to reduce current tax expense	(299)	(77)
Future income tax benefits not brought to account	5,421	3,874
Income tax expense	**–**	**–**
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)	111,370	87,440
Potential tax benefit	**33,793**	**26,364**
(d) Unrecognised temporary differences		
Temporary differences for which no deferred tax asset has been recognised as recoverability is not probable	4,109	9,599
Unrecognised deferred tax relating to the temporary differences	**1,207**	**2,662**
(e) Deferred tax liabilities		
Deferred tax liabilities comprises temporary differences attributable to:		
Intangibles	1,574	1,575
Sundry items	18	420
Total deferred tax liabilities	**1,592**	**1,995**
Set-off of deferred tax assets pursuant to set-off provisions	(1,592)	(1,995)
Net deferred tax liabilities	**–**	**–**
Deferred tax liabilities expected to be settled within 12 months	18	420
Deferred tax liabilities expected to be settled after 12 months	1,574	1,575
	1,592	**1,995**

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 2016 because the directors do not believe that it is appropriate to regard realisation of the future income tax benefit as probable. Similarly, future benefits attributable to net temporary differences have not been brought to account as the directors do not regard the realisation of such benefits as probable.

Realisation of the benefit of tax losses would be subject to the group satisfying the conditions for deductibility imposed by tax legislation and no subsequent changes in tax legislation adversely affecting the group. The group has made an assessment as to the satisfaction of deductibility conditions at 30 June 2016 which it believes will be satisfied.

8. Current Assets – Cash and Cash Equivalents

	30 June 2016 $'000	30 June 2015 $'000
Cash at bank and on hand	1,327	2,795
Term Deposits and deposits at call	44,645	28,053
	45,972	**30,848**

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 $766,000 (2015: $743,000) of cash not available for use due to restrictions associated with a bank guarantee on the premises lease, and other restrictions for finance lease and credit card facilities; all of which are guaranteed by term deposits.

Interest rate risk
Current receivables are non-interest bearing.

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

*Note there is no fixed interest maturing great than 1 year

30 June 2015		Floating Interest rate	Fixed interest maturing*				
	Notes	$'000	1 year or less $'000	1 to 2 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							
Financial Liabilities							
Payables	12	–	–	–	5,933	5,933	5,933
Finance lease liabilities	13	–	30	18	–	48	48
		–	**30**	**18**	**5,933**	**5,981**	**5,981**
Weighted average interest rate							

*Note there is no fixed interest maturing great than 2 years

9. Current Assets – Trade and Other Receivables

	30 June 2016 $'000	30 June 2015 $'000
Trade and grant receivables	3,938	3,866
Interest receivables	48	39
Prepayments	178	221
Other receivables	140	106
	4,304	**4,232**

Trade and grant receivables
Trade and grant receivables primarily comprise of $3,522,000 (2015: $3,426,000) of expenditure reimbursable under the Australian Government's R&D tax incentive scheme. Other trade receivables largely consist of royalty and research fees and are subject to normal terms of settlement within 30 to 60 days.

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

Impaired receivables
As at 30 June 2016, there were no material trade and grant receivables that were past due (2015: nil). No receivables are considered impaired at 30 June 2016 (2015: nil) .

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 2014				
Cost	2,203	1,199	419	3,821
Accumulated depreciation	(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	(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	(1,820)	(74)	(370)	(2,264)
Net book amount	**556**	**305**	**49**	**910**
Year ended 30 June 2016				
Opening net book amount	**556**	**305**	**49**	**910**
Additions	80	18	–	98
Disposals	(6)	–	–	(6)
Depreciation	(152)	(131)	(29)	(312)
Closing net book amount	**478**	**192**	**20**	**690**
At 30 June 2016				
Cost	2,438	397	419	3,254
Accumulated depreciation	(1,960)	(205)	(399)	(2,564)
Net book amount	**478**	**192**	**20**	**690**

11. Non-Current Assets – Intangible Assets

	Patents & Licenses $'000	Goodwill $'000	Total Intangibles $'000
At 30 June 2014			
Cost	16,321	1,581	17,902
Accumulated 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
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 amortisation	(12,574)	–	(12,574)
Net book amount	**6,454**	**1,939**	**8,393**
Year ended 30 June 2016			
Opening net book amount	**6,454**	**1,939**	**8,393**
Exchange differences	233	66	299
Amortisation	(619)	–	(619)
Closing net book amount	**6,068**	**2,005**	**8,073**
At 30 June 2016			
Cost	19,529	2,005	21,534
Accumulated amortisation	(13,461)	–	(13,461)
Net book amount	**6,068**	**2,005**	**8,073**

(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 of disposal 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 to this group of 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 of CGUs have been determined based on estimation of their fair value less costs of disposal.

(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 of disposal of the group of 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 2016, 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 2016 and determined that there is no indication that the asset is impaired.

(d) Remaining useful life

The net book value of patents and licenses relates to the patents in the Priostar® portfolio acquired with the purchase of Dendritic Nanotechnologies Inc. These patents have a remaining useful life of approximately 10 years as at 30 June 2016.

12. Current Liabilities – Trade and Other Payables

	30 June 2016 $'000	30 June 2015 $'000
Trade payables and accruals	8,210	5,481
Other payables	629	452
	8,839	**5,933**

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 – Finance Lease Liabilities

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

2016		Floating Interest rate	Fixed interest rate*		
	Notes		1 year or less $'000	Over 1–2 years $'000	Total $'000
Lease Liabilities	20	–	18	–	18
Weighted average interest rate		–%	8.2%	–%	

*Note there is no lease liabilities with a term greater than 1 year.

2015		Floating Interest rate	Fixed interest rate*		
	Notes		1 year or less $'000	Over 1–2 years $'000	Total $'000
Lease Liabilities	20	–	30	18	48
Weighted average interest rate		–%	8.2%	8.2%	

*Note there is no lease liabilities with a term greater than 2 years.

14. Contributed Equity

(a) Share capital

	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Share Capital				
Ordinary shares – fully paid	367,107,521	319,138,501	193,512	160,884

(b) Movements in ordinary share capital

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**

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

(c) Ordinary shares

As at 30 June 2016 there were 367,107,521 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) 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 2016 $'000	30 June 2015 $'000
Share-based payments reserve	8,690	7,044
Foreign currency translation reserve	(1,118)	(1,385)
Asset revaluation reserve	2,215	2,215
	9,787	**7,874**

(b) Movement in reserves

Share-based payments reserve	30 June 2016 $'000	30 June 2015 $'000
Balance at 1 July	7,044	5,648
Performance right expense	1,646	1,396
Balance at 30 June	**8,690**	**7,044**

Foreign currency translation reserve		
Balance at 1 July	(1,385)	(3,011)
Currency translation differences arising during the year	267	1,626
Balance at 30 June	**(1,118)**	**(1,385)**

(c) Nature and purpose of reserves

i Share ased ayments reser e

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

ii Foreign currency translation reser e

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 sset re aluation reser e

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 2016 $'000	30 June 2015 $'000
Accumulated losses balance at 1 July	(131,200)	(112,250)
Net loss for the year	(22,675)	(18,950)
Accumulated losses balance at 30 June	**(153,875)**	**(131,200)**

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 2016 $	30 June 2015 $
Short-term employee benefits	2,132,568	2,275,425
Post-employment benefits	170,223	176,266
Other long-term benefits	18,010	39,496
Share-based payments	1,001,898	987,876
	3,322,699	**3,479,063**

Detailed remuneration disclosures are provided in the remuneration report on pages 19 to 37.

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 2016 $	30 June 2015 $
Statutory audit services		
Audit or review of financial reports of the entity or any entity in the consolidated entity		
PricewaterhouseCoopers	99,297	94,860
Total remuneration for statutory audit services	**99,297**	**94,860**

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 2016 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 (2015: nil).

(b) Lease Commitments

Operating leases

The group leases laboratory and offices under a lease until 31 December 2017, where the rental commitment is inclusive of outgoings. The group also leases office equipment generally over a three to five year term.

	30 June 2016 $'000	30 June 2015 $'000
Commitments for minimum lease payments in relation operating leases are payable as follows:		
Not later than one year	600	579
Later than one year and not later than five years	308	881
Later than five years	–	–
Representing cancellable operating leases	**908**	**1,460**

Finance Leases

The group leases plant and equipment under a finance leases expiring within one (2015: two) years.

Commitments in relation to finance leases are payable as follows:	Notes	30 June 2016 $'000	30 June 2015 $'000
Not later than one year		19	32
Later than one year and not later than five years		–	19
Later than five years		–	–
Minimum lease payments		**19**	**51**
Future finance charges		(1)	(3)
Recognised as a liability		**18**	**48**
Representing finance lease liabilities:			
Current	13	18	30
Non-Current	13	–	18
		18	**48**

The weighted average interest rate implicit in the lease is 8.2% (2015: 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	2016 %	2015 %
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 2016 (2015: nil).

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

	30 June 2016 $'000	30 June 2015 $'000
Operating loss after tax	(22,675)	(18,950)
Depreciation and amortisation	931	1,221
Foreign exchange (gains) / losses	(342)	(617)
Non-cash employee benefits: share-based payments	1,678	1,428
Gain (loss) on sale of property, plant and equipment	(5)	(8)
Net (gain) loss on sale of available for sale financial assets	(125)	–
Change in operating assets and liabilities, net of effects of acquisitions and disposals of entities:		
Decrease (increase) in receivables and other assets	(93)	370
Increase (decrease) increase in trade creditors	2,906	2,819
Increase in employee provisions	(12)	92
Increase (decrease) in deferred income	(74)	30
Net cash outflows from operating activities	**(17,811)**	**(13,615)**

24. Earnings Per Share

	30 June 2016	30 June 2015
Basic loss per share ($)	(0.07)	(0.06)
Diluted loss per share ($)	(0.07)	(0.06)
Net loss attributable to members of Starpharma Holdings Ltd used as the numerator in calculating diluted and basic earnings per share ($'000)	(22,675)	(18,950)
Weighted average number of ordinary shares outstanding during the year used as the denominator in calculating diluted and basic earnings per share	345,043,187	310,143,800

As at 30 June 2016 the company had on issue 7,826,746 (30 June 2015: 6,469,100) 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 2016 was $0.74 per right (2015: $0.46). There were 3,709,246 performance rights granted in the current year (2015: 4,597,500).

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

Set out below are summaries of performance rights:

2016

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

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**

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

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

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

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

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

Shares

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

(b) Fair value of shares granted
The weighted average assessed fair value at grant date of employee shares granted during the year ended 30 June 2016 was $0.74 (2015: $0.55 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 2016 is as follows:

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

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

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

Expenses arising from share-based payment transactions

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

	30 June 2016 $'000	30 June 2015 $'000
Employee shares issued	32	32
Employee performance rights issued	1,646	1,396
	1,678	**1,428**

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 2016	30 June 2015
	$'000	$'000
Balance Sheet		
Current assets	44,486	27,869
Total assets	64,138	47,115
Current liabilities	820	753
Total liabilities	820	753
Shareholders e uity		
Contributed equity	193,512	160,884
Reserves	8,181	6,535
Accumulated losses	(138,375)	(121,057)
Loss for the year	(17,319)	(14,111)
Total comprehensive income	(17,319)	(14,111)

(b) Contingencies of the parent entity

The parent entity has no contingent assets or liabilities at 30 June 2016 (2015: nil).

Directors' Declaration for the year ended 30 June 2016

In the directors' opinion:

(a) the financial statements and notes set out on pages 46 to 76 are in accordance with the *or orations ct* , including:

(i) complying with *ccounting Standards*, the *or orations Regulations* 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 2016 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 *or orations ct* .

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

Rob Thomas *M*
Chairman
Melbourne, 29 August 2016

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 2016, 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

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Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards 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 19 to 37 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Jon Roberts
Partner

Melbourne
29 August 2016

Shareholder Information

The shareholder information set out below was applicable as at 31 July 2016.

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	739	–
1,001–5,000	1,506	–
5,001–10,000	915	–
10,001–100,000	1,542	17
100,000 and over	254	15
Total	**4,956**	**32**

There were 477 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	106,484,212	29.01
2.	JP Morgan Nominees Australia Limited	35,463,261	9.66
3.	Citicorp Nominees Pty Limited	23,709,443	6.46
4.	National Nominees Limited	20,913,104	5.70
5.	UBS Nominees Pty Ltd	12,384,366	3.37
6.	BNP Paribas Noms Pty Ltd <DRP>	6,049,187	1.65
7.	T & N Argyrides Investments P/L <Super Fund A/C>	5,332,592	1.45
8.	Mr Peter Malcolm Colman	3,705,968	1.01
9	Sunshine Group Investments Pty Ltd <Investments Family A/C>	3,550,000	0.97
10.	Kenneth Nominees Pty Ltd <Rayse Super Fund A/C>	3,122,053	0.85
11.	Mr Kingsley Bryan Bartholomew	2,442,072	0.67
12.	Applecross Secretarial Services Pty Ltd <L Gorr Family A/C>	2,312,550	0.63
13.	HSBC Custody Nominees (Australia) Limited - A/C 3	2,181,377	0.59
14.	Dollar Coin Investments <Cousins Discretionary A/C>	2,010,500	0.55
15.	HSBC Custody Nominees (Australia) Limited - A/C 2	1,880,483	0.51
16.	CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	1,507,802	0.41
17.	JPS Distribution Pty Ltd <Raff Super Fund A/C>	1,453,291	0.40
18.	Commonwealth Scientific And Industrial Research Organisation	1,448,798	0.39
19.	Mr Mario Argyrides	1,409,900	0.38
20.	Mr Nicholas Wheeler	1,350,000	0.37
		238,710,959	**65.02**

Shareholder Information

	Unquoted equity securities over ordinary shares	
Name	**Number on issue**	**Number of holders**
Employee Performance Rights	7,826,746	32

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 2016:

	Ordinary shares	
Name	**Number held**	**Percentage of issue shares**
Allan Gray Australia Pty Ltd	44,662,525	12.26
M&G Investment Funds	37,069,789	13.06
FIL Limited	29,022,710	7.91

D. Voting Rights

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

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

Intellectual Property Report

The Starpharma patent portfolio currently has around 25 active patent families with over 120 granted patents and more than 50 patent applications pending.

Key patents within the Starpharma portfolio as at 15 July 2016:

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, Brazil, Canada, China, Europe, Hong Kong, Japan, Mexico, New Zealand, Singapore, South Korea, USA	
Microbicidal Dendrimer Composition Delivery System (Condom related)	18 October 2005 WO2007/045009	Australia, Canada, Europe, Hong Kong, India, Japan, Mexico, New Zealand, Russian Federation, South Korea, Taiwan, USA	Argentina, Malaysia
Contraceptive Composition	22 March 2006 WO2007/106944	Australia, Canada, China, Europe, Japan, USA	
Method Of Treatment Or Prophylaxis Of Bacterial Vaginosis	16 May 2011 WO2012/000891	USA	Australia, Brazil, Canada, China, Europe, Hong Kong, India, Israel, Japan, South Korea, Mexico, Russia
Method of Treatment or Prophylaxis of Infection of the Eye	13 September 2012 WO2014/043576		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, India, USA	China, Europe, Hong Kong, 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		USA
Dendrimer Drug Conjugates	6 June 2014 WO 2015/184510		International
Priostar® Patent Portfolio			
Dendritic Polymers With Enhanced Amplification And Interior Functionality	20 April 2005 WO2006/065266	Argentina, Canada, China, Europe, Hong Kong, India, Israel, Japan, Mexico, New Zealand, Singapore, South Korea, Taiwan, USA	Brazil
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, USA

Corporate Directory

Company name

Starpharma Holdings Limited
ABN 20 078 532 180

Directors

R B Thomas AM – *hairman*
J K Fairley – *hie E ecuti e icer*
P R Turvey
R A Hazleton
Z Peach

Company Secretary

Nigel Baade

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Share register

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Stock exchange listing

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ASX Code: SPL

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

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

Website address

www.starpharma.com

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