Starpharma interim report and half-year financial results

Melbourne, Australia; 21 February 2011: Starpharma Holdings Limited (ASX:SPL, OTCQX:SPHRY) today released its interim report and financial results for the half-year ended 31 December 2010.

Financial Results

- Cash position at 31 December 2010 $19.7M
- Net cash burn for the half-year $3.1M
- Operating cash outflows for the half-year $3.75M
- Reported loss $4.2M.

These results were consistent with the company's strategic plans and budget estimates, with the increase in loss (31 December 2009: $2.6M) a function of lower grant income together with costs associated with the VivaGel® bacterial vaginosis (BV) clinical program.

The company held cash reserves of $19.7M at 31 December 2010 compared with $22.8M at 30 June 2010.

The phase 2 BV acute-treatment study for VivaGel® is nearing completion, with 131 from a total of 132 patients now enrolled. Results of this trial are anticipated to be available in Q2 2011. The company also plans to initiate a phase 2 trial investigating VivaGel® for the prevention of BV recurrence later this year.

Commenting on the results, Starpharma CEO Dr Jackie Fairley said: "We continue to make solid progress in the advancement of our VivaGel® portfolio including the VivaGel®-coated condom. In addition, we are seeing increased interest by partners in the company's dendrimer technology. During the period Starpharma has signed new agreements with commercial partners in areas including drug delivery and agriculture applications."

Further details of the financial results are included in the attached interim report to ASX.

About Starpharma

Starpharma Holdings Limited (ASX:SPL, OTCQX:SPHRY) is a world leader in the development of dendrimer technology for pharmaceutical, life-science and other applications. SPL has two operating companies, Starpharma Pty Ltd in Melbourne, Australia and DNT, Inc in the USA. Products based on SPL's dendrimer technology are already on the market in the form of diagnostic elements and laboratory reagents through licence arrangements with partners including Siemens and Merck KgA.

The Company's lead pharmaceutical development product is VivaGel® (SPL7013 Gel), a vaginal microbicide designed to prevent the transmission of STIs, including HIV and genital herpes. Starpharma has a licence agreement with Reckitt Benckiser (LSE:RB) to develop a VivaGel® coated condom. Reckitt Benckiser manufactures and sells Durex® condoms, the market-leading condom brand worldwide.

Starpharma also has agreements in place with Lilly, Elanco, Stiefel Laboratories (a GSK Company), and Unilever as well as many research collaborations with some of the world's leading organisations.

Dendrimer: A type of precisely-defined, branched nanoparticle. Dendrimers have applications in the medical, electronics, chemicals and materials industries.

American Depositary Receipts (ADRs): Starpharma's ADRs trade under the code **SPHRY** (CUSIP number 855563102). Each Starpharma ADR is equivalent to 10 ordinary shares of Starpharma as traded on the Australian Securities Exchange (ASX). The Bank of New York Mellon is the depositary bank. Starpharma's ADRs are listed on International OTCQX, a premium market tier in the U.S. for international exchange-listed companies, operated by OTC Markets Group Inc. (www.otcmarkets.com).

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 health authorities' requirements regarding any one or more product candidates nor can there be any assurance that such product candidates will be approved by any health 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 clinical trial results, including additional analysis of existing clinical data, and new clinical 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.

For further information:

Media **Buchan Consulting**	**Starpharma** www.starpharma.com	
Rebecca Wilson Mob: +61 417 382 391 rwilson@bcg.com.au	**Dr Jackie Fairley** Chief Executive Officer +61 3 8532 2704	**Ben Rogers** Company Secretary +61 3 8532 2702 ben.rogers@starpharma.com

Starpharma Holdings Limited

ABN 20 078 532 180

Interim Report – 31 December 2010

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2010 Annual Report.

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STARPHARMA HOLDINGS LTD ABN 20 078 532 180
Baker Building, 75 Commercial Road
Melbourne 3004, Victoria - Australia
PO Box 6535, St Kilda Road Central, Vic 8008
Tel: +61 3 8532 2700 Fax: +61 3 9510 5955 www.starpharma.com

Results for Announcement to the Market

Starpharma Holdings Limited ABN 20 078 532 180

Half-year ended 31 December 2010

Previous corresponding period: Half-year ended 31 December 2009

				$
Revenue from ordinary activities *(Appendix 4D item 2.1)*	Up	15%	to	$1,066,000
Loss from ordinary activities after tax attributable to members *(Appendix 4D item 2.2)*	Up (increased loss)	63%	to	$4,222,000
Net Loss for the period attributable to members *(Appendix 4D item 2.3)*	Up (increased loss)	63%	to	$4,222,000

Dividends/distributions *(Appendix 4D items 2.4 and, 2.5)*	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Record date for determining entitlements to the dividend: Not Applicable

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.

Explanation of revenue

(Appendix 4D item 2.6)

Revenue from ordinary activities includes customer revenue from the recognition of licensing income from SSL International associated with the Durex® condom coating deal signed in September 2008, research fees from commercial partners, including Lilly and Elanco, and royalties from Siemens Healthcare and Qiagen. Revenue also includes interest income on cash invested in term deposits. See note 4 for additional information on revenue and other income.

Explanation of net loss

(Appendix 4D item 2.6)

The consolidated loss after tax of $4,222,000 is after fully expensing all research and development expenditure and patenting costs. The predominant reasons for the increase in loss after tax for the half-year compared to the previous corresponding period are the costs of the bacterial vaginosis (BV) clinical program; and the reduction in other income from grants with a reduction in reimbursable research and development expenditure associated with these grants. Administration expenditure includes the amortisation of patent intangibles and the impacts of foreign exchange movements on US dollar dominated cash held. See the financial summary section in the Directors' Report for additional information.

Directors' Report

Your directors have pleasure in presenting this report on the consolidated entity (referred to hereafter as the Group) consisting of Starpharma Holdings Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2010.

Directors

The following persons were directors of Starpharma Holdings Limited ("the Company") during the whole of the half-year and up to the date of this report:

P T Bartels (Chairman)	J W Raff (Deputy Chairman)	J K Fairley (Chief Executive Officer)
R Dobinson	P J Jenkins	R A Hazleton

Principal activities

The principal activities of the group consist of 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 its topical vaginal microbicide VivaGel® for the prevention of genital herpes and HIV, the treatment of bacterial vaginosis, and the application of dendrimers to drug delivery and other life science applications. More broadly, through partners the Group is also exploring dendrimer opportunities in materials science with applications in areas such as coatings, lubricants and water remediation. Products based on the Group's dendrimer technology are on the market in the form of diagnostic elements and laboratory reagents.

Business objective

The Company aims to create value for shareholders through the commercial exploitation of proprietary products based on its dendrimer technology in pharmaceutical, life science and other applications.

Dividends

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.

Review of operations

Achievements and significant events during the half-year included:

July 2010 FDA Clearance to Commence Phase 2 Bacterial Vaginosis Study for VivaGel®

The Company announced that it had received clearance from the US Food and Drug Administration (FDA) to commence a phase 2 study to investigate VivaGel® for the treatment of bacterial vaginosis (BV).

VivaGel® is under investigation for both the short term treatment and longer term suppression of recurrence of BV in women. This initial phase of the clinical program is to investigate the treatment of BV with a once daily for seven days treatment of VivaGel® and its findings would guide further investigation of suppression of recurrence.

The study is to be conducted under an investigational new drug application (IND) at sites in US and will enroll 132 women. The primary objective of the study is to identify the efficacy and optimal dosing for VivaGel® for BV with three strengths (0.5%, 1% and 3%) being compared with a placebo gel. Subjects will be assessed at the end of treatment and then two to three weeks after the end of treatment.

August 2010 Commencement of Phase 2 Bacterial Vaginosis Study of VivaGel®

Following receipt of ethics approval the phase 2 study of VivaGel® for the treatment of bacterial vaginosis (BV) commenced. Clinical trial sites in the US were initiated and commenced enrolment of participants.

The commencement of the BV program was considered to be an important milestone in the development of VivaGel®. The treatment and suppression of recurrence of BV opens up a whole new application for the product in an attractive, established market.

August 2010 Condom Patent Grant Extends Coverage

Starpharma announced the extension of the VivaGel® patent portfolio with the first grant of its patent specifically for the VivaGel® coated condom. The application was granted on 20 August 2010 by the Russian patent office. Starpharma had also filed this patent in major markets including the USA, Canada, Europe, China, India and Japan.

Both the VivaGel® coated condom and the VivaGel® standalone gel are already protected by a portfolio of granted VivaGel® patents in major markets. This new patent family not only provides additional protection for the condom product but also extends the duration of coverage in each market for which it is granted. In the case of this grant in Russia it provides coverage for the coated condom until at least 2026.

September 2010 Starpharma Expands Lilly Partnership

Starpharma announced the signing of a new collaborative research agreement with leading US pharmaceutical corporation Eli Lilly and Company.

The agreement relates to a co-development program for one of Starpharma's dendrimer-drug conjugates. Under the agreement Lilly will receive an option on the conjugate, will pay research fees to Starpharma and will conduct studies in animal models to advance the compound.

This announcement follows on from two previous agreements between the companies - in February 2010, Starpharma announced that its dendrimer drug delivery technology will be applied to enhance compounds in Lilly's human pharmaceutical portfolio, and in May 2009 Starpharma and Lilly's animal health division, Elanco, signed an agreement to develop new animal health products with enhanced properties.

November 2010 Starpharma's Partner SSL acquired by Reckitt Benckiser

Starpharma released an announcement to update its shareholders regarding the acquisition of SSL International plc (SSL) by Reckitt Benckiser plc.

Reckitt Benckiser announced that it had completed its £2.5bn acquisition of SSL after gaining approval from more than 85% of SSL's shareholders. As a result, SSL formally became part of Reckitt Benckiser and its leading global condom brand Durex was added to Reckitt's portfolio of health and personal care "Powerbrands" which include Nurofen, Strepsils and Clearasil.

Starpharma has a licence agreement with SSL/Reckitt Benckiser to develop and market a VivaGel® coated condom under the Durex® banner in all markets apart from Japan. The implications of the acquisition were viewed as positive for Starpharma given Reckitt Benckiser's formidable distribution and brand-building capabilities.

Financial summary

For the half-year ended 31 December 2010 the consolidated entity incurred an operating loss after income tax of $4,222,000 (December 2009: $2,585,000).

	Half-Year Ended 31 December	
Summary of consolidated results	**2010 $'000**	2009 $'000
Revenue from continuing operations	**1,066**	930
Other income, including grants	**900**	2,032
Research & development	**(3,240)**	(3,032)
Administration and finance costs	**(3,135)**	(2,572)
Income tax credit	**187**	57
Loss attributable to members	**(4,222)**	(2,585)

Income statement
Revenue consisted of royalty, licensing and customer revenue from partners including Siemens Healthcare, SSL International, Lilly, Elanco and the Group's other commercial partners; combined with interest income from term deposits. Other income consisted of grant income from United States Government grants, which partly offset research and development expenditure. The majority of US Government grants were from the US National Institutes of Health for VivaGel® development costs. All research and development expenditure, including patenting costs, was fully expensed in the current and previous corresponding period.

The predominant reasons for the increase in loss after tax for the half-year compared to the previous corresponding period are the costs the bacterial vaginosis (BV) clinical program; and the reduction in other income from grants with a reduction in reimbursable research and development expenditure associated with these grants. Administration expenditure includes the amortisation of patent intangibles and the impacts of foreign exchange movements on US dollar dominated cash held.

Balance sheet
At 31 December 2010 the Group's cash position was $19,718,000 (June 2010: $22,851,000).

Statement of cash flows
Net operating cash outflow for the half-year of $3,750,000 (December 2009: $2,073,000) included increased costs associated with the condom coating and bacterial vaginosis clinical program. Net cash inflows from financing activities of $1,356,000 included the issue of shares on the exercise of options (December 2009: inflow of $14,957,000 on the proceeds from the issue of shares).

Earnings per share

	Half-year ended 31 December	
	2010	2009
Basic loss per share	**($0.02)**	($0.01)
Diluted loss per share	**($0.02)**	($0.01)

Net tangible assets

	Half-year ended 31 December	
	2010	2009
Net tangible asset backing per ordinary share	**$0.08**	$0.10

Matters subsequent to the end of the financial half-year

The Company has issued 1,866,060 ordinarily shares subsequent to the end of the half-year from the exercise of options and issues under the Starpharma Holdings Limited Employee Share, and Performance Rights Plans.

No other matters or circumstances have arisen since 31 December 2010 that have significantly affected, or may significantly affect:
(a) the consolidated entity's operations in future financial years, or
(b) the results of the operations in future financial years, or
(c) the consolidated entity's state of affairs in future financial years.

Rounding of amounts

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

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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

Peter T Bartels, *AO*
Director
Melbourne, 21 February 2011

Auditors' Independence Declaration

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
pwc.com.au

Auditor's Independence Declaration

As lead auditor for the review of Starpharma Holdings Limited for the half year ended 31 December 2010, 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 review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
21 February 2011

Interim Financial Report

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Starpharma Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Consolidated income statement

For the half-year ended 31 December 2010

		Half-year	
		2010	2009
	Notes	**$'000**	$'000
Revenue from continuing operations	4	**1,066**	930
Other income	4	**900**	2,032
Administration expense		**(3,123)**	(2,562)
Research and development expense		**(3,240)**	(3,032)
Finance costs		**(12)**	(10)
Loss before income tax		**(4,409)**	(2,642)
Income tax credit		**187**	57
Loss from continuing operations attributable to members of Starpharma Holdings Limited		**(4,222)**	(2,585)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company			
Basic loss per share	11	**($0.02)**	($0.01)
Diluted loss per share	11	**($0.02)**	($0.01)

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

Consolidated statement of comprehensive income

For the half-year ended 31 December 2010

		Half-year	
		2010	2009
	Notes	**$'000**	$'000
Loss for the period		**(4,222)**	(2,585)
Other comprehensive income (loss), net of income tax			
Foreign currency translation differences on translating foreign subsidiaries	8	**(2,015)**	(1,291)
Other comprehensive income (loss) for the half-year, net of income tax		**(2,015)**	(1,291)
Total comprehensive income (loss) for the half-year, net of income tax		**(6,237)**	(3,876)

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

Consolidated balance sheet

As at 31 December 2010

	Notes	31 December 2010 $'000	30 June 2010 $'000
Current assets			
Cash and cash equivalents		**19,718**	22,851
Trade and other receivables		**1,768**	1,379
Total current assets		**21,486**	24,230
Non-current assets			
Property, plant and equipment		**330**	219
Intangible assets	6	**10,695**	13,118
Total non-current assets		**11,025**	13,337
Total assets		**32,511**	37,567
Current liabilities			
Trade and other payables		**1,167**	1,581
Borrowings		**69**	160
Provisions (employee entitlements)		**284**	295
Deferred income		**627**	629
Total current liabilities		**2,147**	2,665
Non-current liabilities			
Borrowings		**42**	-
Provisions (employee entitlements)		**64**	58
Total non-current liabilities		**106**	58
Total liabilities		**2,253**	2,723
Net assets		**30,258**	34,844
Equity			
Contributed equity	7	**103,191**	101,766
Reserves	8	**1,087**	2,876
Accumulated losses		**(74,020)**	(69,798)
Total equity		**30,258**	34,844

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

Consolidated statements of changes in equity

For the half-year ended 31 December 2010

					Half-year December 2010
		Contributed capital	Reserves	Accumulated losses	Total equity
	Notes	$'000	$'000	$'000	$'000
Balance at 1 July 2010		101,766	2,876	(69,798)	34,844
Loss for the half-year		-	-	(4,222)	(4,222)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations	8	-	(2,015)	-	(2,015)
Total comprehensive income (loss) for the half-year		-	(2,015)	(4,222)	(6,237)
Transactions with owners, recorded directly in equity					
Contributions of equity, net of transaction costs	7	1,425	-	-	1,425
Employee share options scheme	8	-	8	-	8
Employee share rights scheme	8	-	218	-	218
Total transactions with owners		1,425	226	-	1,651
Balance at 31 December 2010		103,191	1,087	(74,020)	30,258

For the half-year ended 31 December 2009

					Half-year December 2009
		Contributed capital	Reserves	Accumulated losses	Total equity
	Notes	$'000	$'000	$'000	$'000
Balance at 1 July 2009		85,640	3,279	(63,420)	25,499
Loss for the half-year		-	-	(2,585)	(2,585)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations	8	-	(1,291)	-	(1,291)
Total comprehensive income (loss) for the half-year		-	(1,291)	(2,585)	(3,876)
Transactions with owners, recorded directly in equity					
Contributions of equity, net of transaction costs	7	15,037	-	-	15,037
Employee share options	8	-	205	-	205
Total transactions with owners		15,037	205	-	15,242
Balance at 31 December 2009		100,677	2,193	(66,005)	36,865

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

Consolidated statement of cash flows

For the half-year ended 31 December 2010

		Half-year	
		2010	2009
	Notes	**$'000**	$'000
Cash flow from operating activities			
Receipts from trade and other debtors		**831**	750
Grant income (inclusive of GST)		**393**	2,170
Payments to suppliers and employees (inclusive of GST)		**(5,492)**	(5,165)
Interest received		**530**	182
Interest paid		**(12)**	(10)
Net cash outflows from operating activities		**(3,750)**	(2,073)
Cash flow from investing activities			
Payments for property, plant and equipment		**(94)**	(9)
Net cash outflows from investing activities		**(94)**	(9)
Cash flow from financing activities			
Proceeds from issue of shares	7	**1,425**	15,600
Share issue transaction costs	7	**-**	(563)
Lease repayments		**(69)**	(80)
Net cash inflows from financing activities		**1,356**	14,957
Net increase (decrease) in cash and cash equivalents held		**(2,488)**	12,875
Cash and cash equivalents at the beginning of the half-year		**22,851**	11,595
Effects of exchange rate changes on cash and cash equivalents		**(645)**	(197)
Cash and cash equivalents at the end of the half-year		**19,718**	24,273

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

Notes to the consolidated financial statements

31 December 2010

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1. Basis of preparation of half-year report

This general purpose interim financial report for the half-year reporting period ended 31 December 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Starpharma Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2. Critical accounting estimates and judgments

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.

For the half-year ended 31 December 2010, the consolidated entity has incurred losses of $4,222,000 (December 2009: $2,585,000) and experienced net cash outflows of $3,750,000 from operations (December 2009: $2,073,000), as disclosed in the balance sheet and statement of cash flows, respectively. At the period end, the consolidated cash and cash equivalents stood at $19,718,000 (June 2010: $22,851,000), this is consistent with the consolidated entity's strategic plans and budget estimates, and the directors are satisfied regarding the availability of working capital for the period up to at least February 2012. Accordingly the directors have prepared the interim 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 interim financial report.

3. 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.

Segment information was previously reported based on the location of operating companies in Australia and United States of America ("USA").

4. Revenue and other income

Consolidated

	Half-year	
	2010	2009
Revenue and other income	**$'000**	$'000
Royalty, customer & license revenue	**562**	745
Interest revenue	**504**	185
Total revenue	**1,066**	**930**
Australian government grants	**-**	6
USA government grants	**900**	2,026
Total other income	**900**	2,032
Total revenue and other income	**1,966**	2,962

5. Expenses

Consolidated

	Half-year	
	2010 $'000	2009 $'000
Loss from continuing operations before income tax expense includes the following items:		
Depreciation	**82**	118
Amortisation	**701**	741
Rental expense on operating leases	**145**	171
Defined contribution superannuation expense	**208**	188

6. Intangible assets

Consolidated	Patents & Licences $'000	Goodwill $'000	Total Intangibles $'000
At 30 June 2010			
Cost	17,578	1,747	19,325
Accumulated depreciation and amortisation	(6,207)	–	(6,207)
Net book amount	11,371	1,747	13,118
At 31 December 2010			
Cost	15,447	1,465	16,912
Accumulated depreciation and amortisation	(6,217)	–	(6,217)
Net book amount	9,230	1,465	10,695
Half-year ended 31 December 2010			
Opening net book amount (1 July 2010)	11,371	1,747	13,118
Exchange differences	(1,440)	(282)	(1,722)
Depreciation and amortisation	(701)	–	(701)
Closing net book amount (31 December 2010)	9,230	1,465	10,695

7. Contributed equity

(a) Share capital

	Parent Entity		Parent Entity	
	December 2010 Shares	June 2010 Shares	**December 2010 $'000**	June 2010 $'000
Share Capital				
Ordinary shares – fully paid	**242,177,208**	238,842,208	**103,191**	101,766

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price	$'000
01 Jul 2008	Opening balance	179,715,153		78,667
8 Apr 2009	Share placement (tranche I)	11,853,844	$0.26	3,082
22 May 2009	Share placement (tranche II)	8,000,000	$0.26	2,080
22 May 2009	Share purchase plan	7,649,116	$0.26	1,989
	less transaction costs			(178)
	Balance at 30 June 2009	207,218,113		85,640
24 Nov 2009	Share placement	30,000,000	$0.52	15,600
	less transaction costs			(563)
	Balance at 31 December 2009	237,218,113		100,677
25 Jan 2010	Employee share plan ($1,000) issue	25,524	$0.70	18
31 Mar 2010	CEO equity incentive plan share issue	1,428,571	$0.69	986
Various	Issue on exercise of employee options	170,000	$0.50[1]	85
	Balance at 30 June 2010	238,842,208		101,766
Various	Issue on exercise of unlisted options	1,370,000	$0.44[1]	597
Various	Issue on exercise of employee options	1,965,000	$0.42[1]	828
	Balance at 31 December 2010	242,177,208		103,191

[1] Weighted average of options exercised.

(c) Ordinary shares

As at 31 December 2010 there were 242,177,208 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. There is no current on-market share buy-back.

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

On 25 January 2010, 25,524 shares were issued under the Starpharma Holdings Limited Employee Share Plan ($1,000 Plan) to eligible staff. The shares are granted for no consideration and are escrowed for 3 years while participants are employed by the Company.

(e) CEO Equity Incentive Plan

On 31 December 2010, 487,500 performance rights vested on the achievement of performance measures under the CEO equity incentive plan. The balance of 262,500 performance rights lapsed at 31 December 2010 as the vesting condition was not satisfied. The 487,500 performance rights were converted into ordinary fully paid ordinary shares on 10 January 2011. These shares will be escrowed until 1 March 2013 but they may be released early if certain events occur (as set out in the Explanatory Memorandum that accompanied the Notice of Extraordinary General Meeting mailed to shareholders on 22 February 2010).

(f) Employee Performance Rights Plan

Information relating to the Starpharma Holdings Limited Employee Performance Rights Plan, including shares under rights outstanding at the end of the financial half-year is set out in note 11.

(g) Options

Information relating to the Starpharma Holdings Limited Employee Share Option Plan and Individual option deeds, including options outstanding at the end of the financial half-year is set out in note 11.

(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.

8. Reserves

(a) Reserves

	Consolidated	
	31 December 2010 $'000	30 June 2010 $'000
Share-based payments reserve	**2,638**	2,412
Foreign currency translation reserve	**(3,766)**	(1,751)
Asset revaluation reserve	**2,215**	2,215
	1,087	2,876

(b) Nature and purpose of reserves

(i) Share-based payments reserve

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

(ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign associate/subsidiary are taken to the foreign currency translation reserve. The reserve is recognised in the income statement when the net investment is disposed of.

(iii) Asset revaluation reserve

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

9. Contingencies

The Company has no contingent assets or liabilities at 31 December 2010 (2009: nil).

10. Events occurring after the balance sheet date

The Company has issued 1,866,060 ordinarily shares subsequent to the end of the half-year from the exercise of options and issues under the Starpharma Holdings Limited Employee Share, and Performance Rights Plans.

There are no other significant events occurring since 31 December 2010 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the Group.

11. Earnings per share

	Half-year	
	2010 $	2009 $
Basic loss per share	**(0.02)**	(0.01)
Diluted loss per share	**(0.02)**	(0.01)
Net loss attributable to members of Starpharma Holdings Limited used as the numerator in calculating diluted and basic earnings per share ($'000)	**(4,222)**	(2,585)
Weighted average number of ordinary shares outstanding during the year used as the denominator in calculating diluted and basic earnings per share	**239,630,420**	213,250,722

As at 31 December 2010 the Company had on issue 8,324,119 (30 June 2010: 12,717,119) share options that are not considered dilutive.

The options granted are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Given the entity is currently loss making, the potential shares are anti-dilutive and have therefore not been included in the diluted earnings per share calculation.

As at 31 December 2010 the Company had on issue the following share options:

Expiry date	Issue price of shares (Option exercise price)	Number under options
7 August 2011	$0.50	330,000
21 August 2012	$0.43	6,217,119
28 August 2012	$0.29	633,000
28 June 2014	$0.37	1,144,000
Total		8,324,119

As at 31 December 2010 the Company had on issue the following shares under rights

Grant date	Vesting date	Holding Lock date	Number under rights
31 March 2010	31 December 2010	1 March 2013	750,000[1]
2 September 2010	31 August 2012	31 August 2013	830,800

[1] On 31 December 2010, 487,500 performance rights vested on the achievement of performance measures under the CEO equity incentive plan. The balance of 262,500 performance rights lapsed at 31 December 2010 as the vesting condition was not satisfied. The 487,500 performance rights were converted into ordinary fully paid ordinary shares on 10 January 2011. These shares will be escrowed until 1 March 2013 but they may be released early if certain events occur (as set out in the Explanatory Memorandum that accompanied the Notice of Extraordinary General Meeting mailed to shareholders on 22 February 2010).

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 18 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 31 December 2010 and of its performance for the half-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.

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

Peter T Bartels, *AO*
Director
Melbourne, 21 February 2011

Independent auditor's review report to the members

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PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999
pwc.com.au

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Starpharma Holdings Limited, which comprises the balance sheet as at 31 December 2010, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Starpharma Holdings Limited Group (the consolidated entity). The consolidated entity comprises both Starpharma Holdings Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Starpharma Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Starpharma Holdings Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

Anton Linschoten
Partner

Melbourne
21 February 2011