Starpharma Holdings Limited

ABN 20 078 532 180

Appendix 4E: Preliminary Financial Report
Year ended 30 June 2018

Lodged with the ASX under Listing Rule 4.3A
Previous corresponding period (pcp): Year ended 30 June 2017

Results for announcement to the market

				$'000
Revenue from continuing operations *(Appendix 4E item 2.1)*	Up	34%	to	**$4,884**
Loss from continuing operations after tax attributable to members *(Appendix 4E item 2.2)*	Down *(decrease)*	32%	to	**$10,285**
Loss for the period attributable to members *(Appendix 4E item 2.3)*	Down *(decrease from profit in pcp)*	225%	to	**$10,285**

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)*

Revenue from continuing operations of $4,884,000 (2017: $3,643,000) reflects licensing, royalty and research revenue from commercial partners, including milestone payments from Mundipharma under the VivaGel® BV license agreements for Europe, Russia & CIS, Asia, South America, Middle East and Africa. Interest income on cash invested of $1,072,000 (2017: $651,000) is also included.

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

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

The loss from continuing operations after tax is $10,285,000 (2017: $15,217,000 loss) reflecting the expensing of all research and development expenditure and patenting costs associated with VivaGel® and DEP® programs. The loss from continuing operations has decreased from the prior year, reflecting the decrease in costs associated with finalisation of the VivaGel® phase 3 clinical program.

Total net loss attributable to members for the year is $10,285,000 (2017: $8,200,000 profit). The profit from discontinued operations in the prior year includes the gain on the sale of the agrochemicals business, sold in June 2017. The agrochemicals business was sold for $35 million and the 2017 profit from discontinued operations reflects the gain (after income tax) of $24,665,000 in excess of the carrying value of assets sold.

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

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

Refer to the Annual Report which follows this announcement.

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

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

NTA Backing *(Appendix 4E item 9)*

Net tangible asset backing per ordinary share at 30 June 2018 is $0.14 (2017: $0.17).

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

Refer to the Annual Report which follows this announcement.

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

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

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

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

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

ASX Announcement

Starpharma annual report and full year financial results

Melbourne, Australia; 21 August 2018: Starpharma (ASX: SPL, OTCQX: SPHRY) today released its annual report and financial results for the year ended 30 June 2018.

Financial Results

- Cash position at 30 June of $51.3M
- Net cash burn[1] of $9.9M (FY17: $18.0M excl. net proceeds from agrochemicals sale)
- Net operating cash outflows of $10.2M (FY17: $17.0M)
- Total revenue and other income of $5.0M (FY17: $3.6M)
- Loss from continuing operations of $10.3M (FY17: $15.2M)
- Reported loss of $10.3M
- Receipt of $3.7M R&D tax incentive

Operational Highlights

- VivaGel® BV demonstrated compelling efficacy in pivotal phase 3 trials for the prevention of recurrent BV.
- VivaGel® BV was licensed to Mundipharma for Europe, Russia, CIS, Asia, Middle East, Africa and Latin America.
- Starpharma completed and submitted a New Drug Application (NDA) for VivaGel® BV, which was accepted for filing by the US FDA, with no issues cited. The NDA is the subject of priority Fast Track review, which provides a target review period of approximately six months from acceptance.
- VivaGel® BV received Australian marketing approval from the TGA.
- DEP® docetaxel achieved its key objective of determining a Recommended Phase 2 Dose (RP2D) in its phase 1 trial, with no reports of protocol-defined dose limiting toxicities, no neutropenia and encouraging efficacy signals observed.
- DEP® docetaxel phase 2 trial commenced in leading UK hospitals in lung cancer and prostate cancer.
- DEP® docetaxel commenced a clinical trial in combination with nintedanib (Vargatef®) in lung cancer.
- DEP® cabazitaxel phase 1 / 2 trial commenced in patients with advanced solid tumours.
- DEP® irinotecan manufacture expedited via Starpharma's scale-up facility in preparation for the phase 1 / 2 trial and final preclinical work underway.
- Multiple new development programs, including programs for targeted DEP® and DEP® radiopharmaceutical, and also for ophthalmology.
- AstraZeneca unveiled its first DEP® oncology candidate, AZD0466, as a Bcl2/xL inhibitor.
- Starpharma received two separate grants for DEP® with Monash Institute of Pharmaceutical Sciences and with Peter MacCallum Cancer Centre.

[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 2017 to 30 June 2018. Net cash burn for 2017 excludes the $33.3 million of net proceeds from the sale of Starpharma's agrochemicals business.

Starpharma CEO, Dr Jackie Fairley, commented: “This was an exceptionally positive year for the company with successful clinical trial results reported in both of our VivaGel® and DEP® drug delivery portfolios and a string of further achievements, including international licences, NDA submission to the FDA, regulatory approval and other commercial milestones. These commercial milestones and our reducing net cash burn have placed the company in a very strong financial position, with more than $50M in cash at bank”.

Commenting further on the 2018 financial year’s achievements and outlook, Dr Fairley added: “During the year we signed a multi-region licence for VivaGel® BV with leading pharmaceutical company, Mundipharma, on very attractive deal terms. Commercial licences for VivaGel® BV now cover most regions around the world, with the high-value US market to come. FDA’s filing acceptance of our NDA, and confirmation of its priority review, have added significant commercial value to VivaGel® BV and we expect this to positively impact our advanced negotiations for the US region”.

“In our DEP® portfolio, we reported exciting clinical trial results for DEP® docetaxel, which transitioned seamlessly into phase 2, and we advanced the clinical development of two other lead products – DEP® cabazitaxel and DEP® irinotecan. We continue to develop and select the best possible DEP® candidates to build significant commercial value in our DEP® portfolio. At the same time, we continue to work closely with our DEP® partners, advancing several programs, including AstraZeneca’s AZD0466 - a highly optimised dendrimer formulation of a dual Bcl2/xL inhibitor. We’re very pleased that our DEP® platform is central to development of such an exciting, novel drug which has the potential to be a best-in-class, major cancer drug, and we look forward to AstraZeneca releasing further data and commencing a phase 1 trial in FY19”.

“In the year ahead, we look forward to the market launch of VivaGel® BV in multiple regions, signing a US licence and FDA approval of VivaGel® BV as well as multiple value-adding milestones for the DEP® portfolio. This is a really exciting and rewarding time for Starpharma. Commercialising our VivaGel® assets will enable us to generate recurrent revenues which will allow us to continue building on the immense commercial value around the DEP® platform and a portfolio of life-changing drugs”, concluded Dr Fairley.

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 two core development programs: VivaGel® portfolio and DEP® drug delivery with the Company developing several products internally and others via commercial partnerships.

VivaGel®: Starpharma’s women’s health product - VivaGel® BV is based on SPL7013, astodrimer sodium, a proprietary dendrimer. VivaGel® BV is approved for marketing in the EU and Australia for bacterial vaginosis (BV) and a new drug application is under Fast Track review by the US FDA. Starpharma has licensed the sales and marketing of VivaGel® BV to Mundipharma for Europe, Russia, CIS, Asia, the Middle East, Africa and Latin America; and to Aspen Pharmacare for Australia and New Zealand. Starpharma also has licence agreements to market the VivaGel® condom (an antiviral condom which includes VivaGel® in the lubricant) in several regions, including Australia, Europe, Canada, China and Japan (Okamoto). The VivaGel® condom has been launched in Australia and Canada under the Lifestyles® Dual Protect™ brand.

DEP® - Dendrimer Enhanced Product®: Starpharma’s DEP® drug delivery platform has demonstrated reproducible preclinical benefits across multiple internal and partnered DEP® programs, including improved efficacy, safety and survival. Starpharma has two internal DEP® products – DEP® docetaxel and DEP® cabazitaxel - in clinical development in patients with solid tumours, and further DEP® products approaching clinical development. Starpharma’s partnered DEP® programs include a multiproduct DEP® licence with AstraZeneca, which involves the development and commercialisation of two novel oncology compounds, with potential to add more.

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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.

starpharma

ANNUAL REPORT 2018

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Highlights

2018

Q4

FDA SUBMISSION

FDA accepts the VivaGel® BV NDA for filing, under priority Fast Track review, which provides a target review period of approximately 6 months from acceptance

FDA SUBMISSION

Completes New Drug Application (NDA) for VivaGel® BV

mundipharma

Mundipharma licenses VivaGel® BV for Europe, Russia, CIS, and the balance of countries in Latin America for an attractive revenue share, in addition to milestones of up to US$15.5M (A$20.9M)

Q3

mundipharma

Mundipharma licenses VivaGel® BV for Asia, Middle East, Africa and the majority of Latin America for an attractive revenue share, in addition to milestones of up to US$9.2M (A$12.2M)

Commences DEP® cabazitaxel phase 1 / 2 trial in patients with advanced solid tumours

In-house manufacture of DEP® irinotecan for phase 1/ 2 trial

Q2

TGA APPROVED

VivaGel® BV receives Australian marketing approval from the TGA

Q1

AstraZeneca

AstraZeneca unveils first DEP® oncology candidate – AZD0466, dual Bcl2/xL inhibitor

Commences DEP® docetaxel phase 2 trial

Successful DEP® docetaxel phase 1 results in patients with advanced solid tumours

Successful VivaGel® BV phase 3 results for prevention of recurrent BV

2017

Chairman's Letter

Dear Shareholders,

On behalf of the Board, it is a real pleasure to be able to report on the excellent performance by Starpharma this year.

Starpharma's strategy is to utilise its unique dendrimer technology to develop and commercialise superior products for patients globally. Through this strategy we've developed VivaGel® BV, a breakthrough Women's Health product which is on the cusp of being launched in markets around the world, and we delivered excellent clinical results for the first oncology drug from our DEP® drug delivery platform.

Within our VivaGel® portfolio, Starpharma recently signed a multi-region licence for VivaGel® BV with leading pharmaceutical company, Mundipharma, on very attractive deal terms. VivaGel® BV is now licensed in the majority of regions around the world. The licence with Mundipharma covers Europe, Russia, CIS, Asia, Middle East, Africa and Latin America and will provide Starpharma with an attractive revenue share, in addition to regulatory and commercialisation milestones of up to US$24.7 million (A$33.3 million). Our team is now working closely with Mundipharma to gain further regulatory approvals aside from the EU (already received), to support the market launch of VivaGel® BV in multiple regions as soon as practicable.

In the US, our licensing discussions for VivaGel® BV have now reached an advanced stage of negotiation. This is particularly exciting given the very significant market opportunity for the product in that region. Our New Drug Application (NDA) for VivaGel® BV has already been accepted for filing by the FDA.

The multi-region Mundipharma licence signed this year was an important milestone for the company, demonstrating the value of VivaGel® BV and its commercial value to third parties. It's worth remembering Starpharma is one of a handful of Australian biotech companies to have successfully taken a pharmaceutical product all the way from concept to commercialisation.

Ultimately, such licensing deals will transform Starpharma into a financially sustainable company with the capacity to produce a stable of exciting, high-value products from its innovative dendrimer platform.

In oncology, Starpharma's DEP® platform optimises a drug's therapeutic value by targeting tumour tissue thus improving efficacy and reducing side effects. During the year we delivered impressive clinical data from the platform through our phase 1 trial for DEP® docetaxel which successfully achieved its key objective. No patients experienced neutropenia, a life-threatening side effect seen in more than 90% of patients administered Taxotere® (the original docetaxel product). We also saw a reduction in a number of other troublesome side effects, such as hair loss, and encouraging efficacy signals.

Starpharma was able to accelerate the development of DEP® docetaxel by moving it immediately from phase 1 into phase 2. As one of our internally developed products, the clinical development is self-funded and our intention is to licence the product after proof of concept human phase 2 data to maximise its commercial value. Our second DEP® product is equally exciting with significant market potential. DEP® cabazitaxel, a dendrimer-enhanced version of leading cancer drug, Jevtana®, entered the clinic during the year in a phase 1 / 2 trial for patients with advanced solid tumours.

We plan to advance our third DEP® oncology product, DEP® irinotecan, into the clinic around the end of the year. Starpharma also has several more DEP® products already under development which are the subject of preclinical programs. It's a clear strategic imperative for Starpharma to advance a number of DEP® candidates for development to provide a deep portfolio of DEP® products.

While there's substantial value from Starpharma continuing to develop its own rich pipeline of DEP® drugs to licence, tremendous value in the platform also lies in its optionality for partnering. Starpharma allows pharmaceutical partners to access its DEP® platform under licence, to enhance their novel or existing drugs – in a way that creates significant commercial value for our partners – in return for milestone payments and royalties. The platform offers partners the compelling prospect of a differentiated product with improved efficacy and fewer side effects, as well as patent advantages to create a second generation of their existing drugs with improvements and extended patent life. Given that the development costs are covered by partners, these partnered DEP® programs provide Starpharma with returns without the usual development and financing outlay.

A number of partnerships for DEP® are already in place with global pharmaceutical companies, including multiple high-value programs fully funded by AstraZeneca. During the year, AstraZeneca unveiled its first DEP® candidate – AZD0466, a highly optimised dendrimer formulation of a novel dual Bcl2/xL inhibitor, which has the potential to be a best-in-class cancer drug. AstraZeneca has been conducting its final preclinical work, filing patents, and we're looking forward to their team commencing the phase 1 trial for AZD0466.

The progress with AZD0466 is underpinned by a strong commercial relationship with AstraZeneca. Our work with AstraZeneca is also providing valuable external validation of the broad application of the DEP® platform and its utility in making possible the development of multiple cutting-edge cancer medicines and creating value through new intellectual property.

This has been an exceptional year for Starpharma. The Board wishes to acknowledge and sincerely thank our CEO Dr Jackie Fairley and the whole Starpharma team for their outstanding efforts. We acknowledge the people involved in the extensive licensing negotiations for VivaGel® BV and those who contributed to and compiled over 110,000 pages of data for the FDA submission. Starpharma is reaping the rewards of the decision to expand its internal scale-up facilities and we thank all the staff involved in both the clinical and preclinical development and advancement of our DEP® products. The expertise and dedication of our people are key to our future success and we commend their commitment to creating innovative therapies that have the potential to profoundly improve patient health worldwide.

I would like to thank my fellow Board members for their contribution again this year, and together, we thank our shareholders for their ongoing support. We do not take this for granted.

We look forward to another successful and exciting year as we anticipate the international launch of VivaGel® BV and further important milestones for our internal and partnered DEP® programs.

Yours Sincerely,

Rob Thomas *AM*
Starpharma Chairman

CEO's Report

I am very pleased to report Starpharma's achievement of multiple, significant milestones over the past year. This has been a transformative period for the company – progressing from a largely development stage company to revenue generation based on a deep portfolio of both commercial and development opportunities.

We advanced the commercialisation of our VivaGel® assets, executing a multi-region licence for VivaGel® BV and completing the New Drug Application for this exciting product which has been accepted for filing by the US FDA under priority review. In parallel, we accelerated development of our exciting DEP® portfolio of products. Starpharma reported positive results from its phase 1 DEP® docetaxel trial and transitioned rapidly into phase 2. The company also commenced a phase 1 / 2 trial for DEP® cabazitaxel and undertook substantial preparatory work in readiness for the upcoming phase 1 / 2 DEP® irinotecan trial. Good progress was also made with Starpharma's DEP® partnered programs.

This is a really exciting time for Starpharma. Commercialising VivaGel® BV means Starpharma is now set to generate recurrent revenue – enabling sustained investment in the DEP® platform to build a portfolio of high-value, life-changing drugs.

Dr Jackie Fairley,
Chief Executive Officer

	VIVAGEL® PLATFORM	PRECLINICAL	CLINICAL	MARKET OPPORTUNITY
	VIVAGEL® BV BV Treatment and Prevention			Licensed in the majority of regions around the world. BV Treatment est. market valued at US$750M p.a. and BV Prevention est. market valued at US$1B p.a.
	VIVAGEL® CONDOM Anti-viral condom			Licensed in many regions around the world; launched in Australia and Canada.
	VIVAGEL® ACTIVE Viral conjunctivitis			Global viral conjunctivitis market US$700M
	DEP® PLATFORM	**PRECLINICAL**	**CLINICAL**	**MARKET OPPORTUNITY**
INTERNAL	**DEP® DOCETAXEL** Oncology – various tumour types			Docetaxel (Taxotere®) peak sales ~US$3.1B
INTERNAL	**DEP® CABAZITAXEL** Oncology – various tumour types			Cabazitaxel (Jevtana®) sales were ~US$400M in 2016
INTERNAL	**DEP® IRINOTECAN** Oncology			Irinotecan (Camptosar®) peak sales ~US$1.1B
INTERNAL	**DEP® OTHER CANDIDATES** Oncology and other indications			Targeting various cancer types and other indications
INTERNAL	**TARGETED DEP®** Oncology			ADC's Kadcyla® and Adcetris® had combined sales of ~US$1.66B in 2017
PARTNER-FUNDED	**ASTRAZENECA – AZD0466 DEP® PRODUCT** Oncology			First defined family of targets (Milestones of US$126M + royalties)
PARTNER-FUNDED	**ASTRAZENECA #2 DEP® CANDIDATE** Oncology			Subsequent products (Milestones of up to US$93M+ royalties)
PARTNER-FUNDED	**ASTRAZENECA OTHER DEP® PROGRAM** Oncology			Outside multiproduct license *Undisclosed*
PARTNER-FUNDED	**UNDISCLOSED ADC PARTNER TARGETED DEP® CANDIDATE** Oncology			*Undisclosed*
PARTNER-FUNDED	**UNDISCLOSED ADC PARTNER TARGETED DEP® CANDIDATE** Oncology			*Undisclosed*

Positive phase 3 results and FDA acceptance of the NDA filing has significantly built the commercial opportunity for VivaGel® BV. Commercial licences now cover most regions around the world,with the high-value US market to come.

Dr Jackie Fairley,
Chief Executive Officer

VIVAGEL® PORTFOLIO

VIVAGEL® BV

Phase 3 results: VivaGel® BV demonstrated compelling efficacy in all six primary and secondary efficacy measures

Starpharma reported positive phase 3 clinical results for its breakthrough product for bacterial vaginosis, VivaGel® BV. The VivaGel® BV trials achieved their primary objective demonstrating statistically significant superiority compared to placebo in preventing recurrent BV. They also met all five of the secondary efficacy endpoints. The majority of women who used VivaGel® BV remained BV-free not only during the 16-week treatment phase but sustained benefits for at least three months after cessation of treatment. VivaGel® BV also demonstrated excellent safety and tolerability.

Regulatory progress added substantial value to VivaGel® BV

During the year Starpharma completed and submitted its New Drug Application (NDA) for VivaGel® BV with the US FDA (FDA). In July 2018, the FDA confirmed that it had accepted the NDA for filing, with no issues identified.

Confirmation by the FDA that the NDA has progressed to substantive review is a significant regulatory milestone for the company and this achievement reflects the completeness of the VivaGel® BV clinical and regulatory data package, which comprised more than 110,000 pages. Starpharma is one of very few Australian biotech companies to have successfully developed a product from concept and submitted a NDA in the US.

The FDA also confirmed that the VivaGel® BV NDA will be the subject of a priority review, which has a target review period of approximately six months from acceptance. This priority review reflects VivaGel® BV having been granted Fast Track status and Qualified Infectious Disease Product (QIDP) designation by the FDA.

These valuable priority designations are designed to make new therapeutics available to patients as rapidly as possible, carrying significant benefits for both regulatory approval and commercialisation of VivaGel® BV.

During the year Starpharma also received Australian marketing approval from the TGA for VivaGel® BV. TGA approval is significant not only for the Australian market but also internationally, as there are many countries in Asia, the Middle East and South America where marketing approval is largely based on Starpharma's home-country registration.

VIVAGEL® BV LICENSED IN THE MAJORITY OF REGIONS AROUND THE WORLD

mundipharma — Europe, Russia, CIS, Asia, Middle East, Africa, Latin America

aspen AUSTRALIA — Australia, New Zealand

ADVANCED NEGOTIATIONS — United States

COMMERCIAL DISCUSSIONS — All other regions

VivaGel® BV was licensed in the majority of regions around the world

Starpharma signed a multi-region licence with Mundipharma for the sales and marketing rights to VivaGel® BV in Europe, Russia, the Commonwealth of Independent States (CIS), Asia, the Middle East, Africa and Latin America. Mundipharma is one of the largest privately-owned pharmaceutical companies in the world, employing over 8,600 people.

Under the Mundipharma licence, Starpharma will receive returns via an attractive revenue share on VivaGel® BV sales, and is also eligible to receive total signing, regulatory and commercial milestones of up to US$24.7 million (A$33.3 million). These attractive terms were achieved through a competitive licensing process undertaken by Starpharma involving multiple leading pharmaceutical and Women's Health companies.

Mundipharma owns the successful international brand – BETADINE® and has a leading position in Women's Health. Mundipharma intends to launch VivaGel® BV as soon as practicable, with first launches targeted for early 2019.

Licensing for the US

Commercial negotiations for licensing VivaGel® BV in the US region were undertaken during the year and are now at an advanced stage. Similar to the other regions licensed, Starpharma is undertaking a competitive licensing process for the US market which involves leading pharmaceutical and Women's Health companies. Starpharma expects to announce a US deal in the near future.

Preparation to launch VivaGel® BV

Starpharma and its partners, Aspen and Mundipharma, have undertaken extensive preparations for the launch of VivaGel® BV in a number of regions, including in Australia, Europe, Asia and elsewhere. This includes marketing and sales planning, as well as market research by partners to support launches. Mundipharma plans to expedite product launch under the BETADINE® brand through their extensive marketing network and has commenced regulatory activities for its regions, other than the EU where the product is already approved.

Significant pre-marketing activities for VivaGel® BV including packaging and supply chain development have been undertaken in conjunction with Starpharma's contract manufacturing organisations in preparation for launches.

Independent US Market research:
Following VivaGel® BV launch, physicians estimate that twice as many physicians will prescribe a preventative therapy to their BV patients and 75% more patients will be prescribed a preventative therapy.

Source: Independent Expert US VivaGel® BV Market Research 2017 commissioned by Starpharma

POSITIVE MARKET RESEARCH FINDINGS FOR VIVAGEL® BV – FROM US PHYSICIANS AND PAYERS ALIKE

Top VivaGel® BV attributes to patients

1. Speed of odour resolution
2. Efficacy
3. Speed of discharge resolution
4. Mode of action (non-antibiotic)
5. Route of administration (vaginal gel)

"I would love to try it (VivaGel® BV) because it is not an antibiotic"
– US GYNAECOLOGIST

"The good news is not having an anti-biotic hanging around the environment is good. The more antibiotics you have out there, the more potential for resistance."
– US PAYER

"I like the molecule (VivaGel® BV) there is nothing really that treats that recurrent patient"
– US PAYER

"I think part of the reason why we are seeing more recurrence is that there has got to be some kind of resistance being built up to the antibiotics"
– US GYNAECOLOGIST

"It (VivaGel® BV) is certainly simple enough and the side effect profile is minimal"
– US GYNAECOLOGIST

"The biggest unmet need is to be able to prescribe a treatment that has minimal side effects, does not interfere with the patient's lifestyle and resolves symptoms quickly"
– US PRIMARY CARE PHYSICIAN

"It seems like it (VivaGel® BV) would replace current (off label) prophylactic regimens that I recommend"
– US NURSE PRACTITIONER

VivaGel® BV market research

During the year, Starpharma conducted comprehensive independent market research for VivaGel® BV to inform marketing plans in the US and support its licensing discussions for the product. The independent expert market research involved qualitative and quantitative research involving over 100 obstetrician-gynaecologists and primary care physicians as well as payers.

VIVAGEL® CONDOM

The other product within Starpharma's VivaGel® portfolio is the VivaGel® condom – the only anti-viral condom with lubricant incorporating Starpharma's proprietary anti-viral compound, VivaGel®.

During the year, good regulatory progress was made in Japan, China, Europe and other markets. This progress supports the licences with LifeStyles® (previously Ansell), Okamoto in Japan, and Sky and Land Latex Co. in China. LifeStyles® have launched the VivaGel® condom in Australia and in Canada, under the Lifestyles® Dual Protect™ brand with further approvals anticipated.

CEO's Report

DEP® DRUG DELIVERY PLATFORM

Starpharma uses dendrimers to deliver pharmaceutical drugs more effectively through its novel DEP® technology. When drugs are attached to dendrimers, they create a nanoparticle – a molecule that's a much larger version of the drug itself.

Using cancer drugs as an example, the nanoparticle allows much higher concentrations of the cancer drug to enter and remain in cancer tissue than drug alone, while also minimising the amount of cancer drug in normal healthy tissue that would otherwise be damaged. The nanoparticle carries the drug in an altered state reducing side effects such as bone marrow toxicity, and hair loss.

Starpharma's dendrimer DEP® versions of cancer drugs are showing improved efficacy and reduced side effects in preclinical and clinical studies. This, combined with creating new intellectual property, makes a powerful combination, both clinically for patients and commercially for Starpharma and its partners.

DEP® DOCETAXEL

Starpharma's most advanced DEP® product is DEP® docetaxel – an enhanced version of anti-cancer drug Taxotere® (docetaxel) – modified to reduce side effects such as neutropenia (white blood cell toxicity) and hair loss, while enhancing efficacy.

Starpharma successfully completed its phase 1 DEP® docetaxel trial in 2017 and achieved the key objective of determining a Recommended Phase 2 Dose (RP2D), with no reports of protocol-defined dose limiting toxicities.

No neutropenia was observed and there were no reports of a number of other common adverse events, such as anaphylaxis, anaemia, diarrhoea or fluid retention. There was also no hair loss apart from one patient who reported a mild case of alopecia. Encouraging efficacy signals were observed in around half of the phase 1 trial patients.

The DEP® docetaxel phase 2 trial commenced immediately following phase 1. The phase 2 trial is an open-label, two-stage design, with the objective of establishing anti-tumour activity (efficacy) and safety of DEP® docetaxel at the RP2D in lung cancer and prostate cancer.

A number of patients have already received multiple cycles of DEP® docetaxel in the phase 2 trial. Consistent with the phase 1 study, patients have not required steroid pre-treatment and have not experienced neutropenia (low white blood cell levels) or hair loss, despite these side effects being almost universal with standard docetaxel (Taxotere®), and a number of encouraging efficacy signals have been observed.

The phase 2 trial is currently being conducted in major UK hospitals, including Guy's Hospital London, University College London Hospital Cancer Clinical Trials Unit and Freeman Hospital Newcastle upon Tyne. A fourth site, in Leeds, has recently been initiated and is expected to accelerate patient recruitment.

As part of the trial, Starpharma is also investigating the benefits of combining DEP® docetaxel with another anti-cancer agent, nintedanib (Vargatef®) in lung cancer. Recruitment for the first cohort of patients with lung cancer in this combination study has been completed. Based on positive feedback from oncologists involved in the study, Starpharma is now exploring the potential to expand recruitment in this combination arm of the study.

DEP® CABAZITAXEL

DEP® cabazitaxel is Starpharma's improved, dendrimer-enhanced version of cancer drug Jevtana® (cabazitaxel). Starpharma commenced its phase 1 / 2 clinical trial for DEP® cabazitaxel, having received regulatory and ethics approvals during the year. The trial is being conducted at multiple sites, with Guy's Hospital London and University College London Hospital in the UK being the first sites open for recruitment. Further sites will be added and commence recruitment as phase 1 dose escalation progresses and the phase 2 part of the trial gets underway.

The objectives of this trial are to evaluate the safety, tolerability and pharmacokinetics of DEP® cabazitaxel, to define a RP2D, and then to determine anti-tumour efficacy of the product in select tumour types. The adaptive phase 1 / 2 trial design for DEP® cabazitaxel will also enable Starpharma to move seamlessly from phase 1 to phase 2 and to explore efficacy as early as possible. As the trial progresses, decisions will be made as to which tumour types to focus on, to further characterise efficacy in specific tumour types.

DEP® IRINOTECAN

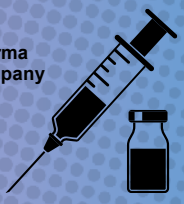
Starpharma has recently advanced a DEP® version of major cancer drug, irinotecan towards the clinic (marketed by Pfizer under the brand name Camptosar®). Final preclinical work is being completed ahead of commencing the phase 1 / 2 DEP® irinotecan trial. Manufacture of DEP® irinotecan for use in the trial has already been completed at Starpharma's scale-up facility and is currently being formulated in preparation for trial commencement.

DEP® SCALE-UP FACILITES

Starpharma has invested in its in-house DEP® scale-up facilities to accelerate the development of its internal and partnered products. These facilities enable the rapid manufacture of preclinical and clinical grade materials, accelerating these programs by six months or more, with faster turnaround than with third-party manufacturers and also provide greater flexibility in managing costs.

DEP® DRUG DELIVERY OPTIMISES THE THERAPEUTIC VALUE OF DRUGS

Pharma Company



SUPERIOR PRODUCT PROPOSITION
product differentiation: improved efficacy and fewer side effects

PATENT PROTECTION
new intellectual property: exploit latent opportunities through life-cycle management (next generation of drugs)

Doctor

ENHANCED THERAPEUTIC PROFILE
targeted delivery, extended release

EASIER PATIENT MANAGEMENT
no need for steroid pre-treatment; fewer complications due to reduced side effects

Patient

BETTER PATIENT EXPERIENCE

- no hair loss*
- no neutropenia (low white blood cells)
- no bone marrow toxicity
- no diarrhoea
- no nail disorders
- no cortisone pre-treatment
- no anaphylaxis

Based on clinical / preclinical studies

* Only a single case of mild alopecia reported in the phase 1 DEP® docetaxel trial

…the DEP® technology has enabled us to advance a very exciting oncology agent towards the clinic.

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

PARTNERED DEP® LICENCES

Starpharma also allows pharmaceutical partners to access its novel DEP® drug delivery platform under licence creating significant leverage and optionality. DEP® is used to enhance their novel or existing drugs – creating significant commercial value for the partner – in return for milestone payments and royalties to Starpharma.

TYPICAL PARTNERED DEAL STRUCTURE

- Starpharma provides access to the DEP® platform and manufactures (on a small scale) DEP® candidates under research collaboration
- Partner selects their DEP® development candidate (novel or existing drug)
- Partner funds the development of the DEP® candidate
- Starpharma may scale-up DEP® products under contract
- Starpharma is eligible to receive milestone payments and royalties based on development and sales achievements
- Multiple partner DEP® programs can run in parallel, each having the ability to earn significant revenues for Starpharma

PARTNERED DEP®

Starpharma's partnered DEP® programs include a multiproduct DEP® licence with AstraZeneca, which currently involves the development and commercialisation of two novel oncology compounds, with the potential to add more.

During the year, AstraZeneca unveiled its first DEP® candidate, AZD0466, using Starpharma's DEP® drug delivery platform. AZD0466 is a highly optimised dendrimer formulation of a novel dual Bcl2/xL inhibitor, which has the potential to be a best-in-class cancer drug with a broad combination opportunity in solid and haematological tumours. AstraZeneca also has an additional, separate DEP® program for another product in its portfolio.

Starpharma was delighted to host both Dr Pascal Soriot, Global CEO, AstraZeneca and Liz Chatwin, Country President AstraZeneca Australia and New Zealand at its head office on separate occasions throughout the year and continues to explore other potential DEP® programs with their team.

In addition, Starpharma has two Targeted DEP® partnerships with world leading antibody-drug conjugate companies.

Partnered DEP® programs continued to progress during the year and Starpharma has manufactured a number of partnered DEP® candidates at progressively larger scales.

We have looked for collaborations around the world to find partners with a similar approach who we can work with to help us bring new medicines to patients. There was evidence that when using Starpharma's technology with anti-cancer molecules, it could actually improve both the effectiveness and the safety of those molecules and provide them with a broader application.

Liz Chatwin,
Country President, AstraZeneca Australia & New Zealand

AstraZeneca's AZD0466 is a dual Bcl2/xL inhibitor in a highly optimised DEP® formulation with the potential to be a best-in-class agent in this field.

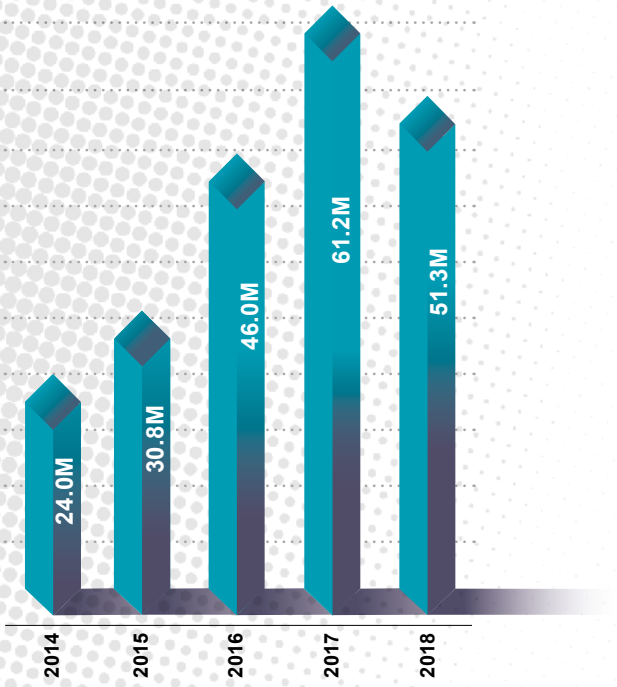
Bcl2 is an exciting and clinically validated oncology target. As a comparison – Abbvie's Venetoclax (Venclexta), a first generation Bcl2 inhibitor (specific for Bcl2) was approved in 2016 with estimated US sales to exceed US$2B by 2021.

Source:
www.evaluategroup.com

3 YEAR FINANCIAL SUMMARY

	2018 $M	2017 $M	2016 $M
Revenue, grant income & other income	3.9	3.0	3.9
Interest revenue	1.1	0.6	0.7
Total revenue and income	**5.0**	**3.6**	**4.6**
Expenditure	(15.3)	(18.8)	(25.9)
Loss from continuing operations	**(10.3)**	**(15.2)**	**(21.3)**
Profit/(loss) from discontinued operation	–	23.4	(1.4)
Profit/(loss) for the period	**(10.3)**	8.2	**(22.7)**
Net operating cash inflows/(outflows)	(10.2)	(17.0)	(17.8)
Net investing cash inflows/(outflows)	(0.4)	32.7	–
Net financing cash inflows	–	–	32.6
Cash and cash equivalents at end of year	51.3	61.2	46.0

CASH & CASH EQUIVALENTS $M (AT 30 JUNE)



OVERVIEW OF FINANCIAL RESULTS

Starpharma reported a net loss from continuing operations of $10.3 million, compared to $15.2 million last year. The improvement reflects lower expenditure on the clinical program for VivaGel® BV following its completion and for which Starpharma reported positive results during the year. Revenue for the year included revenue from Mundipharma on the licensing of VivaGel® BV for Europe, Russia, CIS, Asia, Middle East, Africa and Latin America.

The reported consolidated loss after income tax for the financial year ended 30 June 2018 mirrors the net loss from continuing operations. Where as in 2017, the group reported a $8.2 million net profit, reflecting the discontinued operation profit of $23.4 million following the disposal of the agrochemicals business.

The net operating cash outflows for the year were $10.2 million, a $6.8 million improvement on the prior year amount of $17.0 million, resulting in a strong cash balance at 30 June 2018 of $51.3 million.

This year's financials are indicative of the company's development commercially and its strong financial position sets it up extremely well for the future.

CEO's Report

REVIEW AND FUTURE OUTLOOK

I would like to take this opportunity to sincerely thank Starpharma's executive team, and all our staff, for their outstanding efforts and commitment this past year. Our recent successes are the result of years of hard work and dedication from a small, but highly-skilled team and I believe that as a company we should be immensely proud of these achievements.

This was an exceptionally positive year for the company with successful clinical trial results reported in both of our VivaGel® and DEP® drug delivery portfolios and a string of further achievements, including licences, NDA submission, product approval and other regulatory milestones. Licensing VivaGel® BV has set in place a revenue stream and business transformation that will enable continuous investment and growth in the DEP® platform.

In the year ahead, we look forward to the market launch of VivaGel® BV in multiple regions as well as FDA approval. In parallel we are accelerating the clinical development of our three lead DEP® products and expanding our DEP® portfolio with a stable of oncology candidates for future development – we look forward to announcing further candidates in the coming year.

Starpharma's strong balance sheet and anticipated near-term revenues place the company in an excellent position for growth. It's an exciting time as the company continues to transform from a largely development stage company to revenue generation based on a deep portfolio of both commercial and development opportunities.

As we move forward, we remain committed to our purpose of creating innovative therapies which have the potential to profoundly improve patient health worldwide, and generate shareholder value.

Jackie Fairley
Chief Executive Officer

PROGRESS AND OUTLOOK FOR STARPHARMA'S LEAD PRODUCTS

PRODUCT		FY17	FY18	FUTURE
VivaGel® BV		Phase 3 completed	Phase 3 results; reported Multiple licences; milestone revenue; FDA accepted NDA for filing: TGA approval	Revenue: milestone payments, revenue share, royalties
DEP® docetaxel		Phase 1 progressed	Completed phase1; commenced phase 2	Licence after phase 2
DEP® cabazitaxel		Final preclinical work	Commenced phase 1 / 2	Complete phase 1 / 2
DEP® irinotecan		Excellent preclinical results	Final preclinical work	Commence phase 1 / 2
AstraZeneca AZD0466 dual Bcl2/xL inhibitor		Final preclinical work	AZD0466 revealed as dual Bcl2/xL inhibitor; final preclinical work	AstraZeneca to commence phase 1

Corporate & Social Responsibility

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

OUR PEOPLE

The employees of Starpharma are critical for achieving business success. To ensure Starpharma remains a safe, healthy, and attractive workplace for our employees, Starpharma has established work place policies and practices. Policies assist Starpharma to ensure employees have engaging and satisfying roles and receive periodic feedback on performance. Policies provide for ongoing training and career development. 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. Starpharma has significantly lower rates of employee turnover than the industry average. This higher rate of employee retention is indicative of its positive workplace.

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

Over half of Starpharma's employees are female, and leadership roles are held evenly by females and males in the company. Starpharma strives to put in place measures, such as flexible working arrangements, specifically to encourage participation by all.

Starpharma is also proud of the ethnic diversity of its employee population, with almost half of all employees born outside Australia in 14 different countries.

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

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

OUR PARTNERS

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

THE COMMUNITY

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

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

THE ENVIRONMENT

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

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

In conducting the company's operations, management and employees are conscious of reducing their environmental footprint.

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 2018.

Directors

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

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

Information on Directors

Rob B Thomas AM, BEc, MSAA, SF Fin, FAICD, FRSN

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

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

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

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

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: REVA Medical Inc. and Biotron Limited.

Directorships of other ASX listed entities within last three years: Virgin Australia Limited

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

Interests in Starpharma Holdings Limited
775,000 ordinary shares

Jacinth (Jackie) K Fairley BSc, BVSc (Hons), MBA, GAICD, FTSE

Chief Executive Officer and Director (appointed 1 July 2006)

Experience
Dr Jackie Fairley has approximately 30 years of operational experience in the pharmaceutical and biotechnology industries working in senior management roles with companies including CSL and Faulding (now Pfizer). In those roles she had responsibilities which included clinical, regulatory, business development, product development management and general management. At Faulding she was responsible for Global Product Development, Regulatory Affairs and Business Development for Faulding's Hospital Business which operated in more than 60 countries.

Jackie holds first class honours degrees in Science (pharmacology and pathology) and Veterinary Science from Melbourne University and was a practicing veterinary surgeon prior to joining CSL in 1989. Whilst at CSL she obtained an MBA from the Melbourne Business School where she was the recipient of the prestigious Clemenger Medal. Jackie is also a Graduate of the Australian Institute of Company Directors.

Jackie currently sits on the board of the Melbourne Business School and is Chair of its Remuneration and Nomination Committee. She is a non-executive director of listed investment company Mirrabooka Investments Limited, a member of the Federal Government's Commonwealth Science Council, and is a past member of the Federal Government's Pharmaceutical Industry Working Group and the Federal Ministerial Biotechnology Advisory Council. She is also on the Investment Committee of the Carnegie Innovation Fund.

Committees
Attends Board Committee meetings by invitation.

Other current directorships of ASX listed entities: Mirrabooka Investments Limited

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

Specific skills and experience areas
Approaching 30 years' experience in executive roles up to and including as CEO and executive director of ASX listed and unlisted pharmaceutical and biotechnology companies, Dr Fairley's experience covers all key areas described in Starpharma's Board skills matrix. In particular, Dr Fairley has significant leadership skills in healthcare and scientific research; pharmaceutical development; international experience; licensing and commercialisation of innovation; business development; strategy and risk management; and M&A/capital markets.

Interests in Starpharma Holdings Limited
3,875,434 ordinary shares
3,244,672 employee performance rights

Richard A Hazleton BSChE, MSChE, MBA, HonDrEng, HonDrCommSc

Independent non-executive director (appointed 1 December 2006) – resides in the United States

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

Mr Hazleton is based in the US and brings to the table an international lens on product development, manufacturing, science and technology. He has significant experience in the areas of strategy, accounting/corporate finance and audit and risk.

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

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

Other current directorships of ASX listed entities: None

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

Specific skills and experience areas
Having held various executive roles up to and including as Chairman and CEO of Dow Corning over a 36 year period as well as non-executive directorships, Mr Hazleton brings the following significant skills and experience to the Board of Starpharma – international experience; regulation/public policy, licensing and commercialisation of innovation, science and technology; governance; strategy and risk management; accounting/corporate finance, audit and risk; OH&S; and remuneration. Mr Hazleton has been assessed as an independent non-executive director notwithstanding his 12-year tenure. The corporate memory he provides is advantageous and such tenure is commonplace in the pharmaceutical/biotech sector, due to the longer development timelines involved.

Interests in Starpharma Holdings Limited
208,466 ordinary shares

Zita Peach BSc, GAICD, FAMI

Independent non-executive director (appointed 1 October 2011)

Experience
Ms Peach has more than 25 years of commercial experience in the pharmaceutical, biotechnology, medical devices and health services industries. She worked for major industry players such as CSL Limited and Merck Sharp & Dohme, the Australian subsidiary of Merck Inc. Ms Peach's most recent executive position was as the Managing Director for Australia and New Zealand and Executive Vice President, South Asia Pacific for Fresenius Kabi, a leading provider of pharmaceutical products and medical devices to hospitals. Previously, Ms Peach was Vice President, Business Development, for CSL Limited, a position she held for ten years.

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

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

Ms Peach is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Marketing Institute.

Committee membership
Chair of the Remuneration & Nomination Committee

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

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

Specific skills and experience areas
With over 25 years' experience in various senior executive roles within ASX listed and international pharmaceutical and biotechnology companies, as well as numerous non-executive directorships in the biotechnology/pharmaceutical sector, Ms Peach's experience covers all key areas described in Starpharma's Board skills matrix. In particular, Ms Peach has substantial expertise as a leader in healthcare and scientific research; pharmaceutical/product development; licensing and commercialisation of innovation; science and technology; sales, marketing and business development; strategy and risk management; remuneration; and M&A/capital markets.

Interests in Starpharma Holdings Limited
48,975 ordinary shares

Peter R Turvey BA/LLB, MAICD

Independent non-executive director (appointed 19 March 2012)

Experience
Mr Turvey has had more than 30 years of experience in the biotech/pharmaceutical industry having been former Executive Vice President Licensing, Group General Counsel and Company Secretary of global biopharmaceutical company CSL, retiring in 2011.

Mr Turvey played a key role in the transformation of CSL from a government owned enterprise, through ASX listing in 1994, to a global plasma and biopharmaceutical company. He also had responsibility for the protection and licensing of CSL's intellectual property and for risk management within CSL, which included management of the internal audit function, reporting to the Audit & Risk Management Committee of the Board as well as being the Chairman of the Corporate Risk Management Committee. In his senior executive role at CSL, Mr Turvey was actively involved in CSL's extensive M&A and equity capital raising activities over a 15 year period, including during the time of the float of CSL as a publicly listed company. This experience has been further enhanced by Mr Turvey's non-executive directorships of various ASX listed biotechnology companies.

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

Mr Turvey is currently a principal of Foursight Associates Pty Ltd and a director of Victorian Government owned entity Agriculture Victoria Services Pty Ltd.

Committee membership
Chair of Audit & Risk Committee

Other current directorships of ASX listed entities: None

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

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

Interests in Starpharma Holdings Limited

149,821 ordinary shares

Company Secretary

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

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

Principal activities

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

Result

The financial report for the financial year ended 30 June 2018, 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 2018 was $10,285,000. In 2017, the group recorded a $8,200,000 profit, reflecting a profit from discontinued operation of $23,417,000 from the disposal of the agrochemicals business, and a loss from continuing operations of $15,217,000.

The net operating cash outflows for the year were $10,201,000 (2017: $16,955,000). In 2017, net investing cash inflows for the year of $32,656,000 reflected the $35 million gross proceeds from the sale of the agrochemicals business. The cash balance at 30 June 2018 was $51,319,000 (June 2017: $61,188,000).

Dividends and distributions

No dividends were paid or declared during the period and no dividends are recommended in respect to the financial year ended 30 June 2018 (2017: Nil).

Review of operations

Key highlights until the date of this report include:

VivaGel® Portfolio

- VivaGel® BV licensed to Mundipharma for Europe, Russia, CIS, Asia, Middle East, Africa and Latin America;
- Starpharma completed and submitted a New Drug Application (NDA) for VivaGel® BV;
- FDA accepted the VivaGel® BV NDA for filing, under priority review, with no issues cited;
- VivaGel® BV received Australian marketing approval from the TGA; and
- VivaGel® BV demonstrated compelling efficacy in pivotal phase 3 trials for prevention of recurrent BV.

DEP® Drug Delivery Platform

- DEP® docetaxel achieved its key objective of determining a Recommended Phase 2 Dose (RP2D) in its phase 1 trial, with no reports of protocol-defined dose limiting toxicities, no neutropenia and encouraging efficacy signals observed;
- DEP® docetaxel phase 2 trial commenced in patients with lung cancer and prostate cancer;
- DEP® docetaxel commenced a clinical trial in combination with nintedanib (Vargatef®) in lung cancer;
- DEP® cabazitaxel phase 1 / 2 trial commenced in patients with advanced solid tumours;
- Final preclinical work for DEP® irinotecan underway in preparation for phase 1 / 2 trial;
- AstraZeneca presents first DEP® oncology candidate (AZD0466) as Bcl2/xL inhibitor;
- Starpharma and Monash Institute of Pharmaceutical Sciences were awarded grant funding to further advance collaborative programs using the DEP® platform; and
- Starpharma and Peter MacCallum Cancer Centre were awarded a further grant to support innovative research within Starpharma's DEP® oncology program.

Review of operations (continued)

VivaGel® Portfolio
In August 2017, Starpharma reported that VivaGel® BV had demonstrated statistically significant efficacy in reducing the rates of recurrent BV (rBV) in its two pivotal phase 3 clinical trials. The trials achieved their primary objective for VivaGel® BV, demonstrating statistically significant superiority compared to placebo in preventing rBV. They also met all five of the secondary efficacy endpoints. In addition, the majority of women who used VivaGel® BV remained BV-free not only during the 16-week treatment phase but sustained benefits for at least three months after cessation of treatment. VivaGel® BV also demonstrated excellent safety and tolerability.

Following the release of these positive clinical trial results, Starpharma executed a multi-region licence for VivaGel® BV with Mundipharma, for Europe, Russia, the Commonwealth of Independent States, Asia, the Middle East, Africa and Latin America. Under the licence, Starpharma will receive returns via a revenue share on VivaGel® BV sales and is eligible to receive total signing, regulatory and commercial milestones of up to US$24.7 million.

Starpharma also submitted a New Drug Application (NDA) to register the product in the US. The FDA confirmed that it completed its filing review and accepted the NDA for filing, with no issues identified. This confirmation is a significant regulatory milestone for Starpharma and reflects the completeness of the VivaGel® BV clinical and regulatory data package, which comprised of more than 110,000 pages. The NDA review is being conducted by the FDA under priority review as VivaGel® BV has been granted Fast Track status. Starpharma also received Australian marketing approval from the Therapeutic Goods Administration for VivaGel® BV.

Starpharma made good regulatory progress with its VivaGel® condom in Japan, China, Europe and other markets. This progress supports the licences with LifeStyles® (previously Ansell), Okamoto in Japan, and Sky and Land Latex Co. for the Government market in China.

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

Starpharma's most advanced DEP® product is DEP® docetaxel - a dendrimer-enhanced version of docetaxel, which is one of the most widely used cancer drugs for treatment of a range of common tumours including breast, prostate and lung. During the year, the DEP® docetaxel phase 1 trial reported positive clinical data and moved into phase 2. The phase 1 trial successfully achieved the key objective of determining a Recommended Phase 2 Dose (RP2D). There were no protocol-defined dose limiting toxicities reported and no patients experienced neutropenia, a life-threatening side effect seen in more than 90% of patients who take the original docetaxel product (e.g. Taxotere®). Additionally, encouraging signs of anti-cancer efficacy, including stable disease, were observed in approximately half of the DEP® docetaxel-treated patients and in tumours not usually responsive to docetaxel.

Since commencement of the phase 2 trial a number of patients have been enrolled into and have received DEP® docetaxel. The phase 2 trial is currently being conducted in major UK hospitals, including Guy's Hospital London, University College London Hospital (UCLH) Cancer Clinical Trials Unit and Freeman Hospital Newcastle upon Tyne. A fourth site in Leeds has also been initiated. The phase 2 trial is an open-label, two-stage design, with the objective of establishing anti-tumour activity (efficacy) and safety of DEP® docetaxel at the RP2D. Consistent with the results of the phase 1 study, the patients have not required steroid pre-treatment and have not experienced neutropenia following treatment with DEP® docetaxel.

Starpharma's other clinical stage DEP® product is DEP® cabazitaxel, a dendrimer-enhanced version of leading cancer drug, Jevtana®. The phase 1 / 2 clinical trial for DEP® cabazitaxel commenced following regulatory and ethics approvals being received. The key objectives of the phase 1 / 2 trial are to evaluate the safety, tolerability and pharmacokinetics of DEP® cabazitaxel, to define a RP2D, and to explore anti-tumour efficacy of the product. The trial will be conducted at multiple sites, with Guy's Hospital London and UCLH in the UK being the first sites open for recruitment.

Starpharma is also developing a number of other internal DEP® products, such as DEP® irinotecan - a dendrimer-enhanced version of irinotecan (Camptosar®), a major anti-cancer drug used to treat colorectal cancer. During the year, Starpharma significantly advanced this program towards human clinical trials, undertaking final preclinical testing of DEP® irinotecan and clinical product manufacture. DEP® irinotecan is due to commence a phase 1 / 2 trial in FY19 with final preparatory activities underway.

Starpharma's scale-up facilities continue to be used for both internal and partnered DEP® programs and continue to provide the company with significant financial benefits and faster turnaround compared to third party manufactured DEP® materials.

From its partnered programs, AstraZeneca unveiled its first DEP® candidate - AZD0466, a highly optimised dendrimer formulation of a novel dual Bcl2/xL inhibitor, which has the potential to be a best-in-class cancer drug. AstraZeneca released preclinical data on AZD0466 during the year, adding to the growing body of data which continues to validate the value of Starpharma's DEP® drug delivery platform. Clinical trials for AZD0466 are expected to commence in FY19 and will be funded by AstraZeneca. A patent incorporating AZD0466 will be published in late August highlighting the impressive efficacy data obtained with DEP® versions of AstraZeneca's Bcl modulators alone and in combination current therapies. Starpharma also has an additional DEP® program with AstraZeneca, separate to the existing multi-product DEP® licence. The company also progressed its other partnered programs during the year. Starpharma also has two undisclosed Targeted DEP® partnerships with world leading antibody-drug conjugate companies.

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2018 that have significantly affected, or may significantly affect:
(a) the consolidated entity's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the consolidated entity's state of affairs in future financial years.

Strategy, future developments and prospects

The company aims to create value for shareholders through the commercial exploitation of proprietary products based on its dendrimer technology in pharmaceutical applications. The company's key focus is to advance and broaden its product development pipeline, including internal and partnered DEP® programs and commercial opportunities for VivaGel®. It is intended to achieve this by continuing to utilise a combination of internally funded and partnered projects across the portfolio. The company commercialises its development pipeline with corporate partners via licencing 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's strategy remains consistent with previous years. The sale of its agrochemicals business last year has enabled the company to strengthen its focus on the development of its high-value DEP® portfolio and has positioned the company well to capture value from its technology in the short to medium term. Starpharma has extensive expertise, strong intellectual property portfolio, deep product portfolio, a culture and ability to innovate and apply its technology platform to commercial opportunities, proven risk management practices, and a strong cash position. The company will continue using its cash resources to invest in selected research and development activities to achieve its objectives.

Legal

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

Review of Financials

Income statement	30 June 2018 $'000	30 June 2017 $'000
Continuing operations		
Revenue	4,884	3,643
Other income	73	4
Research and product development expense	(10,576)	(14,875)
Commercial and regulatory operating expense	(2,425)	(1,051)
Corporate, administration and finance expense	(2,241)	(2,938)
Loss from continuing operations	**(10,285)**	**(15,217)**
Profit from discontinued operation	-	23,417
Profit/(loss) for the period	**(10,285)**	**8,200**

Income statement

The reported loss from continuing operations was $10,285,000 (2017: $15,217,000). The reported net profit after tax for the prior year of $8,200,000 reflected the gain on the sale of the agrochemicals business in excess of the carrying value of the related net assets. The loss from continuing operations reflects the expensing of research and development expenditure for the VivaGel® and DEP® programs.

Total revenue and other income for the year was $4,957,000 (2017: $3,647,000), comprising revenue of $3,812,000 (2017: $2,992,000) for licensing, royalty and research revenue, interest income of $1,072,000 (2017: $651,000) and other income of $73,000 (2017: $4,000).

Research and product development expense includes the costs of the VivaGel® BV and the internal DEP® drug delivery programs, such as DEP® docetaxel, DEP® cabazitaxel, and DEP® irinotecan. R&D expenses were lower than the prior year predominantly due to the finalisation in the current year of the VivaGel® BV phase 3 clinical trials for the prevention of BV.

A contra research and development expense of $4,056,000 (2017: $3,252,000) has been recorded for research and development activities eligible under the Australian Government's R&D tax incentive program.

Commercial and regulatory operating expense includes the expenditure related to the commercialisation of both VivaGel® and DEP® portfolios, including business development, regulatory, supply chain and quality assurance activities.

Corporate, administration and finance expense includes corporate costs, as well as gains/losses on foreign currency held. The decrease over the prior corresponding period reflects a favourable foreign currency movement of $1,130,000, offset by an increase in employment costs of $406,000, which includes a non-cash share-based payments expense increase of $178,000.

Balance sheet

At 30 June 2018 the group's cash position was $51,319,000 (June 2017: $61,188,000). Trade and other receivables of $6,134,000 (June 2017: $4,490,000) includes $3,847,000 receivable from the Australian Government under the R&D tax incentive program and $2,029,000 from Mundipharma for the VivaGel® BV European licencing fee. Trade and other payables have reduced primarily on lower accruals associated with the VivaGel® BV clinical program.

Statement of cash flows

The net operating cash outflows for the year were $10,201,000 (2017: $16,955,000). During the financial year $3,747,000 (2017: $3,523,000) was received from R&D tax incentives associated with eligible expenditure and activities from the prior financial year. Net cash inflows from investing activities in the prior year included the net proceeds from the sale of the agrochemicals business.

Earnings Per Share

	2018	2017
Basic & diluted earnings/(loss) per share		
From continuing operations	($0.03)	($0.04)
From discontinued operations	-	$0.06
Total	**($0.03)**	**$0.02**

Material Business Risks

The group operates in the biotechnology and pharmaceutical sectors and is in the development and early commercialisation 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, are undertaken by specialist contract research organisations; and there are risks in managing the quality and timelines of these activities.
- Regulatory – products and their testing may not be approved, or may be delayed or withdrawn, 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 recurrent 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 licensing and collaborative agreements.
- Product supply – the company is required to manufacture and supply product under certain licencing agreements. The manufacture of product is undertaken by specialist, regulatory approved, third party contract manufacturing organisations experienced in the sector. However, there are quality and supply delays/failure risks associated with the supply of product.
- Product acceptance & competitiveness – a developed product may not be considered by key opinion leaders (eg. doctors), reimbursement authorities (eg. PBS-listing) or the end customer to be an effective alternative to products already on market, or other products may be preferred.
- Product liability – a claim or product recall may significantly impact the company. Insurance, at an acceptable cost, may not be available or be adequate to cover liability claims or any product recall costs (if any) if a product is found to be unsafe.

- Key personnel – the company's success and achievements against timelines depend on key members of its highly qualified, specialised and experienced management and scientific teams. The ability to retain and attract such personnel is important.
- Grant and R&D incentives – the company may undertake R&D activities under competitive grants and be part-funded by other incentive programs (eg. R&D tax credits). There is no certainty that grants or incentive programs will continue to be available to the company, and changes in government policy may reduce their applicability.

In accordance with good business practice in the pharmaceutical industry, the group'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 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 2018 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 2018, and the numbers of meetings attended by each director were:

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

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

The remuneration report for the year ended 30 June 2018 sets out remuneration information for non-executive directors, executive directors and other key management personnel of the group (KMP defined below).

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Non-executive director remuneration policy
4. Executive remuneration policy
    a) Actual remuneration of KMP executives
    b) Approach to setting and reviewing remuneration
    c) Remuneration principles and strategy
    d) Details of executive equity incentive plans
    e) Grant of equity incentives to KMP executives in FY18
5. Executive remuneration outcomes, including link to performance
6. Details of remuneration
7. Executive employment agreements
8. Additional disclosures relating to employee equity schemes

1. Introduction

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

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

Starpharma's remuneration structure is transparent and KPI driven to align with the interests of shareholders and 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 FY18 remains largely consistent with the previous period, comprising fixed remuneration, short-term incentives in both cash and equity, and equity based long-term incentives. As communicated in previous years, the strategy and structural improvements implemented in 2015 included an increase of the relative portion of long term remuneration for executives. Also, there has been a gradual increasing proportion of at risk remuneration for other KMP executives over the subsequent years. The result of this strategy is the revision of the target remuneration mix outlined on page 24.

The number of rights awarded each year, as determined by the Board, is calculated on the fair value based on the 3 month VWAP to 30 June, reflecting the beginning of the performance period. This practice is consistent with the company's practice since 2015, and the number of rights granted is not adjusted for changes in share price post 30 June. With the rise in Starpharma's share price during 2017, the quantum of remuneration associated with performance rights was impacted due to the share price increasing between the time the Board determined the value of rights to grant and the value ascribed on the grant date; which in the case of the CEO was the 2017 AGM date. For instance, the fair value at grant date, being the 2017 AGM, of $1.29 represents an 80% increase over the 3 month VWAP to 30 June 2017 value of $0.71.

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 2018. The individuals were KMP for the entire financial year. For the purposes of this report, the term "KMP executives" includes the executive director and other KMP executives of the group. "Other KMP executives" refers to KMP executives excluding the CEO. Profiles for each of the directors and company secretary can be found at the beginning of the Directors' Report.

(i) Non-executive directors

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

(ii) Executive director

J K Fairley	Chief Executive Officer & Managing Director (CEO)

(iii) Other KMP executives

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

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

2. Remuneration governance

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

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

The company's remuneration structure aims to:

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

Benchmarking
Extensive salary and remuneration benchmarking is undertaken by Starpharma each year. Starpharma benchmarks fixed and total remuneration against employment positions of comparable specialisation, size and responsibility within the industry. Fixed remuneration is supplemented by providing incentives (variable remuneration) to reward superior performance.

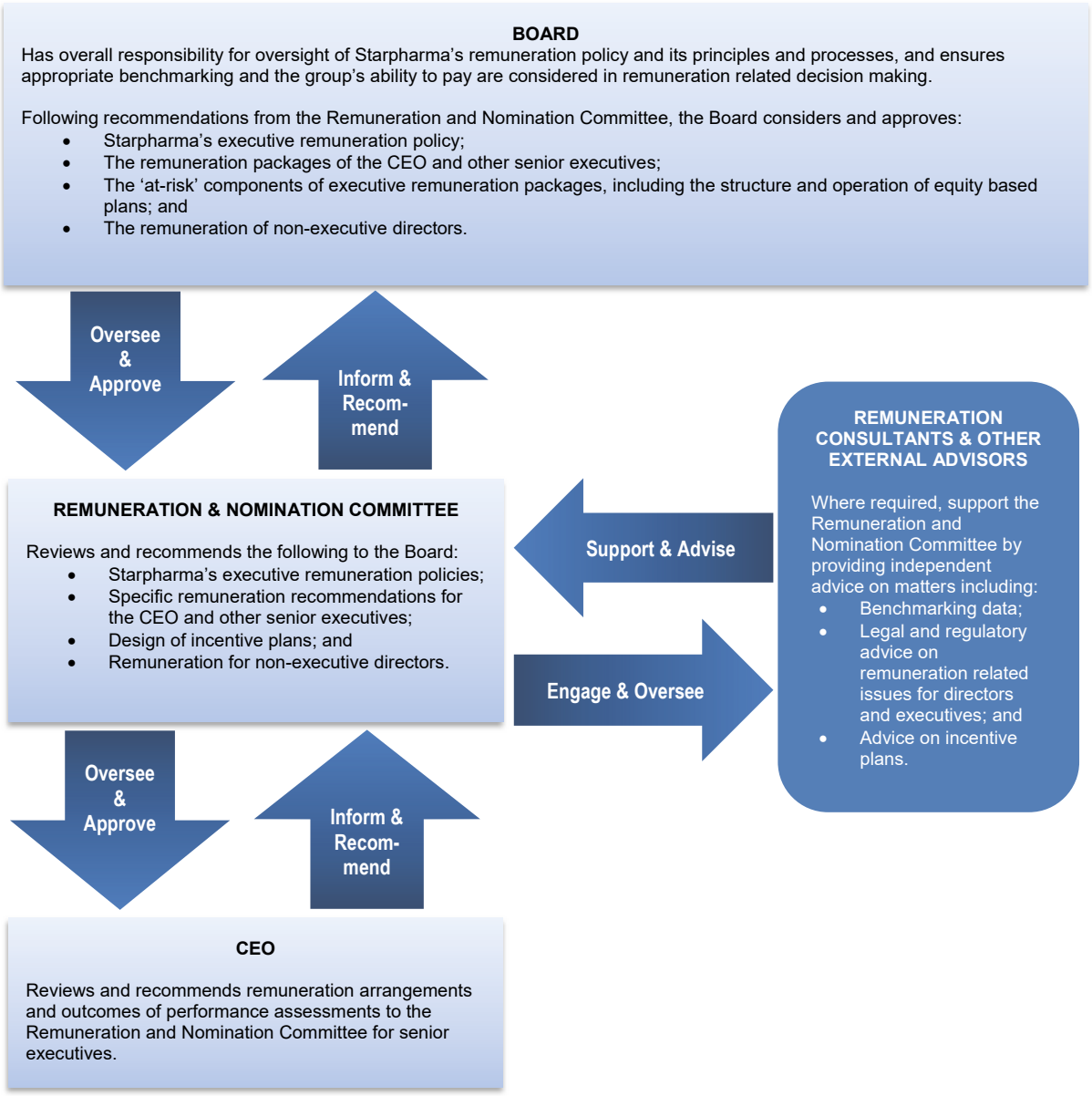
Performance reviews
All staff participate in a formal performance review at the commencement of the annual cycle and a performance and salary review at the end of the cycle. The performance reviews consider behavioural and cultural aspects of performance, as well as objective planning and professional and personal development. 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. As part of the process, each employee's performance is assessed against their pre-agreed individual KPIs and/or business unit performance and corporate KPIs and to determine, subject to business considerations such as cash availability, if an incentive award is payable, and if so, at what level.

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

Voting at the company's 2017 Annual General Meeting (AGM)
Of the votes cast on the company's remuneration report for the 2017 financial year, over 98% were in favour of the resolution.

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

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.

2. 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. The fees also 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 are reviewed annually by the Remuneration and Nomination Committee against fees paid to non-executive directors in approximately 18 comparable companies within the biotechnology sector and relevant companies in the broader ASX-listed market. The Chairman's fees are determined by the Remuneration and Nomination Committee independently of the fees of non-executive directors based on the same role, again using benchmarking data from comparable companies in the biotechnology sector. The Board is ultimately responsible for approving any changes to non-executive director fees, upon consideration of recommendations put forward by the Remuneration and Nomination Committee.

The company's constitution and the ASX listing rules specify that the non-executive directors' maximum aggregate fee pool shall be determined from time to time by a general meeting of shareholders. The latest determination was at the 2014 AGM held on 20 November 2014 when shareholders approved an aggregate fee pool of $550,000. The Board will not seek any increase in the non-executive directors' maximum fee pool at the 2018 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 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 FY18
The aggregate amount paid to non-executive directors for the year ended 30 June 2018 was $349,500 (2017: $343,000). The details of remuneration for each non-executive director for the years ended 30 June 2018 and 30 June 2017 are outlined in the tables in section 6.

Proposed fee adjustments for FY19
Having reviewed benchmarking data for directors' fees, the Board proposes that the amounts paid as Chairman's fees and base fees for other non-executive directors from 1 July 2018 remain unchanged. The amounts for both committees will increase to $10,000 and $4,500 for committee chairs and members, respectively. The proposed fees, compared to the current FY18 levels, are outlined in the table below.

Annual Non-Executive Directors' Fees		Proposed Fees from 1 July 2018	Actual Fees to 30 June 2018
Board fees		**$**	**$**
Chair (no additional fees for serving on Board committees)		130,000	130,000
Base fee for other non-executive directors		65,500	65,500
Committee fees			
Audit and Risk Committee	Chair	10,000	8,000
	Member	4,500	3,500
Remuneration and Nomination Committee	Chair	10,000	8,000
	Member	4,500	3,500

3. Executive remuneration policy

a) Actual remuneration of KMP executives

The actual remuneration earned by KMP executives in FY18 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 in FY18 to KMP executives and includes the face value of equity that vested in FY18. For LTI equity, the reported value reflects the KMP executive performance over three and/or four years, which also reflects an increase in the share price over these periods.

The table differs from the remuneration details prepared on page 34 of this report which are prepared in accordance with statutory obligations and accounting standards, and presents the expensing of the fair value of performance rights over their vesting period, and may include the expensing of rights that may ultimately never vest into ordinary shares.

2018 Name	Fixed remuneration (1)	STI cash paid in FY18 (2)	STI equity vested in FY18 (3)	LTI equity vested in FY18 (3)	Total actual remuneration earned	Total remuneration per Accounting Standards (4)
J K Fairley	530,193	175,150	201,361	717,885	1,624,589	1,692,817
N J Baade	264,098	62,000	55,265	101,483	482,846	531,280
A Eglezos	263,956	60,000	53,471	101,483	478,910	539,573
D J Owen	266,647	62,000	55,265	101,483	485,395	532,488
J R Paull	272,654	67,500	62,735	121,780	524,669	581,838

[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 FY18 reflects the FY17 STI paid in October 2017 following the release of the FY17 results.

[3] Intrinsic value of equity rights that vested during the year, based on the opening price on the date of vesting. Vested rights will remain as rights in subsequent periods until exercised. The LTI equity was granted in FY15 and/or FY16.

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

b) Approach to setting and reviewing remuneration

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

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

As in prior years, remuneration benchmarking was undertaken with reference to industry peers, together with, where appropriate, other benchmarking reports which apply to specific positions. Approximately 18 peer companies are included in the benchmarking exercise, from within the pharma/biotechnology sector. These peer companies include Acrux, AirXpanders, Bionomics, Clinuvel, IDT Australia, Impedimed, Mayne Pharma, Medical Developments International, Mesoblast, Nanosonics, Osprey, Pharmaxis, Phosphagenics, Prana Biotechnology, Reva Medical, Sirtex Medical, Universal Biosensors, and Viralytics. It is anticipated that amendments to this list will occur from year to year due to corporate activity (such as mergers and acquisitions), and the inherent volatility within the sector, and for some executive roles it may be necessary to add or modify the composition to ensure comparable roles are benchmarked.

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

The CEO has a maximum cash bonus entitlement as a component of STI, which for FY18 was $235,000, which represented a target of 16% of total remuneration. Other executives do not have a pre-specified maximum cash bonus entitlement; however, bonuses are awarded from a target shared pool for executives as a percentage of total fixed remuneration, based on personal and business unit KPIs and subject to cash availability. The Remuneration and Nomination Committee considers that this approach provides flexibility in rewarding superior executive performance and is appropriate for the size of the company at this time, enabling it to manage its cash reserves as required.

For FY18, the STI cash bonus pool for other KMP executives was expanded to 25% from 20% of fixed remuneration to align with the strategy to balance the STI 'at risk' portions of remuneration for other KMP executives between cash and equity. For FY18, the STI cash bonus awarded represented an average of 27% (range 26% to 28%) of fixed remuneration due to the significant outcomes as described in section 5 of this report. The STI cash bonus awarded to other KMP executives represents an average of 13% of total remuneration in FY18.

4. Executive remuneration policy (continued)

c) Remuneration principles and strategy

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

Remuneration strategy linkages to group objectives

Align the interests of executives with shareholders

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

Attract, motivate and retain high performing individuals

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

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

The target remuneration mix is outlined in the table below. Having implemented several structural improvements in 2015, there has been a period of transition over multiple years as an increasing proportion of remuneration is directed to LTIs to achieve the desired target mix. The transition over this time has been conducted in a thoughtful and deliberate manner to take into account the impact in motivating and retaining executives. For other KMP executives, the company has gradually increased the proportion of 'at risk' long term incentives to an appropriate level that ensures management will remain focused on long term outcomes.

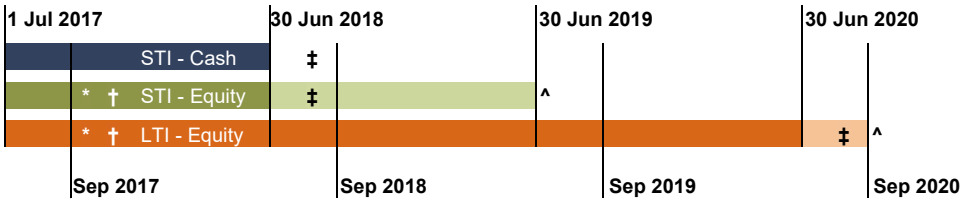
Target Remuneration Mix

CEO

Other KMP executives

The STI and LTI components of remuneration are variable and are linked to pre-determined performance conditions, such as KPIs, that are designed to reward executives based on the company's performance, the performance of the relevant business unit and demonstrated individual superior performance. The details are outlined on pages 25 to 28 of this report.

To achieve the target remuneration mix, the below performance pay structure was adopted in FY18 and is consistent with the prior year. The timeline and structure of the proposed performance related pay to be granted in FY19 to executives is consistent with this structure.



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

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

d) Details of executive equity incentive plans

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

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

Who participates?	Executives
How are STIs delivered?	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. Providing some rights that vest in the short-term 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 FY18 the CEO and executives were awarded STI equity with a 1 year performance period (1 July 2017 to 30 June 2018), with a deferred vesting date of 30 June 2019 dependent on continued employment.
What is the STI opportunity?	The STI opportunity is a target of ~25% and ~20% of total remuneration for the CEO and other KMP executives, respectively. The STI opportunity for the CEO was within 1% of the target; and within 2% for all other KMP executives (average 21%) for FY18. The CEO STI opportunity for FY18 was 25% of total remuneration, comprising of a cash component (~60%) and an equity component (~40%). The cash opportunity component was equivalent to 45% of total fixed remuneration. In FY18, other KMP executives had an average target STI opportunity of 21% of total remuneration, split between cash (~60%) and equity (~40%) The cash bonuses awarded to other KMP executives in FY18 equated to an average of 13% of total remuneration or an average of 27% (range 26%-28%) of total fixed remuneration, based on the achievements in the year.
What are the STI performance conditions for FY18?	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 FY18, 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 on page 28.

4. Executive remuneration policy (continued)

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 for Board approval the amount of STI to be paid from the maximum entitlement to the CEO. 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 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.
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. Specific metrics are applied to each KPI to assist in the assessment undertaken for each performance period. In some cases, the Board may exercise discretion to take account of events and circumstances not envisaged.
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 allow 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 and not exercised - are not eligible to receive dividends.

Starpharma Long-Term Incentives (LTI) – Equity

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

Who participates?	Executives
How are LTIs delivered?	Performance rights with a performance/vesting period of 3 years or more. The LTI performance rights awarded during FY18 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 LTI opportunity for FY18 was 41% of total remuneration. For other KMP executives, the LTI opportunity for FY18 was 28% to 31% of total remuneration. As outlined in section 4 of the remuneration report, the LTI opportunity has been progressively increased since 2015 towards a target of 40% and 30% of total remuneration for the CEO and other KMP executives, respectively.
What are the LTI performance conditions for rights granted in FY18?	Corporate KPIs reflect long-term (3 year) strategic, operational and financial management objectives. These relate to key value creating events and significant milestones that are linked to Starpharma's business areas. For the performance period to 30 June 2018 these were: • The monetisation of the VivaGel®, Drug Delivery and Agrochemical portfolios represented by the completion of a number of commercial deals and regulatory activity that build shareholder value and generate income; and • The development of new product candidates for the DEP® platform technology and/or the licensing of such candidates. Due to the commercially sensitive nature of the specific performance metrics within these KPIs, Starpharma will retrospectively disclose achievement of corporate KPIs to the extent commercially practicable in the annual report. In maintaining the link between executive remuneration outcomes and the returns to shareholders, TSR is considered a relevant performance condition in respect of LTIs. TSR hurdle reflects Starpharma's TSR compared to the S&P/ASX300 Accumulation Index (Index), and includes share price growth, and any dividends and capital returns. The Board has chosen this Index for the TSR comparator group as it provides an external, market-based performance measure to which the company's performance can be compared in relative terms. The Index is considered appropriate as it provides a comparison of shareholder returns that is relevant to investors, and reflects the aspiration of the company. The Board considers that the Index is a more appropriate comparator than a customised group of peer companies due to the inherent volatility of each of these companies, typical within the biotechnology industry. In recent years, the performance of Starpharma's industry peers has been particularly volatile, with a number of companies experiencing significant decreases in market capitalisation down to under $30 million and a number have gone through some type of corporate activity (e.g. takeovers) or are no longer ASX listed. Given that the TSR is measured over a three year period, the Index is favoured as a more stable and appropriate comparator. Also, the published Healthcare Index was considered as a possible comparator, however was determined to be inappropriate given its concentrated composition including CSL Limited and other large service oriented companies, such as private hospitals. To achieve the full TSR performance condition, Starpharma's TSR must reach 10% per annum (or 30% over 3 years) above the Index, which is considered a realistic but stretching target. 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% per annum above Index (or ≥ 30% over 3 years)	100%

For example, if the TSR of the Index is 10% per annum, then Starpharma would need to achieve a TSR of 20% per annum or more for all of the TSR related performance rights to vest. The above hurdle recognises the return that investors expect when investing in the biotechnology sector. The Board considers an additional return of 10% per annum (or 30% over 3 years) above the Index to be a realistic but stretching target for all TSR rights to vest.

4. Executive remuneration policy (continued)

	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%

The Board considers 30% and 15% of LTI equity as the appropriate portion for TSR for the CEO and other executives, respectively. In determining the percentages, the Board considered input from investors and proxy advisers to arrive at a level that is considered meaningful as a measure of performance, and sufficient to be relevant.

The relative TSR performance measure does not allow for a portion of the award to vest at below median performance, which is consistent with good market practice. Additionally, the Board maintains absolute discretion in finalising remuneration outcomes for incentive-based awards to the CEO and other executives. The Board may exercise its discretion (either up or down) to take into account the impacts of external market conditions outside the control of management. The Board is cognisant of ensuring fairness and that any exercise of discretion reinforces Starpharma's strategy and remuneration policy. Accordingly, in the event that the Index has performed particularly poorly, the Board may exercise its discretion to prevent excessive executive awards in years of poor shareholder returns.

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, 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.
Is performance against KPIs disclosed?	Same as for STI.
Contractual entitlement?	There are no predetermined LTI equity entitlements.
What happens if an executive leaves?	Same as for STI.
What happens on a change of control?	Same as for STI.
What happens in the case of fraud/dishonesty?	Same as for STI.
Re-testing	Same as for STI.
How is the conversion of performance rights to shares satisfied?	Same as for STI.
Are performance rights eligible for dividends?	Same as for STI.

e) Grant of equity incentives to KMP executives in FY18

The Board determines the number of rights granted for STI and LTI equity each year based on the target remuneration mix as set out on page 24 as calculated on the 3 month volume weighted average price (VWAP) to 30 June (1 July is the beginning of the performance period). The 3 month VWAP is chosen specifically to reduce the impact of short-term share-price volatility on the allocation of these rights, and is not adjusted for changes (increase or decreases) in share price post 30 June. This practice has been in place since 2015.

There was a significant rise in share price in FY18 due to several important achievements occurring during the period, including multiple clinical trial and regulatory milestones. This resulted in a notable increase in the fair value of rights reported under AASB2, particularly for the rights granted to the CEO. There was an 80% increase in the fair value, between the 3 month VWAP to 30 June 2017 (1 July the beginning of the performance period) and the value at the AGM date, which is the grant date per accounting standard AASB2.

The below tables summarise the equity incentives granted in FY18:

CEO and Managing Director (J K Fairley)

	Deferred STI equity	LTI equity
Value to grant	$160,000	$546,456
Method for calculating number of rights	Total value of grant at fair value divided by the fair value of rights	
Number of Rights	224,121	895,879
Face Value of grant (based on VWAP to 30 June 2017 of $0.7139)	$160,000	$639,568
Fair value calculated per AASB2 based on approval date by shareholders[#]	$288,533	$1,131,355
Performance Period	1 July 2017 to 30 June 2018	1 July 2017 to 30 June 2020
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 2019	30 September 2020

Other KMP executives

		Deferred STI equity	LTI equity
J Paull	Value of grant	$49,973	$189,031
	Number of Rights	70,000	280,000
	Face Value of grant (based on VWAP to 30 June 2017 of $0.7139)	$49,973	$199,892
	Fair value per AASB2 at grant date (Board approval date)	$54,124	$206,613
N J Baade A Eglezos D J Owen	Value of grant	$45,690	$172,828
	Number of Rights	64,000	256,000
	Face Value of grant (based on VWAP to 30 June 2017 of $0.7139)	$45,690	$182,758
	Fair value per AASB2 at grant date (Board approval date)	$49,485	$188,903
	Performance Period	1 July 2017 to 30 June 2018	1 July 2017 to 30 June 2020
	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	
	Value of grant	Based on 3 month VWAP to 30 June 2017 of $0.7139	
	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 2019	30 September 2020

[#] The grant date to calculate the fair value of the award under AASB2 is the AGM date when shareholders approve the grant of the rights.

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 2017, which reflects the beginning of the performance period. The VWAP (before applying any discount) for each right was $0.7139. 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.

For accounting purposes, including for the tables in section 6, a valuation at the date of grant in accordance with AASB 2 *Share-based payments* is undertaken and the fair value of these rights is 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 to grant the number of rights. The accounting valuation has been included in the above tables for comparison. The increase in the fair value per AASB2 reflects the increase in the share price between the Board determination and the grant date, which in the case of the CEO is the AGM when shareholders approved the grant. Starpharma engages an independent expert to calculate the fair value of performance rights.

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.

	FY18	FY17	FY16	FY15	FY14
Closing price 30 June	$1.17	$0.73	$0.645	$0.73	$0.58
Share price high	$1.67	$0.88	$0.98	$0.99	$1.11
Share price low	$0.71	$0.59	$0.54	$0.41	$0.54
Number of performance rights forfeited by CEO based on share price, with the performance period ending 30 June (or otherwise in the FY).	-	244,500	430,000	150,000	200,000
% of performance rights forfeited by CEO based on share price (as a percentage of total performance rights with the performance period ending 30 June, or otherwise in the FY).	0%	13%	50%	21%	50%

Fixed remuneration:
The average increase in KMP executive fixed remuneration for FY18 was 3.2% (FY17: 3.4%). There was no increase above 5% in the total fixed remuneration package for any KMP executive in the year. The revised total fixed remuneration is consistent with similar roles in the sector and reflects the evolution of the company and associated greater responsibility of executives.

Performance related pay:
In the assessment of STI and LTI KPIs, the Board took account of the significant achievements obtained in the performance periods and the effort and dedication required to accomplish these milestones. These achievements include those listed on pages 32 to 33.

Short-term incentives (STI):

Summary of performance pay related to FY18 for the CEO

	STI Cash ($)	STI Equity (# of Rights)
Maximum Available	$235,000	224,121
STI Achieved	$206,800	197,226
% Achieved	88%	88%

STI awards (cash and equity) for the CEO in FY18 were based on the scorecard measures and weightings as disclosed below. These targets were set by the Remuneration and Nomination Committee and the Board at the beginning of the performance period and align to the company's strategic, operational and financial objectives. The Remuneration and Nomination Committee and the Board determined that the CEO had achieved a performance assessment of 88% of STI awards for the performance period 1 July 2017 to 30 June 2018. The KPIs are reviewed and updated annually.

Summary of performance pay related to FY18 for Other KMP executives

For STI awards for other KMP executives, the CEO assesses the other KMP executives' performance against predetermined KPIs relevant to their business unit. These business unit KPIs relate directly to specific elements of 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 89.5% of STI awards (between 87% and 95%) for the performance period 1 July 2017 to 30 June 2018.

Long-term incentives (LTI):

Summary of performance pay related to FY18 for the CEO

	LTI Equity (# of Rights)	% Achieved
Maximum Available	**893,851**	
LTI Achieved		
KPIs for 3 years to 30 June 2018	479,925	89.3%
TSR for 3 years to 30 June 2018	356,335	100.0%
Total LTI Achieved	**836,260**	
% Achieved	**93.6%**	

Performance assessment of TSR

The company's TSR was tested against the performance of the S&P/ASX300 Index for the three-year performance period ended 30 June 2018. The company's annualised TSR for this period was 21.4% compared to the S&P/ASX300 Index annualised TSR of 4.4%, well above the additional 10% per annum required. As a result, 100% of the TSR component vested. The TSR calculations were performed by an independent professional services firm.

The table below provides a summary of the achievement of annualised TSR performance:

Performance Period	3 years to 30 June 2018	3 years to 30 June 2017
Starpharma TSR	21.4%	3.7%
Index TSR	4.4%	2.0%
% of TSR awarded	100%	58%

Summary of performance pay related to FY18 for other KMP executives:

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

The Remuneration and Nomination Committee and the Board determined that other KMP executives had achieved a performance assessment of between 87% and 93% (average 89%) for business unit KPIs for the performance period 1 July 2015 to 30 June 2018 for determining LTI awards.

The 4-year LTI performance rights granted to other KMP executives in FY15, for the period from 1 July 2014 to 30 June 2018, were issued under the previous structure whilst transitioning to the current remuneration structure. For these rights, 100% of rights will vest on 30 September 2018 based on the satisfactory performance by each executive. This is the final tranche of rights awarded to KMPs under the previous structure.

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

STI Performance Assessment		Performance period	
		1 July 2017 to 30 June 2018	
Performance category	**Metric**	**Weighting**	**Satisfied**
Regulatory progress for VivaGel® BV following completion of phase 3 clinical trials	Advancement with regulatory submissions for multiple countries	15%	Partially Met
Commercialisation of VivaGel® BV	Sign licence(s) for several territories	20%	Met
VivaGel® condom	Progress with regulatory and commercialisation activities	5%	Partially Met
DEP® docetaxel clinical development	Progress with phase 1 trial and phase 2 commencement, in parallel with partnering discussions	15%	Partially Met
DEP® cabazitaxel clinical development	Final preclinical work and commence phase 1 trial	10%	Partially Met
Preclinical DEP® candidate(s)	Advanced preclinical studies (e.g. commencement of toxicology) on another DEP® candidate, in preparation for clinical trials	5%	Met
Build DEP® pipeline	Select and advance further DEP® candidate(s) for preclinical development	5%	Partially Met
Partnered-DEP® licences	Progress with existing partnered-DEP® programs and/or expanded field/products and/or progress with new partnering deals	15%	Partially Met
Capital management and people	Manage company's capital in a prudent manner and develop personnel	10%	Met
		100%	

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

- Significant progress with VivaGel® BV regulatory activities, including:
  - FDA submission was completed following reporting of the positive phase 3 clinical trial results, and FDA confirmed acceptance of the New Drug Application (NDA) for filing, with no issues cited.
  - TGA approval was successfully obtained.
  - With its new partner, Mundipharma, Starpharma commenced activities to register VivaGel® BV in a number of countries throughout their territory including in Asia, the Middle East and Africa.
- Successfully licensed VivaGel® BV with leading pharmaceutical company Mundipharma for Europe, Russia, CIS, Asia, Middle East, Africa and Latin America. Also good progress in US market licence negotiations.
- Good regulatory progress made for the VivaGel® condom in Japan, China, Europe and other markets. This progress supports the licences with LifeStyles® (previously Ansell), Okamoto in Japan, and Sky and Land Latex Co. in China.
- Successfully completed the DEP® docetaxel phase 1 trial and commenced the phase 2 trial, in a quick and seamless transition achieved through an adaptive trial design.
- Completed final preclinical work for DEP® cabazitaxel and commenced the phase 1 / 2 trial.
- Accelerated the development of DEP® irinotecan, including final preclinical toxicology, in preparation for phase 1 / 2 commencement in FY19.
- Progressed with DEP® partnered programs including products under the multiproduct license with AstraZeneca (AZD0466 and undisclosed candidates) and partnered Targeted DEP® programs.
- Pursued potential other partnered-DEP® programs.
- Attained a very robust financial position and maintained its stable, highly dedicated and skilled work-force.

In the assessment of STI KPIs, the Board took account of the significant achievements obtained in the performance period and the effort and dedication required to accomplish these milestones. These achievements include the successful reporting of the two phase 3 clinical trial results for VivaGel® BV, licensing of VivaGel® BV, submission of the NDA (110,000+ pages), and successful completion of the first DEP® clinical trial for DEP® docetaxel.

LTI Performance Assessment		Performance period	
		1 July 2015 to 30 June 2018	
Performance category	**Metric**	**Weighting**	**Satisfied**
VivaGel® BV, Drug Delivery & Agrochemicals	Monetisation of the VivaGel®, Drug Delivery and Agrochemical portfolios represented by the completion of a number of commercial deals that build shareholder value and generate income. • *Commercial deals may include licensing and/or the outright sale of:* ○ *VivaGel® BV;* ○ *VivaGel® condom;* ○ *DEP®;* ○ *Agrochemicals; and* ○ *Other programs.*	40%	Met
DEP® Platform	Development of new product candidates for the DEP® platform technology and/or the licencing of such candidates.	30%	Partially Met
TSR	Starpharma's TSR compared to the performance of the S&P/ASX300 Index over a 3-year period	30%	Met
		100%	

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

- ***VivaGel® BV, Drug Delivery & Agrochemicals***:
  - Signed a multiproduct DEP® licence with AstraZeneca, initiated two programs under that licence and commenced a further DEP® program separate to the licence.
  - Signed licensing deals for VivaGel® BV with Mundipharma, and Aspen, covering: Europe, Russia, CIS, Asia, Middle East, Africa, Latin America, Australia and New Zealand.
  - Signed licensing deals for a VivaGel® condom with Sky & Land Latex Co (China) and Koushan Pharmed (Iran).
  - Signed licensing deals for Priostar® with Adama.
  - Sold the agrochemicals business to Agrium Inc for $35 million.
  - Successfully completed phase 3 trials for VivaGel® BV for the prevention of recurrent BV. These trials enrolled over 1,200 women across more than 100 trial sites.
  - Achieved key regulatory milestones for the VivaGel® portfolio which added significant commercial value: Condom approved and launched in Canada; VivaGel® BV approved in Europe and Australia, NDA submitted and accepted for filing in the US. Fast Track status and Qualified Infectious Disease Product designation granted by the FDA.
  - Installed and commissioned in-house DEP® scale-up facilities which accelerated the development of DEP® products by providing more rapid and cost-effective manufacture of preclinical and clinical grade materials than with third-party manufacturers.
- ***DEP® Platform***:
  - DEP® docetaxel phase 1 trial was successfully completed in FY18, with a phase 2 trial commencing immediately after, with partnering to be pursued at the most appropriate time to maximise commercial value.
  - Two further DEP® drugs have been developed: DEP® cabazitaxel commenced phase 1 / 2 trial in FY18 and DEP® irinotecan is due to commence a phase 1 / 2 trial in FY19.
  - Other preclinical DEP® candidates have been explored in preparation for selecting further candidates for preclinical development.
- ***TSR:***
  - The company's TSR was tested against the performance of the S&P/ASX300 Index for the three-year performance period ended 30 June 2018. The company's annualised TSR for this period was 21.4% compared to the S&P/ASX300 Index annualised TSR of 4.4%, well above the additional 10% per annum required.
  - The TSR is calculated independently by a professional services firm and more information regarding the TSR hurdle is provided on page 27.

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.

2018	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	118,721	–	–	11,279	–	–	130,000
R A Hazleton	72,500	–	–	–	–	–	72,500
Z Peach	67,123	–	–	6,377	–	–	73,500
P R Turvey	67,123	–	–	6,377	–	–	73,500
Executive director							
J K Fairley	475,047	206,800	35,097	20,049	13,068	942,756	1,692,817
Other Key Management Personnel (group)							
N J Baade	231,488	68,000	12,561	20,049	1,855	197,327	531,280
A Eglezos	236,378	72,000	7,529	20,049	7,256	196,361	539,573
D J Owen	240,886	68,000	5,712	20,049	2,040	195,801	532,488
J R Paull	211,036	74,000	41,569	20,049	7,380	227,804	581,838
Totals	1,720,302	488,800	102,468	124,278	31,599	1,760,049	4,227,496

† Increases in overall total fixed remuneration packages for KMP executives were under 5% in the year. Executives may elect to salary sacrifice part of their total fixed remuneration package. Cash salary & fees represents gross salary earned less any salary sacrifice amounts. The two forms of salary sacrifice in FY18 were leasing a motor vehicle under a novation arrangement, and the use of a car park. These amounts are reported in non-monetary benefits, and these amounts for cash salary & fees may vary from one year to the next, depending on the elections chosen.

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

* The cash bonus reported relates to amounts assessed to be paid for the performance period 1 July 2017 to 30 June 2018. The actual cash payment of the bonuses will occur in the following financial year.

2017	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	116,895	–	–	11,105	–	–	128,000
R A Hazleton	71,000	–	–	–	–	–	71,000
Z Peach	65,753	–	–	6,247	–	–	72,000
P R Turvey	65,753	–	–	6,247	–	–	72,000
Executive director							
J K Fairley	446,480	175,150	35,482	30,616	11,666	587,187	1,286,581
Other Key Management Personnel (group)							
N J Baade	236,953	62,000	295	19,616	1,646	144,401	464,911
A Eglezos	229,123	60,000	7,529	19,616	475	143,962	460,705
D J Owen	239,022	62,000	285	19,616	7,958	144,401	472,381
J R Paull	195,240	67,500	41,543	26,999	7,057	168,687	507,927
Totals	1,666,219	426,650	85,134	140,062	28,802	1,188,638	3,535,505

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

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

* The cash bonus reported relates to amounts assessed to be paid for the performance period 1 July 2016 to 30 June 2017. The actual cash payment of the bonuses occurred in FY18.

The relative proportions of remuneration for 2018 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	35%			25%	40%
J K Fairley	Actual	32%	12%	12%	24%	44%
Other KMP Executives	Target	50%			20%	30%
N J Baade	Actual	50%	13%	8%	21%	29%
A Eglezos	Actual	50%	13%	8%	21%	29%
D J Owen	Actual	50%	13%	8%	21%	29%
J R Paull	Actual	48%	13%	8%	21%	31%

[1] Where applicable, the expenses include negative amounts for expenses reversed during the year due to a failure to satisfy the vesting conditions. There has been an increase in the fair value (under AASB2) of rights expensed in FY18 for share-based payments due to the increase in share price at the date of grant (the date of shareholder approval at the AGM for the CEO's rights) and the expensing of the value from 1 July 2017, being the start of the performance period. The expensing from 1 July 2017 increases the reported amount in FY18, but reduces the share-based payment expense to be allocated in future years.

As depicted in the table above, the actual remuneration mix for the CEO and other KMP executives for FY18 were within 4% of all target ranges.

6. Details of remuneration (continued)

Details of remuneration: cash bonuses, shares, and performance rights
For each cash bonus and grant of equity included in the tables on pages 34 to 39, 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 88% of her maximum cash bonus entitlement of $235,000 in FY18, with the balance of 12% forfeited. The STI cash 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

Name	Grant date fair value of rights granted during 2018[1,2]	Year granted	Vested	Forfeited	Financial years in which rights may vest	Maximum fair value yet to vest
	$		%	%		$
J K Fairley	1,419,888					
		2018	-	-	30/06/2021	787,329
		2018	-	-	30/06/2019	126,954
		2017	-	-	30/06/2020	232,036
		2017	77%	23%	30/06/2018	-
		2016	-	-	30/06/2019	48,639
		2015	74%	26%	30/06/2018	-
N J Baade	238,388					
		2018	-	-	30/06/2021	130,816
		2018	-	-	30/06/2019	22,491
		2017	-	-	30/06/2020	59,722
		2017	86%	14%	30/06/2018	-
		2016	-	-	30/06/2019	10,712
		2015	90%	10%	30/06/2018	-
		2015	-	-	30/06/2019	2,605
A Eglezos	238,388					
		2018	-	-	30/06/2021	130,816
		2018	-	-	30/06/2019	23,357
		2017	-	-	30/06/2020	59,722
		2017	83%	17%	30/06/2018	-
		2016	-	-	30/06/2019	10,596
		2015	90%	10%	30/06/2018	-
		2015	-	-	30/06/2019	2,605
D J Owen	238,388					
		2018	-	-	30/06/2021	130,816
		2018	-	-	30/06/2019	22,491
		2017	-	-	30/06/2020	59,722
		2017	86%	14%	30/06/2018	-
		2016	-	-	30/06/2019	10,567
		2015	90%	10%	30/06/2018	-
		2015	-	-	30/06/2019	2,605
J R Paull	260,737					
		2018	-	-	30/06/2021	143,080
		2018	-	-	30/06/2019	26,115
		2017	-	-	30/06/2020	65,151
		2017	90%	10%	30/06/2018	-
		2016	-	-	30/06/2019	13,307
		2015	90%	10%	30/06/2018	-
		2015	-	-	30/06/2019	3,126

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

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

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 2018 of $527,000, to be reviewed annually by the Remuneration and Nomination Committee.
- A cash bonus up to $235,000 for the year to 30 June 2018 allocated proportionately on the achievement of predetermined KPIs.
- The CEO is entitled to participate in a STI and LTI equity 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. The table may also reflect changes to shareholdings which are unrelated to remuneration.

2018 Name	Balance at the start of the year	Granted during the year as compensation	On exercise of performance rights during the year	Other changes during the year*	Balance at the end of the year
Directors of Starpharma Holdings Limited					
R B Thomas	625,000	–	–	150,000	775,000
J K Fairley	3,286,072	–	556,500	32,862	3,875,434
R A Hazleton	208,466	–	–	–	208,466
Z Peach	48,975	–	–	–	48,975
P R Turvey	131,838	–	–	17,983	149,821
Other key management personnel of the group					
N J Baade	535,291	–	78,669	(88,669)	525,291
A Eglezos	210,233	–	78,669	(28,899)	260,003
D J Owen	513,813	–	78,669	(30,000)	562,482
J R Paull	255,703	–	94,403	(80,000)	270,106

* Other changes relate to market transactions

Performance rights
The number of rights over ordinary shares in the company provided as remuneration during the financial year to any of the executive directors and the KMP of the group, including their close family members and entities related to them, are set out below. No non-executive director held performance rights in FY18 or the prior year.

2018 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year#	Balance at the end of the year	Vested and exercisable at the end of the year	Total Unvested
Directors of Starpharma Holdings Limited							
J K Fairley[1]	2,924,852	1,200,000	(556,500)	(243,680)	3,244,672	353,843	2,890,829
Other key management personnel of the group							
N J Baade	679,625	320,000	(78,669)	(16,393)	904,563	89,563	815,000
A Eglezos	679,625	320,000	(78,669)	(17,933)	903,023	88,023	815,000
D J Owen	681,375	320,000	(78,669)	(16,393)	906,313	91,313	815,000
J R Paull	787,650	350,000	(94,403)	(16,747)	1,026,500	106,500	920,000

[1] The market value of rights that were forfeited during the year was $314,347.
Other changes during the year relate to the forfeiture of rights.

The market value at vesting date of performance rights that vested into shares during 2018 was $1,572,212 (2017: $843,906). No other shares were issued on the vesting of performance rights in the current year provided as remuneration to any of the directors or the KMP of the group.

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

Dilutionary impact of performance rights on issue
As at 30 June 2018 there were 11,876,199 performance rights on issue, of which 6,985,071 were held by KMP. These rights represent 3.2% and 1.9%, respectively, of shares on issue (based on the 370,544,775 shares at 30 June 2018).

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

Grant date	Vesting date	Holding lock expiry date	Number of rights granted	Performance measure	Fair value per right at grant date	% vested
20 November 2014	30 September 2017	30 September 2018	210,000	Achievement of KPIs	$0.49	83
20 November 2014	30 September 2017	30 September 2018	90,000	TSR	$0.41	58
20 November 2014	30 September 2017	-	315,000	Achievement of KPIs	$0.52	80
20 November 2014	30 September 2017	-	135,000	TSR	$0.44	58
30 January 2015	30 September 2017	-	386,750	Achievement of KPIs	$0.46	77
30 January 2015	30 September 2017	-	68,250	TSR	$0.25	47
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 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 September 2018	-	537,516	Achievement of KPIs	$0.76	Nil
19 November 2015	30 September 2018	-	356,335	TSR	$0.54	Nil
13 October 2016	30 June 2018	-	225,000	Achievement of KPIs	$0.68	86
13 October 2016	30 September 2019	-	765,000	Achievement of KPIs	$0.68	Nil
13 October 2016	30 September 2019	-	135,000	TSR	$0.43	Nil
29 November 2016	30 June 2018	-	223,022	Achievement of KPIs	$0.68	77
29 November 2016	30 September 2019	-	613,885	Achievement of KPIs	$0.68	Nil
29 November 2016	30 September 2019	-	263,093	TSR	$0.41	Nil
10 August 2017	30 June 2019	-	262,000	Achievement of KPIs	$0.77	Nil
10 August 2017	30 September 2020	-	890,800	Achievement of KPIs	$0.77	Nil
10 August 2017	30 September 2020	-	157,200	TSR	$0.54	Nil
29 November 2017	30 June 2019	-	224,121	Achievement of KPIs	$1.29	Nil
29 November 2017	30 September 2020	-	535,816	Achievement of KPIs	$1.29	Nil
29 November 2017	30 September 2020	-	360,063	TSR	$1.23	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.
TSR:	As set out on page 27 of the remuneration report.

- 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	Number of rights granted	Balance of rights at date of report
30 Jan 2015	30 Sep 2018	929,250	714,750
11 Nov 2015	30 Sep 2018	2,076,800	1,785,600
11 Nov 2015	30 Jun 2017	519,200	319,663
19 Nov 2015	30 Sep 2018	893,851	893,851
19 Nov 2015	30 Jun 2017	219,395	181,001
13 Oct 2016	30 Jun 2018	594,450	462,284
13 Oct 2016	30 Sep 2019	2,377,800	2,022,600
29 Nov 2016	30 Jun 2018	223,022	172,842
29 Nov 2016	30 Sep 2019	876,978	876,978
10 Aug 2017	30 Jun 2019	694,120	665,320
10 Aug 2017	30 Sep 2020	2,776,480	2,661,280
29 Nov 2017	30 Jun 2019	224,121	224,121
29 Nov 2017	30 Sep 2020	895,879	895,879

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
20 Nov 2014	$ -	556,500
30 Jan 2015	$ -	773,355
11 Nov 2015	$ -	98,720

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	2018 $	2017 $
Audit or review of financial reports of the entity or any entity in the group under the *Corporations Act 2001*	118,616	104,754

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 41.

Rounding of amounts

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

Auditor

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

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

Rob Thomas *AM*
Chairman
Melbourne, 21 August 2018

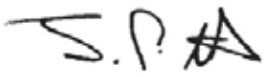
Auditor's Independence Declaration

As lead auditor for the audit of Starpharma Holdings Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

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

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

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



Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
21 August 2018

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, 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 2018. 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 and culture of the group;
- overseeing the operation of the group, including its systems for control, accountability, and risk management;
- monitoring financial performance;
- liaising with the company's auditors;
- ensuring there are effective management processes in place and approving major corporate initiatives; and
- reporting to shareholders.

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

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

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

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

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

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

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

Director	Date first elected by shareholders
R B Thomas	November 2014
R A Hazleton	November 2007*
Z Peach	November 2011
P R Turvey	November 2012
J K Fairley	N/A appointed by the Board in 2006

* Mr Hazleton was appointed in 2006 prior to being elected by shareholders the following year. The Board has considered the tenure of Mr Hazleton as part of its independence assessment of all directors. Despite the length of time served on the Board, Mr Hazleton has been assessed as 'independent'. In determining this, the Board took into consideration his limited contact with Starpharma's management team and physical location in the US, whereby there is no suggestion that he is involved in the day to day operations of Starpharma. Particularly for biotech companies which have long development timelines, it can advantageous to have directors serve for longer periods to ensure corporate memory is retained.

No new directors were appointed to the Board during FY18.

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

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

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

1.5 Diversity objectives and achievement
The company is committed to workplace diversity, and the Board values the level of diversity already present within the organisation, believing that continuing to promote diversity is in the best interests of the company, its employees and its shareholders. The Board last revised its Diversity Policy in March 2018, which operates alongside the Code of Conduct (including Anti-Discrimination, Bullying and Harassment) policy, providing a framework for Starpharma to achieve a number of diversity objectives. The Diversity Policy is available at www.starpharma.com/corporate_governance

Corporate Governance Statement

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 2018 financial year, and progress against these objectives is set out below:

Objective	Measurement	FY18 Performance
Female participation/talent pipeline	Achieve greater than 40% female participation for direct reports to the CEO or senior executives (CEO minus 2).	52% of *CEO minus 2* positions are held by females.
	Actively support and encourage training, networking and development opportunities for high potential employees.	Professional development opportunities and options that are aligned with the company's needs and the individual's role are considered for all employees as part of the company's annual performance review process and as needed during the year. Investments in formal/external development programs are made where appropriate and in FY18, 26 professional development programs including conferences were attended by female employees across all levels of the organisation. The company also continued to support participation of all female staff in a biotech industry networking initiative, which included presentations by industry role models.
Equal opportunity employer	Inclusion of female candidates in recruitment process for each role with female applicants, including for Board appointments.	Female candidates participated in every recruitment process throughout FY18. 57% of the positions advertised and filled externally 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 taking part in Starpharma's selection process.
Pay parity	Ensure no significant pay difference for individuals in similar roles, based on gender.	Analysis was completed of pre- and post-remuneration review "remuneration differentials to benchmarks" by gender, and confirmed there were no significant gender differences in remuneration relative to role benchmarks.
Flexible working arrangements	Employees working under flexible working arrangements (including part time).	20% 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 reviewed and agreed between the requesting employee and the company in 100% of cases during FY18.
Support a return to work after parental leave	Target a return to work following primary care parental leave of 75%.	No employees were due to return from primary care parental leave during FY18.

Just over half of Starpharma's employees are female, maintaining a similar gender representation to that of previous years. As captured in Starpharma's diversity objectives (above), the company strives to put in place measures, such as flexible working arrangements, specifically to encourage participation by all. The table opposite 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 2018.

Starpharma continues to have 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 42% of all employees born outside Australia in 14 different countries.

% Female	2018	2017
Whole organisation (staff and Board)	**54%** (26/48)	**51%** (21/41)
Leadership/management roles	**50%** (10/20)	**50%** (10/20)
Senior executive (CEO & direct reports)	**43%** (3/7)	**43%** (3/7)
Board	**40%** (2/5)	**40%** (2/5)

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 FY18.

1.7 CEO and senior executive performance
Performance assessments for senior executives took place during the year. Performance review timing of executives occur throughout July/August in respect of the prior financial year. The process for these assessments is described in the remuneration report under the heading "Remuneration governance" on page 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. Separate succession planning discussions are held as appropriate during the year.

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 appropriateness of the committee structure and membership is reviewed on an annual basis. Board committees are chaired by an independent director other than the Chairman of the Board. Where applicable, matters determined by committees are submitted to the full Board as recommendations for Board decisions.

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

Each committee's charter sets out its role, responsibilities, composition and structure. The committee charters are reviewed annually and were last reviewed in March 2018. 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 Audit and Risk Committee is comprised of three independent non-executive directors. At the date of this report the committee consisted of the following:

Mr P Turvey (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.

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 or have been members of other ASX-listed company audit committees. Such positions include financial controller, director of finance, chief accounting officer, head of risk management and Chairman of Corporate Risk Management Committee, and broker/analyst roles. Mr Thomas is also approved under the NSW prequalification scheme for Audit and Risk Committee Independent Chairs and Members for government/public sector agencies.

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 auditor.

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

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

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

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

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

A skills and experience matrix is used to review the combined capabilities of the Board. A mix of general and specialty skills and experience areas critical to the success of the company are selected for directors to assess themselves against. These areas are updated as required to reflect the company's evolution. In FY18 the Board reviewed and updated the skills and experience included in the Board skills matrix to reflect the change and advancement of the company in its lifecycle, as well as input from proxy advisers. Each area is closely linked to the company's core objectives and strategy.

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

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

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

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

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

There are further disclosures in Section 2.1.2 and the directors' biographies on pages 13 to 15 which outline the extensive financial, accounting and risk skills and experience of the members of the Audit and Risk Committee, which are considered appropriate for 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 are independent at the date of this report. Refer to Section 1.2 on page 42 for additional information on the independence of Mr Hazleton.

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 provided to new starters as part of their induction and behaviour is continually monitored to ensure compliance.

The code of conduct is reviewed periodically and was last updated in March 2018. 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 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 Board in respect of the 2018 half year financial statements and the 2018 full year financial statements which are included in this annual report.

4.3 External auditors
The company's policy is to appoint external auditor who clearly demonstrates quality and independence. The performance of the external auditor is reviewed annually. The current auditor, PricewaterhouseCoopers, has been the external auditor 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 auditor to provide an annual declaration of their independence to the Audit and Risk Committee. The external auditor attends each AGM and is available to answer questions shareholders may have in relation to the Auditor's Report and the conduct of the audit.

Principle 5: Make timely and balanced disclosures

5.1. Continuous disclosure
The company has developed a continuous disclosure and shareholder communication policy to ensure compliance with the ASX Listing Rules and to facilitate effective communication with shareholders.

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

The policy also sets out the requirements for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing and co-ordinating 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 to, where they have previously been released to ASX and OTCQX.

6.3 Participation at Annual General Meetings
The Annual General Meeting (AGM) is generally held in November each year. The Notice of Meeting and related Explanatory Notes are distributed to shareholders in accordance with the requirements of the Corporations Act.

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

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

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

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

Corporate Governance Statement

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 pages 17 to 18 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 39.

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 37).

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 21 August 2018. 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 2018

	Notes	30 June 2018 $'000	30 June 2017* $'000
Continuing operations			
Revenue	5	4,884	3,643
Other income	5	73	4
Research and product development expense (net of R&D tax incentive)	6	(10,576)	(14,875)
Commercial and regulatory operating expense	6	(2,425)	(1,051)
Corporate, administration and finance expense	6	(2,241)	(2,938)
Loss before income tax		**(10,285)**	**(15,217)**
Income tax expense	7	-	-
Loss from continuing operations		**(10,285)**	**(15,217)**
Profit from discontinued operation (attributable to equity holders of the company)	22	-	23,417
Profit/(loss) for the period		**(10,285)**	**8,200**
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company		**$**	**$**
Basic loss per share	25	($0.03)	($0.04)
Diluted loss per share	25	($0.03)	($0.04)
Profit/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the company		**$**	**$**
Basic profit/(loss) per share	25	($0.03)	$0.02
Diluted profit/(loss) per share	25	($0.03)	$0.02

*The prior period financial results are re-presented for the additional functional expense classification “Commercial and regulatory operating expense”.

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

Consolidated Statement of Comprehensive Income for the year ended 30 June 2018

	Notes	30 June 2018 $'000	30 June 2017 $'000
Profit/(loss) for the period		**(10,285)**	**8,200**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Other comprehensive income arising from discontinued operation	22	-	1,118
Other comprehensive income for the period		**-**	**1,118**
Total comprehensive income (loss) for the period		**(10,285)**	**9,318**
Total comprehensive income (loss) for the period attributable to owners of Starpharma Holdings Limited arise from			
Continuing operations		(10,285)	(15,217)
Discontinued operations		-	24,535
		(10,285)	**9,318**

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

Consolidated Balance Sheet as at 30 June 2018

	Notes	30 June 2018 $'000	30 June 2017 $'000
Current Assets			
Cash and cash equivalents	8	51,319	61,188
Trade and other receivables	9	6,134	4,490
Total Current Assets		**57,453**	**65,678**
Non-Current Assets			
Property, plant and equipment	10	1,058	913
Total Non-Current Assets		**1,058**	**913**
Total Assets		**58,511**	**66,591**
Current Liabilities			
Trade and other payables	11	3,801	4,670
Finance lease liabilities	12	26	23
Provision for employee benefits	13	930	817
Deferred income		407	11
Total Current Liabilities		**5,164**	**5,521**
Non-Current Liabilities			
Finance lease liabilities	12	23	47
Provision for employee benefits	13	47	39
Total Non-Current Liabilities		**70**	**86**
Total Liabilities		**5,234**	**5,607**
Net Assets		**53,277**	**60,984**
Equity			
Contributed capital	14	193,583	193,549
Reserves	15	13,440	10,896
Accumulated losses	16	(153,746)	(143,461)
Total Equity		**53,277**	**60,984**

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

Consolidated Statement of Changes in Equity for the year ended 30 June 2018

	Notes	Contributed capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2016		**193,512**	**9,787**	**(153,875)**	**49,424**
Profit for the year		-	-	8,200	8,200
Other comprehensive income					
Foreign exchange differences on translation of discontinued operations		-	1,118	-	1,118
Asset revaluation reserve transferred to accumulated losses on disposal of discontinued operations		-	(2,215)	2,215	-
Total comprehensive income (loss) for the year		-	**(1,097)**	**10,415**	**9,318**
Transactions with owners, recorded directly in equity					
Employee share plans	14	37	-	-	37
Employee performance rights plan	15	-	2,206	-	2,206
Total transactions with owners		**37**	**2,206**	**-**	**2,243**
Balance at 30 June 2017		**193,549**	**10,896**	**(143,461)**	**60,984**
Profit for the year		-	-	(10,285)	(10,285)
Other comprehensive income					
Foreign exchange differences on translation of discontinued operations		-	-	-	-
Total comprehensive income (loss) for the year		-	**-**	**-**	**-**
Transactions with owners, recorded directly in equity					
Employee share plans	14	34	-	-	34
Employee performance rights plan	15	-	2,544	-	2,544
Total transactions with owners		**34**	**2,544**	**-**	**2,578**
Balance at 30 June 2018		**193,583**	**13,440**	**(153,746)**	**53,277**

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

Consolidated Statement of Cash Flows for the year ended 30 June 2018

	Notes	30 June 2018 $'000	30 June 2017 $'000
Cash Flows from Operating Activities			
Receipts from trade and other debtors (inclusive of GST)		2,788	3,309
Grant income and R&D tax incentives (inclusive of GST)		3,747	3,523
Payments to suppliers and employees (inclusive of GST)		(17,799)	(24,421)
Interest received		1,067	635
Interest paid		(4)	(1)
Net cash outflows from operating activities	24	**(10,201)**	**(16,955)**
Cash Flow from Investing Activities			
Payments for property, plant and equipment		(359)	(625)
Proceeds from the sale of agrochemical business	22	-	33,281
Net cash inflows (outflows) from investing activities		**(359)**	**32,656**
Cash Flow from Financing Activities			
Finance lease payments		(26)	(21)
Net cash outflows from financing activities		**(26)**	**(21)**
Net increase (decrease) in cash and cash equivalents held		**(10,586)**	**15,680**
Cash and cash equivalents at the beginning of the year		61,188	45,972
Effects of exchange rate changes on cash and cash equivalents		717	(464)
Cash and cash equivalents at the end of the year		**51,319**	**61,188**

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

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1. Significant Accounting Policies

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2017:

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107, and
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.

None of the new and amended standards that are mandatory for the first time for the financial year beginning 1 July 2017 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2017.

(iv) Historical cost convention

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

(v) Critical accounting estimates

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

(vi) Going Concern

For the year ended 30 June 2018, the consolidated entity has incurred losses from continuing operations of $10,285,000 (2017: $15,217,000) and experienced net cash outflows of $10,201,000 from operations (2017: $16,955,000), as disclosed in the income statement and statement of cash flows, respectively. The company is in the development phase, and given the entity's strategic plans, the directors are satisfied regarding the availability of working capital for the period up to at least 31 August 2019. Accordingly the directors have prepared the financial report on a going concern basis in the belief that the consolidated entity will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the financial report.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Starpharma Holdings Limited ("company" or "parent entity") as at 30 June 2018 and the results of all subsidiaries for the year then ended. Starpharma Holdings Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

1. Significant Accounting Policies (continued)

(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 entity are not consolidated for tax purposes.

(i) Investment allowances and similar tax incentives

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

(h) Leases

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

(i) Impairment of assets

Goodwill and intangible assets that have an indefinite life are not subject to amortisation. They are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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) Classification

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

(ii) Loans and receivables

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

(m) Property, Plant and Equipment

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

(n) Leasehold improvements

The cost of improvements to or on leasehold properties is amortised over the remaining notice period under the premises lease (being 4.5 years at the balance date) or the estimated useful life of the improvement to the group, whichever is shorter.

(o) Intangible Assets

(i) 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.

(ii) Research and development

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

(p) Trade and other payables

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

(q) Finance Lease Liabilities

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

1. Significant Accounting Policies (continued)

(r) Provisions

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

(s) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

(iii) Superannuation and Pension Benefits

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

(iv) Share-based payments

Share-based compensation benefits are offered to employees via an Employee Performance Rights Plan and an Employee Share Plan ($1,000 Plan). Information relating to these plans is set out in note 26 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 of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period. Depending on the performance measure of the right vesting, the fair value at grant date represents either a volume weighted average price (VWAP) of shares leading up to the grant date, or a value calculated using a hybrid Monte-Carlo-trinomial option pricing model taking into account the absolute TSR target, the term of the right, the share price at grant date, the risk free rate, the expected dividend yield, expected share price volatility, the volatility of the relevant index, and the correlation between the share price and that index. The fair value excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options or share rights that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options or share rights that are expected to become exercisable. The employee benefit expense recognised in each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

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

(v) Bonus payments

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

(vi) Termination benefits

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

(t) Contributed equity

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

(u) Dividends

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

(v) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(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 and are 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 2018 reporting period. The group's assessment of the impact of these new standards and interpretations is set out below.

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

The standard is effective for annual reporting periods beginning after 1 January 2018, and the group plans to adopt the new standard on the required effective date.

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

(ii) AASB 15 *Revenue from Contracts with Customers* will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.
The standard is effective for annual reporting periods beginning after 1 January 2018. The group plans to adopt the new standard on the required effective date using the modified retrospective approach.

Management has assessed the impact of AASB 15 on the measurement and recognition of revenue from existing contractual arrangements. Adoption of AASB 15 is not expected to have any material impact on the group's profit or loss, nor is there expected to be any material adjustments to opening retained earnings as at 1 July 2018.

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

The standard is effective for annual reporting periods beginning after 1 January 2018, and the group plans to adopt the new standard on the required effective date.

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

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

(z) Parent entity financial information

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

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

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

(ii) Share-based payments

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

2. Financial Risk Management

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

(a) Market risk

(i) Foreign Exchange Risk

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

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 Australian dollars, US dollars (US$) and Great British pounds (£). 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 exchange rate as at 30 June 2018 for US$ was $0.7391 and for £ was $0.5634 was as follows:

	30 June 2018 US$ $'000	30 June 2017 US$ $'000	30 June 2018 £ £'000	30 June 2017 £ £'000
Cash and cash equivalents	6,279	7,977	3,314	-
Trade and other receivables	1,500	-	-	-
Trade and other payables	1,063	1,943	334	180

Group Sensitivity

The group is mainly exposed to US dollars (US$) and Great British pounds (£) on foreign currencies held, receivable and payable. 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 2018 $'000	30 June 2017 $'000	30 June 2018 £'000	30 June 2017 £'000
Impact on profit / (loss) on a movement of	**US$**	**US$**	**£**	**£**
Australian dollar strengthens (increases) against the foreign currency by 10%	(826)	(713)	(481)	28
Australian dollar weakens (decreases) against the foreign currency by 10%	1,010	872	588	(34)

(ii) Cash Flow Interest Rate Risk

The group holds interest bearing assets and therefore the income and operating cash flows are exposed to market interest rates.
At the end of the reporting period, the group had the following value of term and at call deposits. Refer to note 8 for additional information.

	30 June 2018 $'000	30 June 2017 $'000
Term Deposits and deposits at call	47,966	57,837

Group Sensitivity

At 30 June 2018, 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 $241,000 higher or lower (2017 - change of 50 bps: $290,000 higher/lower) due to either higher or lower interest income from cash or cash equivalents.

(b) Credit risk

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

(c) Liquidity risk

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

(d) Fair value estimation

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

3. Critical Accounting Estimates and Judgements

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

(a) Critical accounting estimates and assumptions

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

i) Income Taxes

The group is subject to income taxes in Australia. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination may be uncertain.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made. The group has not recognised deferred tax assets or liabilities, including from carried forward losses, due to the realisation of such benefits being uncertain. The utilisation of tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

ii) R&D Tax Incentives

The group's research and development activities are eligible under an Australian Government tax incentive for eligible expenditure from 1 July 2011. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. For the period to 30 June 2018 the group has recorded a contra research and development expense of $4,056,000 (2017: $3,252,000). The total R&D Tax Incentive receivable recorded at 30 June 2018 is $3,847,000 (2017: $3,537,000).

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 from continuing operations	30 June 2018 $'000	30 June 2017 $'000
Royalty, customer & license revenue	3,812	2,992
Interest revenue	1,072	651
Total revenue from continuing operations	**4,884**	**3,643**
Other income (including government grants)	73	4
Total revenue and other income from continuing operations	**4,957**	**3,647**

Total revenue and other income for the year was $4,957,000 and includes signature payments from Mundipharma under a VivaGel® BV licensing agreement for Europe, Asia, South America, Middle East and Africa.

6. Expenses

Loss from continuing operations before income tax expense includes the following items:	30 June 2018 $'000	30 June 2017 $'000
R&D tax incentive (contra expense)[1]	(4,056)	(3,252)
Employee benefits expenses (including share-based payments)	9,051	7,780
Depreciation	311	318
Rental expense on operating leases	570	553

[1] Included within the research and product development expense line item in the consolidated income statement. The total R&D tax incentive for 2017 was $3,537,000 when discontinued operations are included.

7. Income Tax Expense

	30 June 2018 $'000	30 June 2017 $'000
(a) Income tax expense/(credit)		
Current Tax	–	–
Deferred Tax	–	–
Total income tax expense	**–**	**–**
Income tax attributable to continuing operations	–	–
Income tax attributable to continuing operations	–	–

	30 June 2018 $'000	30 June 2017 $'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(10,285)	(15,217)
Profit/(loss) from discontinuing operation before income tax expense	-	23,417
	(10,285)	**8,200**
Tax at the Australian tax rate of 30% (2017: 30%)	(3,086)	2,460
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Eligible expenses claimed under R&D tax incentive	1,436	1,379
Amortisation of intangibles	-	45
Share-based payments	774	673
Gain on sale of subsidiaries (see note 22)	-	(6,082)
Recycling of foreign currency translation reserve on sale of subsidiary (see note 22)	-	(335)
Unearned income	(1)	(5)
Sundry items	56	(15)
Difference in overseas tax rates	-	7
Future income tax benefits not brought to account	821	1,873
Income tax expense	**–**	**–**

(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)	110,685	108,434
Potential tax benefit	**33,206**	**32,530**

(d) Unrecognised temporary differences		
Temporary differences for which no deferred tax asset has been recognised as recoverability is not probable	4,482	4,443
Unrecognised deferred tax relating to the temporary differences	**1,345**	**1,333**

(e) Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Intangibles	-	-
Sundry items	24	22
Total deferred tax liabilities	**24**	**22**
Set-off of deferred tax assets pursuant to set-off provisions	(24)	(22)
Net deferred tax liabilities	**–**	**–**
Deferred tax liabilities expected to be settled within 12 months	24	22
Deferred tax liabilities expected to be settled after 12 months	-	-
	24	**22**

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 comprise 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 2018 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 2018 which it believes will be satisfied.

8. Current Assets – Cash and Cash Equivalents

	30 June 2018 $'000	30 June 2017 $'000
Cash at bank and on hand	3,353	3,351
Term Deposits and deposits at call	47,966	57,837
	51,319	**61,188**

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 $806,000 (2017: $787,000) 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 2018		Floating Interest rate	Fixed interest maturing			Non-interest bearing		
	Notes	$'000	1 year or less $'000	1 to 2 years $'000	2 to 3 years $'000	$'000	Total $'000	Contractual cash flows
Financial Assets								
Cash & deposits	8	1,800	46,364	–	–	3,155	51,319	N/A
Receivables	9	–	–	–	–	6,134	6,134	6,134
		1,800	**46,364**	**–**	**–**	**9,289**	**57,453**	**6,134**
Weighted average interest rate		*1.9%*	*2.4%*	*–%*	*–%*	*–%*		
Financial Liabilities								
Payables	11	–	–	–	–	3,801	3,801	3,801
Finance lease liabilities	12	–	26	23	–	–	49	49
		–	**26**	**23**	–	**3,801**	**3,850**	**3,850**
Weighted average interest rate		*–%*	*5.8%*	*5.8%*	*–%*	*–%*		

30 June 2017		Floating Interest rate	Fixed interest maturing			Non-interest bearing		
	Notes	$'000	1 year or less $'000	1 to 2 years $'000	2 to 3 years $'000	$'000	Total $'000	Contractual cash flows
Financial Assets								
Cash & deposits	8	9,143	48,862	–	–	3,183	61,188	N/A
Receivables	9	–	–	–	–	4,490	4,490	4,490
		9,143	**48,862**	**–**	**–**	**7,673**	**65,678**	**4,490**
Weighted average interest rate		*1.1%*	*2.5%*	*–%*	*–%*	*–%*		
Financial Liabilities								
Payables	11	–	–	–	–	4,670	4,670	4,670
Finance lease liabilities	12	–	23	24	23	–	70	70
		–	**23**	**24**	**23**	**4,670**	**4,740**	**4,740**
Weighted average interest rate		*–%*	*5.8%*	*5.8%*	*5.8%*	*–%*		

9. Current Assets – Trade and Other Receivables

	30 June 2018 $'000	30 June 2017 $'000
Trade and grant receivables	5,911	3,838
Interest receivables	68	64
Prepayments	37	284
Other receivables	118	304
	6,134	**4,490**

Trade and grant receivables
Trade and grant receivables primarily comprise of $3,847,000 (2017: $3,537,000) of expenditure reimbursable under the Australian Government's R&D tax incentive scheme as well as $2,029,000 from Mundipharma for VivaGel® BV licensing fees. Other trade receivables largely consist of royalty and research fees and are subject to normal terms of settlement within 30 to 60 days.

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

Impaired receivables
As at 30 June 2018, there were no material trade and grant receivables that were past due (2017: nil). No receivables are considered impaired at 30 June 2018 (2017: 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	Total $'000
At 30 June 2016			
Cost	2,857	397	3,254
Accumulated depreciation	(2,359)	(205)	(2,564)
Net book amount	**498**	**192**	**690**
Year ended 30 June 2017			
Opening net book amount	**498**	**192**	**690**
Additions	372	206	578
Disposals	(19)	–	(19)
Depreciation	(166)	(170)	(336)
Closing net book amount	**685**	**228**	**913**
At 30 June 2017			
Cost	3,099	602	3,701
Accumulated depreciation	(2,414)	(374)	(2,788)
Net book amount	**685**	**228**	**913**
Year ended 30 June 2018			
Opening net book amount	**685**	**228**	**913**
Additions	468	-	468
Disposals	(12)	-	(12)
Depreciation	(243)	(68)	(311)
Closing net book amount	**898**	**160**	**1,058**
At 30 June 2018			
Cost	**3,514**	**602**	**4,116**
Accumulated depreciation	**(2,616)**	**(442)**	**(3,058)**
Net book amount	**898**	**160**	**1,058**

Plant and equipment includes the following amounts where the group is a lessee under a finance lease (refer to Note 12 for further details):

Leased equipment	30 June 2018 $'000	30 June 2017 $'000
Cost	72	72
Accumulated depreciation	(26)	(2)
Net book amount	**46**	**70**

11. Current Liabilities – Trade and Other Payables

	30 June 2018 $'000	30 June 2017 $'000
Trade payables and accruals	3,023	4,034
Other payables	778	636
	3,801	**4,670**

Trade payables and accruals

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

12. 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.

2018		Floating Interest rate	Fixed interest rate			
	Notes		1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Total $'000
Lease liabilities	20	–	26	23	–	49
Weighted average interest rate		–%	5.8%	5.8%	–%	

2017		Floating Interest rate	Fixed interest rate			
	Notes		1 year or less $'000	Over 1 to 2 years $'000	Over 2 to 3 years $'000	Total $'000
Lease liabilities	20	–	23	24	23	70
Weighted average interest rate		–%	5.8%	5.8%	5.8%	

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

Leave obligations	30 June 2018 $'000	30 June 2017 $'000
Current	930	817
Non-current	47	39
	977	**856**

The leave obligations cover the group's liability for long service leave and annual leave. The current portion of this liability includes all of the accrued annual leave, and the unconditional entitlements to long service leave where employees have completed the required period of service. However, based on past experience, the group does not expect all employees to take the full amount of current accrued leave or require payment within the next 12 months. Current leave obligations expected to be settled after 12 months is $636,000 (2017: $554,000).

Refer to Note 1(s) for further information.

14. Contributed Equity

(a) Share capital

	2018 Shares	2017 Shares	2018 $'000	2017 $'000
Share Capital				
Ordinary shares – fully paid	370,544,775	369,091,652	193,583	193,549

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price	$'000
1 Jul 2017		369,091,652		193,549
21 Aug 2017	Employee performance rights plan share issue	16,000	$ –	–
5 Oct 2017	Employee performance rights plan share issue	556,500	$ –	–
12 Oct 2017	Employee performance rights plan share issue	850,075	$ –	–
29 Jan 2018	Employee share plan ($1,000) issue	24,548	$1.38	34
20 Mar 2018	Employee performance rights plan share issue	6,000	$ –	–
	Balance at 30 June 2018	**370,544,775**		**193,583**

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

(c) Ordinary shares

As at 30 June 2018 there were 370,544,775 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 26.

(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 26.

(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 2018 $'000	30 June 2017 $'000
Share-based payments reserve	13,440	10,896
	13,440	**10,896**

(b) Movement in reserves

Share-based payments reserve	30 June 2018 $'000	30 June 2017 $'000
Balance at 1 July	10,896	8,690
Performance right expense	2,544	2,206
Balance at 30 June	**13,440**	**10,896**

(c) Nature and purpose of reserves

(i) Share-based payments reserve

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

16. Accumulated Losses

	30 June 2018 $'000	30 June 2017 $'000
Accumulated losses balance at 1 July	(143,461)	(153,875)
Net profit (loss) for the year	(10,285)	10,415
Accumulated losses balance at 30 June	**(153,746)**	**(143,461)**

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 2018 $	30 June 2017 $
Short-term employee benefits	2,311,570	2,178,003
Post-employment benefits	124,278	140,062
Other long-term benefits	31,599	28,802
Share-based payments	1,760,049	1,188,638
	4,227,496	**3,535,505**

Detailed remuneration disclosures are provided in the remuneration report on pages 19 to 39.

18. Remuneration of Auditors

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

	30 June 2018 $	30 June 2017 $
Statutory audit services		
Audit or review of financial reports of the entity or any entity in the consolidated entity		
PricewaterhouseCoopers	118,616	104,754
Total remuneration for statutory audit services	**118,616**	**104,754**

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

19. Events Occurring After the Balance Sheet Date

No matters or circumstances have arisen since 30 June 2018 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 material capital expenditure contracted not recognised as liabilities at the reporting date (2017: nil).

(b) Lease Commitments

Operating leases

As at the reporting date the group leases laboratory and offices space under an operating lease until 19 December 2022, where the rental commitment is inclusive of outgoings. The group also leases office equipment generally over a three to five year term.

	30 June 2018 $'000	30 June 2017 $'000
Commitments for minimum lease payments in relation operating leases are payable as follows:		
Not later than one year	632	290
Later than one year and not later than five years	2,317	13
Later than five years	–	–
Representing non-cancellable operating leases	**2,949**	**303**

Finance Leases

The group leases plant and equipment under a finance leases expiring within two (2017: three) years.

Commitments in relation to finance leases are payable as follows:	Notes	30 June 2018 $'000	30 June 2017 $'000
Not later than one year		28	26
Later than one year and not later than five years		24	50
Later than five years		–	–
Minimum lease payments		**52**	**76**
Future finance charges		(3)	(6)
Recognised as a liability		**49**	**70**
Representing finance lease liabilities:			
Current	12	26	23
Non-Current	12	23	47
		49	**70**

The weighted average interest rate implicit in the lease is 5.8% (2017: 5.8%).

(c) 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	2018 %	2017 %
Starpharma Pty Limited	Australia	Ordinary	100.00%	100.00%

22. Discontinued Operation

(a) Description

In 2017, the group completed the sale of its Agrochemicals business on 13 June 2017, including the sale of subsidiaries Dendritic Nanotechnologies Inc and Priostar Pty Ltd. The sale was reported in the prior year financial statements as a discontinued operation as set out below.

For the current reporting period, there are no discontinued operations.

(b) Financial performance

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

(c) Details of the sale of the subsidiaries

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

23. Contingencies

The company has no contingent assets or liabilities at 30 June 2018 (2017: nil).

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

	30 June 2018 $'000	30 June 2017 $'000
Operating profit/(loss) after tax	(10,285)	8,200
Depreciation and amortisation	311	318
Foreign exchange (gains) / losses	(717)	464
Non-cash employee benefits: share-based payments	2,578	1,996
Net gain (loss) on sale of property, plant and equipment	-	(1)
Net (gain) loss on sale agrochemical business (Note 22)	-	(23,417)
Change in operating assets and liabilities, net of effects of acquisitions and disposals of entities:		
Decrease (increase) in receivables and other assets	(1,757)	(344)
Increase (decrease) increase in trade creditors	(847)	(4,281)
Increase in employee provisions	120	99
Increase (decrease) in deferred income	396	11
Net cash outflows from operating activities	**(10,201)**	**(16,955)**

25. Earnings Per Share

	30 June 2018	30 June 2017
Basic earnings/(loss) per share / Diluted earnings/(loss) per share		
From continuing operations attributable to the ordinary equity holders of the company ($)	(0.03)	(0.04)
From discontinued operation ($)	-	0.06
Total earnings/(loss) per share attributable to the ordinary equity holders of the company ($)	(0.03)	0.02

Reconciliations of earnings/(loss) used in calculating earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share:		
From continuing operations ($'000)	(10,285)	(15,217)
From discontinued operation ($'000)	-	23,417
Total ($'000)	**(10,285)**	**8,200**

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	370,136,605	368,164,540

As at 30 June 2018 the company had on issue 11,876,199 (30 June 2017: 9,419,740) performance rights. The rights are not included in the determination of basic earnings per share. The rights are also not included in the determination of diluted earnings per share. They are not considered dilutive as their conversion would not increase loss per share from continuing operations.

26. 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, 2014 and 2017 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 2018 was $0.88 per right (2017: $0.65). There were 4,590,600 performance rights granted in the current year (2017: 4,072,250).

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:

2018

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
20 Nov 2014	30 Sep 2017	30 Sep 2018	300,000	–	226,200	73,800	–
20 Nov 2014	30 Sep 2017	–	450,000	–	330,300	119,700	–
30 Jan 2015	30 Sep 2017	–	833,875	–	773,355	60,520	–
30 Jan 2015	30 Sep 2018	–	714,750	–	–	–	714,750
11 Nov 2015	30 Jun 2017[1]	–	418,413	–	98,720	–	319,693
11 Nov 2015	30 Sep 2018	–	1,849,600	–	–	64,000	1,785,600
19 Nov 2015	30 Jun 2017[1]	–	181,001	–	–	–	181,001
19 Nov 2015	30 Sep 2018	–	893,851	–	–	–	893,851
13 Oct 2016	30 Jun 2018[1]	–	535,650	–	–	73,366	462,284
13 Oct 2016	30 Sep 2019	–	2,142,600	–	–	120,000	2,022,600
29 Nov 2016	30 Jun 2018[1]	–	223,022	–	–	50,180	172,842
29 Nov 2016	30 Sep 2019	–	876,978	–	–	–	876,978
10 Aug 2017	30 Jun 2019	–	–	694,120	–	28,800	665,320
10 Aug 2017	30 Sep 2020	–	–	2,776,480	–	115,200	2,661,280
29 Nov 2017	30 Jun 2019	–	–	224,121	–	–	224,121
29 Nov 2017	30 Sep 2020	–	–	895,879	–	–	895,879
Total			**9,419,740**	**4,590,600**	**1,428,575**	**705,566**	**11,876,199**

[1] The balance of rights at end of the year have vested and remain available for employees to exercise into shares.

2017

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

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

Information used in assessing the fair value of performance rights granted during the year ended 30 June 2018 is as follows:

Right grant date	10 August 2017	10 August 2017	10 August 2017	29 November 2017
Number of rights granted	694,120	2,574,040	202,440	224,121
Vesting date	30 June 2019	30 September 2020	30 September 2020	30 June 2019
Performance Measure	KPIs	KPIs	TSR	KPIs
Expected price volatility of the company's shares	50%	50%	50%	50%
Risk-free interest rate	1.84%	2.14%	2.14%	1.60%
Expected dividend yield	–	–	–	–
Share price at grant date	$0.77	$0.77	$0.77	$1.29
Assessed fair value	$0.77	$0.77	$0.54	$1.29

Right grant date	29 November 2017	29 November 2017
Number of rights granted	627,115	268,764
Vesting date	30 September 2020	30 September 2020
Performance Measure	KPIs	TSR
Expected price volatility of the company's shares	50%	50%
Risk-free interest rate	1.83%	1.83%
Expected dividend yield	–	–
Share price at grant date	$1.29	$1.29
Assessed fair value	$1.29	$1.23

26. Share-Based Payments (continued)

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

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

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

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 fair value at grant date of shares granted under the Employee Share Plan during the year ended 30 June 2018 was $1.38 (2017: $0.73 per share). The fair value at grant date is determined by the share price on the date of grant. These shares were granted for no consideration. There was no allocation of shares under the plan to key management personnel.

Information used in assessing the fair value of shares granted during the year ended 30 June 2018 is as follows:

Share grant date	29 January 2018
Number of shares granted	24,548
Share price at grant date	$1.38
Assessed fair value	$1.38

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

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

Expenses arising from share-based payment transactions

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

	30 June 2018 $'000	30 June 2017 $'000
Employee shares issued	34	37
Employee performance rights issued	2,544	2,206
	2,578	2,243

27. Parent Entity Financial Information

(a) Summary financial information

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

	Parent	
	30 June 2018 $'000	30 June 2017 $'000
Balance Sheet		
Current assets	47,506	57,675
Total assets	47,506	57,675
Current liabilities	710	910
Total liabilities	710	910
Shareholders' equity		
Contributed equity	193,583	193,549
Reserves	12,898	10,387
Accumulated losses	(159,685)	(147,171)
Loss for the year	(12,513)	(8,795)
Total comprehensive income	(12,513)	(8,795)

(b) Contingencies of the parent entity

The parent entity has no contingent assets or liabilities at 30 June 2018 (2017: nil).

Directors' Declaration for the year ended 30 June 2018

In the directors' opinion:

(a) the financial statements and notes set out on pages 48 to 77 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with *Accounting Standards*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

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

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

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

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

Rob Thomas *AM*
Chairman
Melbourne, 21 August 2018

Independent auditor's report

To the members of Starpharma Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

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

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $0.66 million, which represents approximately 5% of the Group's adjusted loss before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group adjusted loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted for the impact of the upfront license payments recognised as revenue during the year as these items are infrequently occurring and have a disproportionate impact on the earnings result. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable loss related thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • All audit procedures are performed by PwC Australia, consistent with the location of Group management and financial records. • We tailored the scope of our audit taking into account the accounting processes and controls, and the industry in which the Group operates.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – License revenue recognition – Research and development tax incentive • These are further described in the *Key audit matters* section of our report.

Key audit matters

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

Key audit matter	*How our audit addressed the key audit matter*

License revenue recognition
(Refer to note 5 revenue and other income)
 	
In May 2018, the Group entered into long term license and supply agreements to commercialise VivaGel® BV in Asia, the Middle East, Africa and the majority of Latin America. The agreements were amended in June 2018 to include Europe and other specific countries in the licensed territory.
 	
The Group recognised the non-refundable amount from the signature payments received as license revenue. The recognition of license revenue from long term license and supply agreements is a key audit matter due to:
 	
• judgements required to determine
  ○ the existence of ongoing obligations under the agreements
  ○ the amount of consideration to be recognised as revenue
• license revenue being a significant revenue stream of the Group
	We have performed the following procedures to assess the license revenue recognised for the year ended 30 June 2018:
	
	• Obtained an understanding of the Group's obligations related to the signature payments received and subsequent payments in accordance with the Vivagel® BV license and supply agreements
	• Assessed the Group's analysis of revenue recognition conditions applicable to the Vivagel® BV license and supply agreements under Australian accounting standards
	• Agreed the payments received to underlying invoices and bank statements
	• Assessed the disclosures associated with license revenue in the financial report

Research and development tax incentive *(Refer to note 3 critical accounting estimates)* Starpharma's research and development (R&D) activities are eligible for a refundable tax offset under an Australian Government tax incentive. The Group has assessed these activities and related expenditure to determine their eligibility under the incentive scheme. The R&D tax incentive receivable recorded as at 30 June 2018 was $3.85 million. This is a key audit matter due to: • the significance of the amount receivable as at 30 June 2018 • the degree of judgement and interpretation of the	We have performed the following procedures to assess the Group's estimate of the R&D tax incentive receivable as at 30 June 2018: • Compared the estimate recorded in the financial statements as at 30 June 2017 to the amount of cash received after lodgement of the R&D Tax Incentive claim to assess historical accuracy of the estimate • Compared the nature of the R&D expenditure included in the current year estimate to the prior year estimate • Assessed the nature of the expenses against the eligibility criteria of the R&D tax incentive programme

Key audit matter	*How our audit addressed the key audit matter*
R&D tax legislation required by the Group to assess the eligibility of the R&D expenditure under the scheme	• Agreed the eligible expenditure in the estimate to the general ledger or other underlying accounting records • Obtained copies of correspondence with the company's external tax advisor and agreed the advice to the R&D tax incentive calculation for the current financial year • Assessed the classification of the amount in the financial statements

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Chairman's Letter, CEO's Report, Corporate and Social Responsibility, Director's Report, Corporate Governance Statement, Shareholder Information, Intellectual Property Report and Corporate Directory, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 19 to 39 of the directors' report for the year ended 30 June 2018.

In our opinion, the remuneration report of Starpharma Holdings Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

Jon Roberts
Partner

Melbourne
21 August 2018

Shareholder Information

The shareholder information set out below was applicable as at 31 July 2018.

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	1,293	–
1,001–5,000	2,075	–
5,001–10,000	997	–
10,001–100,000	1,453	14
100,000 and over	271	24
Total	**6,089**	**38**

There were 391 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	120,044,106	32.40
2.	JP Morgan Nominees Australia Limited	38,445,033	10.38
3.	Citicorp Nominees Pty Limited	31,485,303	8.50
4.	National Nominees Limited	10,491,864	2.83
5.	T & N Argyrides Investments P/L <Super Fund A/C>	5,250,592	1.42
6.	BNP Paribas Noms Pty Ltd <DRP>	4,394,597	1.19
7.	Applecross Secretarial Services Pty Ltd <L Gorr Family A/C>	3,361,550	0.91
8.	Mr Peter Murray Jackson	3,170,000	0.86
9.	HSBC Custody Nominees (Australia) Limited - A/C 2	2,820,006	0.76
10.	Mr Kingsley Bryan Bartholomew	2,517,072	0.68
11.	Mirrabooka Investments Limited	2,500,000	0.67
12.	Ms Jacinth Fairley	2,190,886	0.59
13.	Dollar Coin Investments <Cousins Discretionary A/C>	1,996,850	0.54
14.	Merrill Lynch (Australia) Nominees Pty Limited	1,686,935	0.46
15.	Commonwealth Scientific and Industrial Research Organisation	1,448,798	0.39
16.	Mr Mario Argyrides	1,439,900	0.39
17.	BNP Paribas Nominees Pty Ltd <Agency Lending A/C>	1,416,667	0.38
18.	Mr Nicholas Wheeler	1,350,000	0.36
19.	Mr David Michael Hosey + Mrs Andrea Jane Hosey	1,213,718	0.33
20.	Gilridge Pty Ltd	1,120,267	0.30
		238,344,144	**64.32**

	Unquoted equity securities over ordinary shares	
Name	Number on issue	Number of holders
Employee Performance Rights	11,865,158	38

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 2018:

	Ordinary shares	
Name	Number held	Percentage of issue shares
Allan Gray Australia Pty Ltd	49,041,042	13.36
M&G Investment Funds	37,069,789	13.06
FIL Limited	25,549,892	6.90

D. Voting Rights

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

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

Intellectual Property Report

The Starpharma patent portfolio currently has around 15 active patent families with over 120 granted patents and more than 30 patent applications pending.

Key patents within the Starpharma portfolio as at 31 July 2018:

Title	Priority Date & Publication Number	Patents Granted	Applications Pending
VivaGel® Patent Portfolio			
Anionic Or Cationic Dendrimer Antimicrobial Or Antiparasitic Compositions	14 September 1998 WO00/15240	Australia, Canada, Europe, Japan, Mexico, New Zealand, Singapore, South Korea, USA	
Agents For The Prevention & Treatment Of Sexually Transmitted Diseases	30 March 2001 WO02/079299	Australia, Brazil, Canada, China, Europe, Hong Kong, Japan, Mexico, New Zealand, Singapore, South Korea, USA	
Microbicidal Dendrimer Composition Delivery System (Condom related)	18 October 2005 WO2007/045009	Australia, Canada, Europe, Hong Kong, India, Japan, Malaysia, Mexico, New Zealand, Russian Federation, South Korea, Taiwan, USA	
Contraceptive Composition	22 March 2006 WO2007/106944	Australia, Canada, China, Europe, Japan, USA	
Method Of Treatment Or Prophylaxis Of Bacterial Vaginosis	16 May 2011 WO2012/000891	Australia, China, Israel, Japan, Russia USA	Brazil, Canada, China, Europe, Hong Kong, India, South Korea, Mexico,
Method of Treatment or Prophylaxis of Infection of the Eye	13 September 2012 WO2014/043576	Europe, Hong Kong,	Canada, China, India, Japan, USA
Method of Prophylaxis of Zika Virus Infection	15 May 2016		International
Drug Delivery Patent Portfolio (includes DEP® Patents)			
Macromolecules Compounds Having Controlled Stoichiometry	25 October 2005 WO2007/048190	Australia, Canada, Europe, USA	
Modified Macromolecules	20 January 2006 WO2007/082431	Australia, Canada, India Japan, USA	China, Europe, Hong Kong
Targeted Polylysine Dendrimer Therapeutic Agent	11 August 2006 WO2008/017125	China, USA	Europe, India
Macromolecules (Drug linkers)	6 June 2011 WO2012/167309	Australia, Japan USA	Brazil, Canada, China, Europe, Hong Kong, India, South Korea, USA
Dendrimer Drug Conjugates	6 June 2014 WO 2015/184510		Europe, India, USA

Corporate Directory

Company name

Starpharma Holdings Limited
ABN 20 078 532 180

Directors

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

Company Secretary

Nigel Baade

Registered office

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Share register

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452 Johnston Street, Abbotsford VIC 3067

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Melbourne, VIC 3001

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

Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006 Australia

Solicitors

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

Stock exchange listing

ASX Limited
Level 4, North Tower, Rialto, 525 Collins Street,
Melbourne VIC 3000 Australia

ASX Code: SPL

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

Starpharma's ADRs are listed on OTCQX International (www.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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starpharma