Starpharma Holdings Limited

ABN 20 078 532 180

Appendix 4E: Preliminary Financial Report
Year ended 30 June 2019

Lodged with the ASX under Listing Rule 4.3A
Previous corresponding period (pcp): Year ended 30 June 2018

Results for announcement to the market

				$'000
Revenue from continuing operations *(Appendix 4E item 2.1)*	Down	45%	to	**$2,708**
Loss from continuing operations after tax attributable to members *(Appendix 4E item 2.2)*	Up *(increase)*	39%	to	**$14,254**
Loss for the period attributable to members *(Appendix 4E item 2.3)*	Up *(increase)*	39%	to	**$14,254**

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 of $2,708,000 (2018: $4,884,000) for the year includes commercial partner revenues from the initial product supply, royalties and milestones related to the market launch of VivaGel® BV in Australia and Europe, and the VivaGel® condom in Japan. Interest income on cash invested of $1,057,000 (2018: $1,072,000) is also included. The decrease in revenue from the prior year is primarily due to the prior year including signature milestone payments of $2,955,000 for the licensing of VivaGel® BV for Europe, Asia, South America, Middle East and Africa.

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

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

The loss after tax is $14,254,000 (2018: $10,285,000 loss) reflecting the expensing of all research and development expenditure and patenting costs associated with VivaGel® and DEP® programs. The loss has increased from the prior year, due to the prior year including the above noted signature milestone payments, combined with increased commercial and regulatory operating costs in FY19 related to the licensing and product launch of VivaGel® BV in multiple markets.

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 17 in the Annual Report which follows this announcement.

NTA Backing *(Appendix 4E item 9)*

Net tangible asset backing per ordinary share at 30 June 2019 is $0.11 (2018: $0.14).

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; 28 August 2019: Starpharma (ASX: SPL, OTCQX: SPHRY) today released its annual report and financial results for the year ended 30 June 2019.

Financial Results

- Cash position at 30 June of $41.3M
- Net cash burn[1] of $10.1M (FY18: $9.9M)
- Total revenue and other income of $2.7M (FY18: $5.0M)
- Reported loss of $14.3M (FY18: $10.3M)
- Receipt of $4.0M R&D tax incentive

Key activities

VivaGel®

- VivaGel® BV launched in Europe by Mundipharma, under the brand name Betadine BV™;
- VivaGel® BV launched in Australia by Aspen Pharmacare, under the brand name Fleurstat BVgel;
- VivaGel® BV was licensed to ITF Pharma, Inc. for the US for milestones of up to US$101 million in addition to escalating royalties;
- First Asian regulatory approvals received for Betadine™ BV Gel;
- VivaGel® condom launched in Japan under Okamoto's Zero Zero Three ('003') brand;
- US FDA completed its review of the VivaGel® BV NDA and advised it requires confirmatory clinical data prior to approval; and
- Positive independent market research was conducted in the US for SPL7013 ophthalmic drops for viral conjunctivitis and a patent was granted for the product.

DEP® drug delivery

- Starpharma signed a Development and Option Agreement with AstraZeneca to progress the development of a DEP® version of one of their major marketed oncology medicines;
- First patent granted for Starpharma's DEP® dendrimers with AstraZeneca's Bcl2/xL inhibitors, including AZD0466;
- Clinical trials for DEP® docetaxel (phase 2) and DEP® cabazitaxel (phase 1 / 2) progressed well with new sites opened and cohorts expanded;
- Approval to commence DEP® irinotecan phase 1 / 2 trial;
- DEP® irinotecan, showed significant efficacy and safety benefits over leading colorectal cancer drugs irinotecan (Camptosar®) and cetuximab (Erbitux®), in the irinotecan-refractory HT-29 human colon cancer model;

[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 2018 to 30 June 2019.

- DEP® irinotecan showed impressive efficacy and safety benefits over standard irinotecan in combination with 5-FU in a human pancreatic cancer model;
- DEP® docetaxel and DEP® cabazitaxel outperformed both gemcitabine and Abraxane® in a human pancreatic cancer model; and
- A range of DEP® radiopharmaceutical and other DEP® candidates are undergoing testing in a variety of models.

Starpharma CEO, Dr Jackie Fairley, commented: "Starpharma has achieved significant milestones across the business this year, including international product launches, new commercial deals, and trial progress for our three high-potential, clinical-stage DEP® products. The company is in a strong financial position with more than $40 million in cash at bank. With our anticipated revenues from products on market and future launches, we are well placed for future growth".

Commenting further on the 2019 financial year's achievements and outlook, Dr Fairley added: "During the year, VivaGel® BV was launched in both Europe and Australia and we recently received the first Asian regulatory approvals for this breakthrough product. VivaGel® BV has now been licensed for more than 160 countries and we look forward to further approvals and launches in the coming months across Mundipharma's regions. We also negotiated an attractive licensing deal for VivaGel® BV in the US with specialty pharmaceutical company, ITF Pharma, Inc., however the US regulator has requested confirmatory data and Starpharma is currently working to pursue approval as quickly as possible to bring this innovative product to the US market".

"In our DEP® portfolio, we were delighted to add another commercial deal with AstraZeneca for a DEP® version of one of their major marketed oncology products, and are excited for the first DEP® IND to be filed by AstraZeneca for AZD0466. We also progressed with our own internal clinical DEP® programs - reporting positive interim results for both DEP® docetaxel and DEP® cabazitaxel - and recently advanced our third internal DEP® product, DEP® irinotecan, into the clinic. We also added a suite of excellent preclinical data from our DEP® platform, further demonstrating the versatility of our drug delivery technology, and we continued to build our pipeline of DEP® candidates".

"In the year ahead, we look forward to our partner's further launches of VivaGel® BV and building sales momentum, while progressing our three clinical stage internal DEP® products alongside AstraZeneca's first DEP® product, AZD0466. We also continue to explore the potential expansion opportunities for our clinical programs into new indications and combination therapies to build further value in our DEP® products and to create the greatest potential for patient outcomes", 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 for bacterial vaginosis (BV), is available for sale under the brand name Betadine BV™ (Europe) and Fleurstat BVgel (Australia) and a new drug application has been submitted to the US FDA. Starpharma has licensed the sales and marketing of VivaGel® BV to ITF Pharma for the US; 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 Japan under Okamoto's 003 brand, and 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 three internal DEP® products – DEP® docetaxel, DEP® cabazitaxel and DEP® irinotecan - in clinical development in patients with solid tumours. 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. In June 2019 Starpharma signed a Development and Option agreement with AstraZeneca for a DEP® version of one of AstraZeneca's major marketed oncology medicines.

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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.

Annual Report 2019

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2019

HIGHLIGHTS

VivaGel® BV launched in Europe & Australia

Betadine BV™ launched in Europe by Mundipharma. Fleurstat BVgel launched in Australia by Aspen.

VivaGel® BV first Asian region regulatory approvals

First Asian region regulatory approvals received for Betadine™ BV Gel.

US VivaGel® BV licence

VivaGel® BV licensed to ITF Pharma, Inc. for up to US$101M in milestones, plus royalties.

ITF Pharma

VivaGel® condom approved and launched in Japan

Okamoto launched the VivaGel® condom in Japan under its leading '003' brand.

New DEP® agreement with AstraZeneca

Development and Option Agreement signed to progress development of a DEP® version of one of AstraZeneca's major oncology products.

AstraZeneca

Phase 1 / 2 DEP® irinotecan trial

Approval received to commence phase 1 / 2 DEP® irinotecan trial (initial sites include The Christie, The Royal Marsden and Newcastle Freeman Hospital).

DEP® irinotecan combinations outperform in cancer models

DEP® irinotecan combinations outperform in both human pancreatic cancer and colon cancer models.

Progress with AstraZeneca DEP® program AZD0466

US patent granted for DEP® Bcl2/xL inhibitor conjugates; IND filing in 2H CY2019 for AZD0466.

Progress with DEP® docetaxel and DEP® cabazitaxel trials

Positive interim results observed in patients treated with DEP® docetaxel and DEP® cabazitaxel in phase 1 / 2 trials; new sites opened and cohorts expanded.

DEP® outperforms in human pancreatic cancer model

DEP® docetaxel and DEP® cabazitaxel alone, and in combination with standard pancreatic cancer treatments, outperform in a human pancreatic cancer model.

CHAIRMAN'S LETTER

On behalf of the Board, I am delighted to report on Starpharma's achievements this year and our strategy for future growth.

Our strategy is to utilise our proprietary dendrimer technology to build a stable of high-value products and partnerships that address significant unmet patient need for the betterment of the community and our shareholders. To achieve this strategy, we will continue to pursue commercial deals to enable our unique science and innovation to become products in the hands of patients and their doctors.

In the recent past, we've signed commercial deals with large global pharmaceutical companies – most recently with AstraZeneca, Mundipharma and ITF Pharma, Inc. Such partnerships have been central to some of our most exciting achievements this year.

Starpharma has completed a series of commercial deals in which we licensed our novel BV (bacterial vaginosis) product, VivaGel® BV, in more than 160 countries. We worked closely with our commercial partners in undertaking international product launches, triggering the beginning of recurrent revenue and signalling an exciting new inflection point for the company.

In June, VivaGel® BV was launched under the brand name 'Betadine™ BV' in Europe by Mundipharma. This followed the world-first launch of VivaGel® BV in Australia by Aspen Pharmacare under their brand 'Fleurstat BVgel' in April. Now, for the first time, Australian women are able to purchase a product for BV over-the-counter in pharmacies.

VivaGel® BV is a novel non-antibiotic therapy for the most common vaginal condition, BV. The product is a real success story for Australian innovation – it's exceedingly rare to have a global healthcare product developed by a small Australian company all the way from concept to commercialisation. As an Australian company, it is pleasing that Australian women were first to access this life-changing product.

The European and Australian launches are just the beginning for this breakthrough product. VivaGel® BV is now licensed in most countries in the world and we are expecting further roll-out of the product throughout Europe and other regions this coming year, including in Asia, where first regulatory approvals were recently received.

Starpharma also progressed with regulatory submissions in other regions, including the US. The FDA did not grant our NDA approval on its first-round review, and although they acknowledged the significant unmet medical need for BV, the FDA requested confirmatory clinical data. Starpharma is working with the agency and expert advisors on the optimum pathway to approval, to bring the product to market in the US.

Navigating complex regulatory processes to achieve approval in international jurisdictions is not always straight-forward in healthcare. Our team has demonstrated remarkable diligence and tenacity in its dealings with regulatory bodies in a number of regions. As an example, an additional review of the VivaGel® condom was completed during the year in Japan. Starpharma worked closely with its partner Okamoto to secure approval, and shortly after doing so, the condom was launched by Okamoto under their highly successful '003' brand. Okamoto is Japan's leading marketer of condoms and receipts have already been received for this product.

Alongside the late-stage VivaGel® portfolio, we've also created a deep pipeline of valuable DEP® products from our drug delivery platform. Here, we've taken a similar dendrimer scaffold to that used in our proven, on-market VivaGel® products and attached other drugs to it, such as anti-cancer drugs. In doing so we have been able to ameliorate some of the very severe side-effects associated with those drugs and improve their efficacy.

To date, Starpharma has developed three dendrimer enhanced versions of major anti-cancer drugs to a clinical stage, and created a pipeline of further candidates. Thus far, the interim results from our current trials for DEP® docetaxel and DEP® cabazitaxel trials have shown encouraging signs of efficacy along with significantly less bone marrow and other toxicities compared with the original versions of these drugs. Reducing life threatening side-effects, such as neutropenia, could be critically important for some cancer patients, who become severely ill from the side-effects of their treatment.

Starpharma has recently received approval to commence a phase 1 / 2 trial for its internal DEP® drug, DEP® irinotecan, increasing Starpharma's DEP® portfolio to three clinical stage products.

Aside from the licensing opportunities these internal products create, the immense upside with the DEP® platform is that DEP® can be used for many different drugs, both novel and existing, with reproducible benefits, both for patients and commercially.

Starpharma signed another commercial DEP® deal during the year – to progress a DEP® version of one of AstraZeneca's major oncology drugs. The Development and Option Agreement was signed in June and was structured in a novel and flexible way to provide Starpharma with greater ability to expedite the preclinical stage work associated with this product.

We're delighted to expand our AstraZeneca DEP® programs, having seen benefits in new potential drugs, but also how DEP® can improve existing major on-market cancer products. AstraZeneca's first DEP® product, AZD0466 (a Bcl2/xL inhibitor) has already produced impressive preclinical data and AstraZeneca expects to commence clinical trials for AZD0466 later in the year, following allowance of their US FDA investigational new drug (IND) filing.

As a Board, we are proud of these recent achievements and the value created for our shareholders over the past few years. We sincerely thank our CEO, Dr Jackie Fairley, and the entire Starpharma team for their determination and tremendous work throughout multiple international product launches; new commercial deals; regulatory processes; and progress with our multiple clinical programs.

Our team has demonstrated their ability to deliver on key milestones all the way from research and drug discovery, through to clinical development, approval and commercialisation. Such achievements are only made possible through retaining and building capacity in our people and instilling a culture of innovation.

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, particularly our long-term investors who have stayed the course through the biotech journey of clinical development and commercialisation.

As we move towards the next inflection point, we reaffirm our commitment to creating shared value for our investors and patients. We remain confident of the further commercialisation of our VivaGel® products and leveraging the DEP® platform with further clinical development and partnerships.

Yours Sincerely,

Rob Thomas *AO*
Starpharma Chairman

CEO'S REPORT

I am very pleased to report on another positive year for Starpharma, in which we achieved many significant milestones across our business, including multiple international product launches, new commercial deals, and progress with our high-potential, clinical stage DEP® assets.

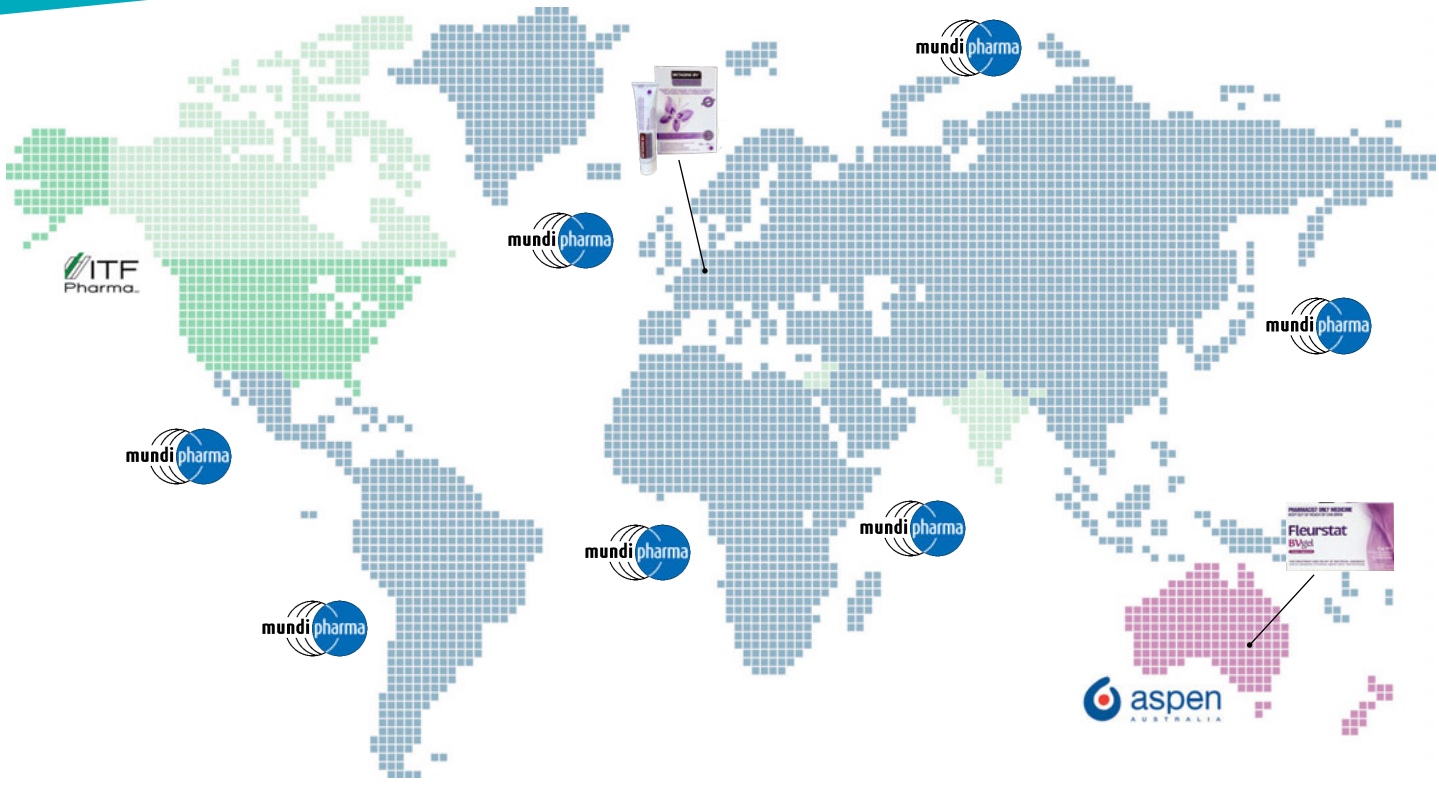
We were delighted to launch VivaGel® BV in two regions during the year and to receive our first revenue for these on-market products. We received first Asian region approvals for VivaGel® BV, and Starpharma and its partners are currently working on regulatory activities to expedite the approval and launch of VivaGel® BV in further regions, including in the US, Asia, the Middle East and Latin America. It was also very pleasing to have the VivaGel® condom approved and rapidly launched in Japan, and to have first receipts come through for this product.

In parallel with the commercial development of the VivaGel® portfolio we also expanded our relationship with AstraZeneca and signed a Development and Option Agreement for a DEP® version of one of their major marketed oncology products, and we made good progress with Starpharma's other DEP® partnered programs. We also progressed our clinical programs for DEP® docetaxel and DEP® cabazitaxel – receiving positive interim results for both trials – and recently advanced our third internal DEP® product, DEP® irinotecan, into the clinic.

"The international roll-out of VivaGel® products and the beginning of recurrent revenue this year is an important milestone for the company."

DR JACKIE FAIRLEY,
CHIEF EXECUTIVE OFFICER

Starpharma has licensed VivaGel® BV in more than 160 countries around the world



Starpharma's global partners

AstraZeneca · mundipharma · aspen · ITF Pharma · okamoto · LifeStyles · SKY & LAND

VivaGel® BV global launch

VivaGel® BV was launched in Australia and Europe, with further launches planned

Starpharma's VivaGel® BV is a novel, breakthrough therapy for bacterial vaginosis (BV), the most common vaginal infection in the world. VivaGel® BV is now available to women over-the-counter in Europe and Australia for this troublesome and highly recurrent condition. In Australia, previously women have only been able to access antibiotic-based treatments for BV, which are available by prescription from a doctor.

In Australia, the product branded as Fleurstat BVgel, was launched in April and is being marketed by Aspen Pharmacare, a leading global pharmaceutical company. Fleurstat BVgel is being sold in pharmacies around Australia, including leading chains Chemist Warehouse, Amcal, Terry White and Priceline.

Since launch, market feedback and interest in the product from both healthcare professionals and consumers has been extremely positive. Aspen continues to expand its promotional activities, including a recent campaign which saw the product promoted in highly-targeted advertisements to pharmacists, healthcare practitioners and consumers in major cities around the country.

VivaGel® BV is licensed in more than 160 countries and Starpharma's partner in the majority of these countries is Mundipharma – which has a global network and a leading position in feminine care in these markets. In June, Mundipharma launched VivaGel® BV as Betadine™ BV in several countries in Europe, including Germany. This launch triggered a milestone payment of US$0.5 million (A$0.7 million) and Starpharma is eligible to earn total milestones up to US$24.7 million, plus revenue share, for this and all territories under Mundipharma's licence.

AUSTRALIAN VIVAGEL® BV PRODUCT

Further roll-out in additional European countries is expected during CY2019 and the region represents a large commercial opportunity, with access to more than 260 million women.

Regulatory processes are well advanced in a number of other countries, with further regions expected to launch during the balance of 2019 and 2020.

During the year, Starpharma signed a licence for the sales and marketing rights for VivaGel® BV in the US to ITF Pharma, Inc. Under the licence, Starpharma is eligible to receive up to US$101 million in milestone payments in addition to escalating double-digit royalties on sales. The milestones comprise US$20 million in regulatory approval milestones for two BV indications (treatment and prevention) and up to US$81 million in commercial milestones. ITF Pharma, Inc. is a US-based specialty pharmaceutical company with a focus on Women's Health products through its Womens Choice Pharmaceuticals Division.

The only remaining territories to be licensed for VivaGel® BV are India, Israel and Canada – for which commercial discussions are currently ongoing.

EUROPEAN VIVAGEL® BV PRODUCT

First Asian region approvals received and further regulatory processes are underway to support the global roll-out of VivaGel® BV in other regions, including the US, Asia & the Middle East

VivaGel® BV has recently received regulatory approvals in multiple South East Asian countries, with further registration reviews at an advanced stage throughout the region. Starpharma is working closely with Mundipharma on further regulatory submissions for VivaGel® BV in other countries and regions and these activities are being undertaken as quickly as possible to ensure rapid launches.

In parallel, Starpharma is also pursuing regulatory approval for VivaGel® BV in the US. During the year, Starpharma received a request from the FDA for confirmatory clinical data prior to approval. A meeting was held with the FDA, at which time several potential strategies were identified. Starpharma has been working through these options with its team of expert FDA consultants, statisticians, Key Opinion Leaders and advisors.

As part of its evaluation of the options, Starpharma is seeking regulatory and legal advice on the avenues available for review of some of the conclusions reached by the FDA. Other options include generating confirmatory clinical data through an additional BV treatment trial. Should it be determined that a new clinical trial is the best strategy, Starpharma would be in a position to commence a BV treatment trial quickly. Starpharma's focus remains to pursue the most expeditious and efficient path to approval.

VivaGel® condom launched in Japan under Okamoto's '003' brand

In June 2019, Okamoto launched the VivaGel® condom in Japan under its leading and highly successful '003' brand. This is the first condom with an anti-viral coating in Japan and will carry the VivaGel® brand. The 003 refers to the thinness of the condom and is recognised as a 'super thin' standard of latex.

Okamoto is Japan's leading marketer of condoms with a dominant share of the Japanese condom market – and a strong record in the successful commercialisation of innovative products. Starpharma is eligible to receive royalties based on sales of the VivaGel® condom and also revenue on supply of SPL7013 active. Starpharma received first receipts from Okamoto in April.

DEP® drug delivery

Starpharma's innovative nanoparticle DEP® platform has the potential to create improved versions of anti-cancer therapies but with fewer side effects and improved effectiveness – and not just for cancer treatments but for drugs that treat a range of diseases.

The benefits of patented DEP® products are the result of the particle size and novel, highly-controlled structure. The DEP® technology has great potential for improving patient health while creating significant commercial value for partners and investors.

Improved efficacy[1]

DEP® improves anti-cancer efficacy through better drug targeting and improved pharmacokinetics.

Reduced side-effects[1]

DEP® reduces important side effects such as bone marrow toxicity / low white blood cells (neutropenia) and alopecia (hair loss). DEP® makes drugs more water soluble and removes the need for toxic detergents in current formulations.

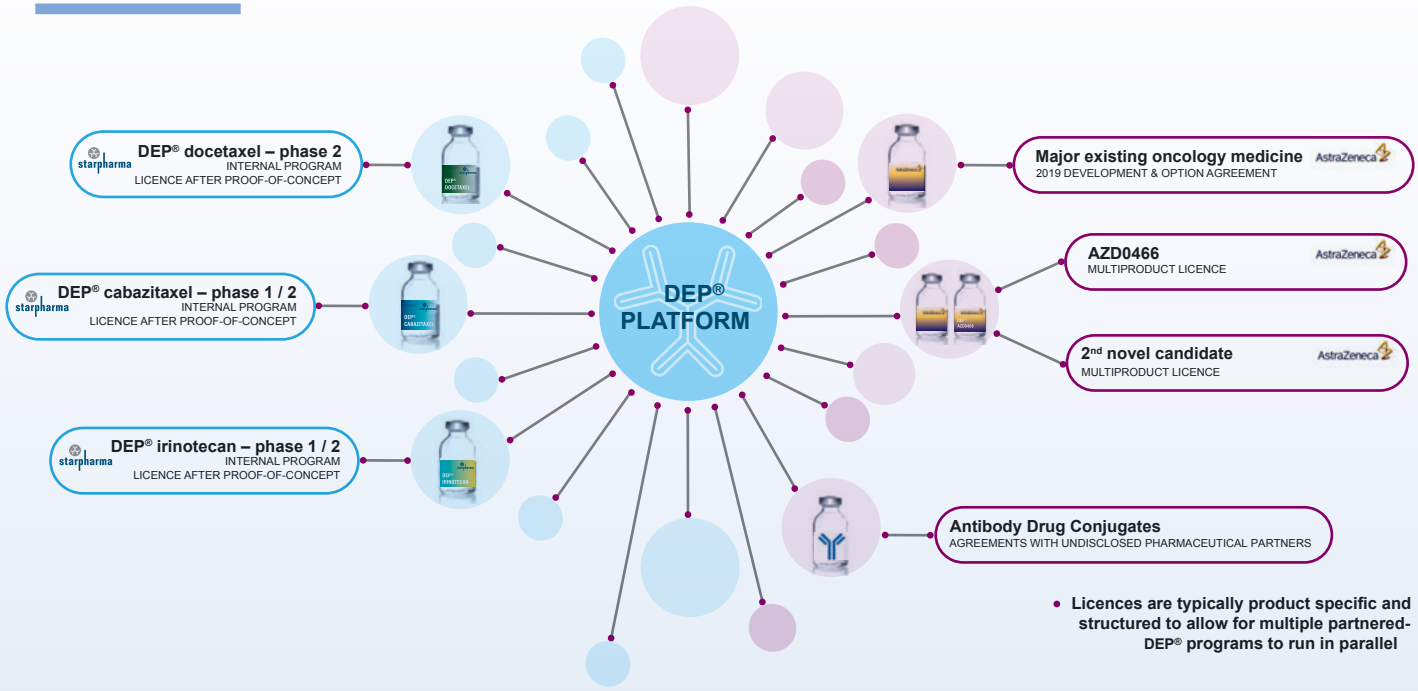
Patent life

In addition to the therapeutic and clinical benefits, DEP® also provides valuable commercial benefits by creating new intellectual property and extending patent life. This is of value for both new drugs but also for extending the patents for improvements to existing products.

Benefits in combination[1]

DEP® products are ideal candidates for combination therapy including with immuno-oncology (IO) agents and other chemotherapy. DEP® products show synergistic benefits over the original versions and given they do not require pre-treatment with cortisone, they are particularly well suited to combine with IO.

[1] Multiple preclinical studies have established improved efficacy, survival and safety with DEP® with many different drugs; clinical trials underway.



Starpharma's DEP® platform remains available for many further partnerships

Starpharma's DEP® platform enhances the commercial and therapeutic value of a wide range of drugs, making it a highly valuable partnering technology

The value of the DEP® platform offers significant optionality, not only for Starpharma's internal candidates but through making it available under licence to partners. DEP® has broad applicability to different types of drugs and it's estimated that a broad range of leading drugs would be amenable to DEP® dendrimer delivery.

There are multiple ways Starpharma and its partners can use the DEP® technology. One is as a lifecycle management tool to improve existing drugs to make them better to achieve continued sales and improved margins through differentiated product benefits and new intellectual property – and another is to use DEP® to enhance the features of novel drugs that may otherwise limit clinical use due to issues such as toxicity or insolubility.

Through its DEP® licences, Starpharma effectively has a free carried interest in its partners' DEP® programs and is entitled to receive significant development and commercial milestone payments and royalties.

AstraZeneca

"Building on our long-standing and successful working relationship with Starpharma, this agreement will enable us to further evaluate the potential of the DEP® technology with the aim of improving treatment outcomes for patients."

COMMENTING ON ASTRAZENECA'S DEP® DEVELOPMENT AND OPTION AGREEEMENT: DR SUSAN GALBRAITH, SENIOR VICE PRESIDENT, R&D EARLY ONCOLOGY, ASTRAZENECA

Starpharma has a number of partnerships with leading pharmaceutical companies, such as AstraZeneca. Starpharma's partnership with AstraZeneca includes a multiproduct DEP® licence which currently involves the development and commercialisation of two novel AstraZeneca oncology compounds, with potential to add more.

AstraZeneca's first DEP® conjugate, AZD0466 (a Bcl2/xL inhibitor), has been described as a potentially best-in-class drug with a broad combination opportunity in solid and haematological tumours.

During the year, the first patent for Starpharma's DEP® dendrimers with AstraZeneca's Bcl2/xL inhibitors was granted in the US. The patent provides AstraZeneca with US exclusivity until 2038, with the potential for up to 5 years' extension and represents an important commercial milestone. The granted patent includes promising data on DEP® Bcl2/xL inhibitor conjugates in various preclinical human tumour models, both alone and in combination with other leading current anti-cancer treatments and illustrates the synergistic potential of DEP®. AstraZeneca expects to commence clinical trials for AZD0466 later in the year, following allowance of their US FDA investigational new drug (IND) filing.

In June, Starpharma signed a Development and Option Agreement with AstraZeneca during the 2019 American Society of Clinical Oncology (ASCO) meeting in Chicago. This new commercial deal is for the development of a DEP® version of one of AstraZeneca's major marketed oncology medicines. This agreement culminated from a successful research program under which Starpharma identified a promising DEP® candidate with a number of potential benefits. Following completion of agreed preclinical studies by Starpharma, AstraZeneca has the option to licence the DEP® oncology drug candidate for an option exercise fee of US$5 million, plus industry standard development and commercialisation milestones and escalating royalties on sales.

PHOTO: STARPHARMA'S IN-HOUSE DEP® SCALE-UP FACILITIES

The DEP® platform has enabled Starpharma to build a deep internal pipeline of high-value oncology products

DEP® DOCETAXEL

DEP® docetaxel is a patented, detergent-free, enhanced version of the widely used anti-cancer drug Taxotere®, which had peak sales of US$3 billion.

A phase 2 program is underway for DEP® docetaxel, currently recruiting at four sites in the UK in lung cancer and a number of other tumour types.

The phase 2 program for DEP® docetaxel includes both a monotherapy arm and the use of the product in combination with Nintedanib. Both the monotherapy and Nintedanib combination arms continue to show encouraging efficacy signals, a notable lack of bone marrow toxicity (e.g. neutropenia) and other common side effects including hair-loss, anaphylaxis and oedema. Efficacy signals have been observed in tumour types typically treated with docetaxel and in tumour types not typically treated with docetaxel. Based on efficacy signals observed and investigator interest, some cohorts have been expanded and additional tumour types are being explored, including pancreatic cancer.

Further potential combinations are also being explored following interest from specialist oncologists in the impressive preclinical data and DEP® docetaxel's lack of bone marrow toxicity. In addition, given the lack of need for steroid pre-treatment, combinations with immuno-oncology agents are also under discussion.

DEP® CABAZITAXEL

DEP® cabazitaxel is a patented, detergent-free, version of leading cancer drug Jevtana®. Two UK sites are currently recruiting patients for the escalation phase of the 1 / 2 trial. Consistent with DEP® docetaxel, early efficacy signals have been observed in the trial.

The DEP® cabazitaxel phase 1 / 2 trial is underway at Guy's Hospital London and University College London Hospital, with patient recruitment moving to the 7th dose level.

The majority of patients have been dosed with multiple cycles of DEP® cabazitaxel. Encouraging efficacy signals have been observed in multiple patients including stable disease for more than 30 weeks and significant reductions in tumour biomarkers such as PSA (Prostate Specific Antigen).

Efficacy signals have been observed in tumour types for which cabazitaxel is approved (prostate) and other tumour types such as ovarian cancer which would represent an expansion of its current use. Responses have also been observed at doses several fold lower than typically used for cabazitaxel (during the dose-escalation phase). No dose-limiting or other significant toxicities associated with DEP® cabazitaxel have been observed including a notable lack of bone marrow toxicity which usually occurs in >90% of patients treated with Jevtana® (cabazitaxel).

DEP® IRINOTECAN

DEP® irinotecan is an improved version of irinotecan, which is widely used for colon cancer. Starpharma completed final preparations for the phase 1 / 2 trial for DEP® irinotecan, which received regulatory and ethics approval to commence in August.

The objectives of the trial are to evaluate the safety, tolerability and pharmacokinetics of DEP® irinotecan – to define a recommended phase 2 dose (RP2D), and then to determine anti-tumour efficacy of the product in select tumour types.

The trial will be conducted at multiple sites, with initial sites including leading UK cancer centres The Christie, The Royal Marsden and Newcastle Freeman Hospital. As the trial progresses, decisions will be made as to which tumour types to focus on and any additional patients required. Combination therapy approaches with DEP® irinotecan may also be investigated.

DEP® PIPELINE

The versatility of the DEP® platform means it can be used with a wide range of therapies (e.g. small molecules, peptides, antibodies, antibody fragments, radioisotopes).

Starpharma is developing several further DEP® candidates, with the most attractive of these selected for advancement. This includes a range of DEP® radiopharmaceutical candidates which are currently being tested in a variety of preclinical models. The company also has a number of targeted DEP® candidates in preclinical development.

DEP® drugs are ideal candidates for combination therapy

Combination therapies are widely used in oncology. Combination therapies potentially reduce drug resistance, while simultaneously providing enhanced therapeutic outcomes. The synergistic combination of two drugs allows for different mechanisms to be employed yielding superior efficacy however sometimes the toxicity of combining drugs can be limiting. Therefore, because DEP® products lack typical bone marrow toxicities this can create new opportunities for their use beyond the original form of the product.

During the year, Starpharma continued to add value to its DEP® portfolio through exploring DEP® products in combination with other marketed oncology agents. The company is planning to extend this into further clinical combinations in FY20 and already has additional preclinical combination studies underway.

During FY19, Starpharma presented preclinical results on a series of combination studies with each of its DEP® products. For example, in November 2018, Starpharma reported that DEP® docetaxel and DEP® cabazitaxel showed significant efficacy and safety benefits over gemcitabine (Gemzar®) alone, Abraxane® (Nab-paclitaxel) alone and gemcitabine/Abraxane® combination, in a human pancreatic cancer model.

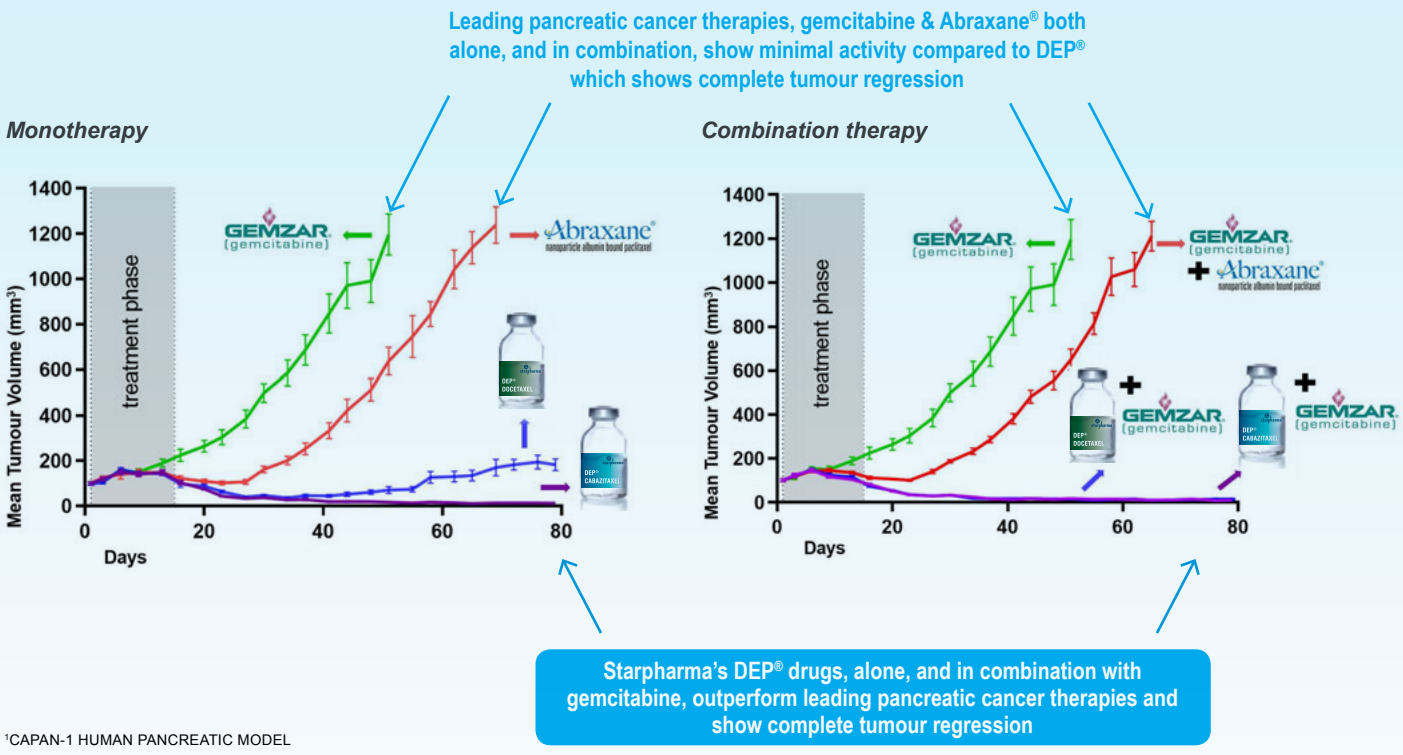
DEP® cabazitaxel, both alone and in combination with gemcitabine, showed complete tumour regression and 100% survival. DEP® docetaxel, alone, and in combination with gemcitabine, significantly outperformed gemcitabine and/or Abraxane® and showed 100% survival.

These impressive DEP® efficacy results were despite the fact that standard pancreatic cancer treatments, gemcitabine and/or Abraxane®, showed limited activity in this model. This exciting data is already feeding into the clinical development programs for DEP® docetaxel and DEP® cabazitaxel.

Similarly, a study with DEP® irinotecan showed impressive efficacy and safety benefits of DEP® irinotecan over standard irinotecan alone and in combination with 5-FU in a human pancreatic cancer model. DEP® irinotecan achieved complete tumour regression and 100% survival. These results are particularly impressive given that the challenging model used was virtually unresponsive to conventional irinotecan.

DEP® docetaxel & DEP® cabazitaxel outperformed both gemcitabine & Abraxane® in a human pancreatic cancer model[1]

DEP® outperforms current standard treatments



[1]CAPAN-1 HUMAN PANCREATIC MODEL

3 Year Financial Summary

	2019 $M	2018 $M	2017 $M
Revenue & other income	1.7	3.9	3.0
Interest revenue	1.0	1.1	0.6
Total revenue and other income	**2.7**	**5.0**	**3.6**
Expenditure	(17.0)	(15.3)	(18.8)
Loss from continuing operations	**(14.3)**	**(10.3)**	**(15.2)**
Profit/(loss) from discontinued operation	–	–	23.4
Profit/(loss) for the period	**(14.3)**	**(10.3)**	8.2
Net operating cash inflows/(outflows)	(10.3)	(10.2)	(17.0)
Net investing and financing cash inflows/(outflows)	(0.3)	(0.4)	32.7
Cash and cash equivalents at end of year	41.3	51.3	61.2

Overview of Financial Results

Revenue and other income for the year was $2.7 million, which included product sales, and royalties and milestones related to the market launch of VivaGel® BV in Australia and Europe, and the VivaGel® condom in Japan.

Starpharma reported a net loss of $14.3 million, compared to $10.3 million last year. The loss has increased, from the prior year due to FY18 including signature milestone payments of A$3.0 million for the licensing of VivaGel® BV for Europe, Asia, Latin America, the Middle East and Africa, combined with increased commercial and regulatory operating costs in FY19 related to the licensing and product launch of VivaGel® BV in multiple markets.

The net operating cash outflows for the year were $10.3 million which is comparable to the prior year of $10.2 million. Starpharma ended the financial year with a strong cash balance of $41.3 million.

Cash at 30 June 2019

$41.3M

Review and Future Outlook

I would like to take this opportunity to sincerely thank Starpharma's executive team, and every member of our staff and board, for their commitment this past year. We have achieved a series of significant milestones, which are a direct reflection of the expertise and dedication of our team.

We are very proud of what we have achieved this year, with international launches in our VivaGel® portfolio, new commercial deals with large pharmaceutical companies and exciting progress in both our internal and partnered DEP® programs.

Our committed staff take great pride in the fact that they are part of a small Australian company which has discovered and fully developed a novel, non-antibiotic therapy which will assist in the management of BV, a condition that affects around one in three women worldwide. In an era of antibiotic resistance, we are very pleased to provide women with a non-antibiotic treatment for BV and finally provide a way to manage recurrent BV.

It's been pleasing to have first revenues coming in from recent launches of VivaGel® BV in Australia and Europe and the VivaGel® condom in Japan. Whilst at an early stage, this is an important milestone for the company as we look forward to further market launches and revenue growth.

In the year ahead, we anticipate further exciting progress in our clinical stage DEP® products and in some cases expanding these programs to explore combination therapies and new indications. Internally, we continue to develop new DEP® candidates and build our portfolio of high value DEP® assets. These new candidates also include expansion into the exciting area of radiotherapeutics and targeted therapies.

Starpharma's strong balance sheet and anticipated growing revenues place the company in an excellent position for growth to leverage its expertise, its human capital and intellectual property portfolio to drive success and increase shareholder value.

We thank our shareholders and 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

PARTNERED LATE-STAGE PRODUCTS		VivaGel® BV licensed in >160 countries; launched in Europe and Australia
PARTNERED LATE-STAGE PRODUCTS		VivaGel® condom licensed broadly and launched in Japan, Australia and Canada
INTERNAL DEP® LICENCES FOLLOWING PROOF-OF-CONCEPT		Multiple clinical stage DEP® drugs in development creating multiple licensing opportunities; preclinical pipeline continues to build
PARTNERED DEP® LICENCES APPLICABLE TO MULTIPLE NEW OR EXISTING DRUGS		DEP® licences with AstraZeneca & other leading international pharmaceutical companies to apply DEP® to improve their new or existing drugs
EXPANDING LICENSING & CO-DEVELOPMENT OPPORTUNITIES		DEP® radiopharmaceuticals, targeted DEP® & SPL7013 ophthalmic drops for adenoviral conjunctivitis

CORPORATE AND 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 to the company achieving business success. To ensure Starpharma remains a safe, healthy, and attractive workplace for our employees, Starpharma has established workplace policies and practices. 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 well-being 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 and collegiate workplace. Policies assist Starpharma to ensure employees have engaging and satisfying roles and receive periodic feedback on performance and provide for ongoing training and career development.

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.

Approximately half of Starpharma's employees are female, and more than half of the leadership roles are held by females 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 15 different countries.

Employee equity 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.

At Starpharma, occupational health and safety is considered every employee's responsibility, and a safe working culture is promoted and actively encouraged. There is an active OH&S committee structure to eliminate, reduce or mitigate risks associated with Starpharma's activities. OH&S 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 US 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 2019.

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 AO, 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 a 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, a Fellow of the Australian Institute of Company Directors and a Fellow of the Royal Society of New South Wales.

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
825,000 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 more than 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. 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 a non-executive director of listed investment company Mirrabooka Investments Limited. She is a past member of the Federal Government's Commonwealth Science Council and Pharmaceutical Industry Working Group and the Federal Ministerial Biotechnology Advisory Council.

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
With more than 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
3,905,434 ordinary shares
3,835,087 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 13-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 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: Monash IVF Group Limited, Visioneering Technologies, Inc. and Pacific Smiles Group Limited.

Directorships of other ASX listed entities within the last three years: AirXpanders, Inc.

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: 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

179,821 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 2019, 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 2019 was $14,254,000 (2018: $10,285,000). The net operating cash outflows for the year were $10,344,000 (2018:$10,201,000).The cash balance at 30 June 2019 was $41,251,000 (June 2018: $51,319,000).

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 2019 (2018: Nil).

Review of operations

Key activities until the date of this report include:

VivaGel® Portfolio

- VivaGel® BV launched in Europe by Mundipharma, under the brand name Betadine BV™;
- VivaGel® BV launched in Australia by Aspen Pharmacare, under the brand name Fleurstat BVgel;
- VivaGel® BV was licensed to ITF Pharma, Inc for the US for milestones of up to US$101 million in addition to escalating royalties;
- First Asian regulatory approvals received for BETADINE™ BV Gel;
- VivaGel® condom launched in Japan under Okamoto's Zero Zero Three ('003') brand;
- US FDA completed its review of the VivaGel® BV NDA and advised it requires confirmatory clinical data prior to approval; and
- Positive independent market research was conducted in the US for SPL7013 ophthalmic drops for viral conjunctivitis and a patent was granted for the product.

DEP® Drug Delivery Platform

- Starpharma signed a Development and Option Agreement with AstraZeneca to progress the development of a DEP® version of one of their major marketed oncology medicines;
- First patent granted for Starpharma's DEP® dendrimers with AstraZeneca's Bcl2/xL inhibitors, including AZD0466;
- Clinical trials for DEP® docetaxel (phase 2) and DEP® cabazitaxel (phase 1 / 2) progressed well with new sites opened and cohorts expanded;
- Approval to commence DEP® irinotecan phase 1 / 2 trial;
- DEP® irinotecan, showed significant efficacy and safety benefits over leading colorectal cancer drugs irinotecan (Camptosar®) and cetuximab (Erbitux®), in the irinotecan-refractory HT-29 human colon cancer model;
- DEP® irinotecan showed impressive efficacy and safety benefits over standard irinotecan in combination with 5-FU in a human pancreatic cancer model;

Review of operations (continued)

- DEP® docetaxel & DEP® cabazitaxel outperformed both gemcitabine and Abraxane® in a human pancreatic cancer model; and
- A range of DEP® radiopharmaceutical and other DEP® candidates are undergoing testing in a variety of models.

VivaGel® Portfolio
During the year, Starpharma's breakthrough product for bacterial vaginosis (BV), VivaGel® BV, was launched in multiple regions and the VivaGel® condom was launched in Japan.

The Australian launch of VivaGel® BV in April 2019 was the first launch globally of VivaGel® BV. Marketed as Fleurstat BVgel by Aspen Pharmacare, it is the only BV treatment available over-the-counter (OTC) in Australia, without the need for a prescription.

VivaGel® BV was also launched by Mundipharma under their brand name Betadine BV™ in several countries in Europe, including Germany, and further roll-out in additional European countries is expected during CY2019. The launch of VivaGel® BV in Europe triggered a milestone payment of US$0.5 million (A$0.7 million) to Starpharma. Starpharma is eligible to earn total milestones up to US$24.7 million, plus revenue share, for all territories under Mundipharma's licence. In August 2019 the first Asian regulatory approvals were received for BETADINE™ BV Gel.

In December 2018, Starpharma signed a licence with ITF Pharma, Inc. for the sales and marketing rights to VivaGel® BV in the US. Under the licence, Starpharma will be eligible to receive up to US$101 million in regulatory approval and commercialisation milestones in addition to attractive tiered royalties on sales.

In late December, Starpharma received advice from the FDA that it will require confirmatory clinical data prior to approving VivaGel® BV in the US. Starpharma is reviewing the potential options to progress with the FDA and is focused on pursuing the most expeditious and efficient path to approval. As part of its evaluation of options, Starpharma is consulting with expert regulatory/legal advisers on the avenues available for review of some of the conclusions reached by FDA. Other options include generating confirmatory data through an additional BV treatment trial.

During the year, Starpharma achieved final regulatory approval for the VivaGel® condom in Japan. Okamoto launched the VivaGel® condom in June 2019, under its highly successful Zero Zero Three (003) brand. Starpharma is eligible to receive royalties based on sales of the VivaGel® condom and also revenue on supply of VivaGel® active. Starpharma received first receipts from Okamoto in April. Good regulatory progress was also made in other regions for the VivaGel® condom including for Europe and China.

DEP® Drug Delivery Platform
Starpharma uses its DEP® dendrimer technology to improve the performance and delivery of pharmaceuticals whilst creating new IP. 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 has three DEP® products: DEP® docetaxel, DEP® cabazitaxel and DEP® irinotecan – in clinical trials. Recruitment activities progressed well for DEP® docetaxel (phase 2) and DEP® cabazitaxel (phase 1 / 2), with new sites opened to support recruitment. Efficacy signals have been observed in a number of patients and both products continue to exhibit a notable lack of bone marrow toxicity and other common side effects including hair-loss, anaphylaxis and oedema. A phase 1 / 2 clinical trial recently commenced for DEP® irinotecan, in patients with advanced solid tumours, including for colon and pancreatic cancer. Initial sites will include The Christie, The Royal Marsden and Newcastle Freeman Hospital.

Starpharma has a number of further DEP® products being developed internally, including a range of DEP® radio-pharmaceutical candidates which are undergoing testing in a variety of models.

In its partnered DEP® programs - Starpharma signed a new commercial agreement with AstraZeneca to progress the development of a DEP® version of one of their major marketed oncology medicines. Following completion of agreed preclinical studies by Starpharma, AstraZeneca has the option to licence the DEP® oncology drug candidate for an option exercise fee of US$5 million, plus industry standard development and commercialisation milestones and escalating royalties on sales. This is the second commercial oncology DEP® agreement with AstraZeneca and is separate to the existing multiproduct licence under which AZD0466 is being developed.

AZD0466 is a DEP® Bcl2/xL inhibitor conjugate, with broad combination potential being evaluated in both solid and haematological tumours (blood cancers). A US FDA investigational new drug application (IND) is planned for AZD0466 in the near future with the product expected to enter the clinic in 2019. During the year, the first patent for Starpharma's DEP® dendrimers with AstraZeneca's Bcl2/xL inhibitors was granted in the US, providing exclusivity until 2038, and the potential for up to five years' extension.

The company also progressed its other partnered programs during the year. Starpharma also has 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 2019 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 and healthcare 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. Starpharma has extensive expertise, a 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 and VivaGel® revenues 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 2019 $'000	30 June 2018 $'000
Revenue	2,708	4,884
Cost of goods sold	(251)	-
Other income	12	73
Research and product development expense	(10,454)	(10,576)
Commercial and regulatory operating expense	(3,774)	(2,425)
Corporate, administration and finance expense	(2,495)	(2,241)
Loss for the period	**(14,254)**	**(10,285)**

Income statement

The reported loss for the period was $14,254,000 (2018: $10,285,000) reflecting the expensing of research and development expenditure for the VivaGel® and DEP® programs.

Total revenue and other income for the year was $2,720,000 (2018: $4,957,000), comprising revenue of $1,651,000 (2018: $3,812,000) for licensing, royalty and research revenue, interest income of $1,057,000 (2018: $1,072,000) and other income of $12,000 (2018: $73,000). The current year revenue includes the initial product supply, royalties and milestones related to the market launch of VivaGel® BV in Australia and Europe and the VivaGel® condom in Japan. The decrease in revenue from the prior year is primarily due FY18 including signature milestone payments of $2,955,000 for the licensing of VivaGel® BV for Europe, Asia, South America, Middle East and Africa.

Research and product development expense includes the costs of the internal DEP® drug delivery programs, and certain VivaGel® BV related expenditure. R&D expenses were at similar levels to the prior year with ongoing clinical expenditure on DEP® docetaxel, and DEP® cabazitaxel, as well as initial expenditure for DEP® irinotecan.

A contra research and development expense of $5,071,000 (2018: $4,056,000) has been recorded for research and development activities eligible under the Australian Government's R&D tax incentive program. The increase reflects the additional expenditure on the DEP® internal programs.

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. The increase in the year reflects internal and external costs related to commercial licences and the launch of VivaGel® BV in multiple markets.

Corporate, administration and finance expense includes corporate costs, as well as gains/losses on foreign currency held. The increase over the prior corresponding period predominately reflects a lower foreign currency gain in the year.

Balance sheet

At 30 June 2019 the group's cash position was $41,251,000 (June 2018: $51,319,000). Trade and other receivables of $6,159,000 (June 2018: $6,134,000) includes $4,898,000 (June 2018: $3,847,000) receivable from the Australian Government under the R&D tax incentive program and $1,009,000 (2018: $2,065,000) receivable from customers for product supply and milestones, such as Mundipharma for VivaGel® BV in Europe. Trade and other payables have increased primarily on higher accruals associated with the three DEP® internal clinical trial programs.

Statement of cash flows

The net operating cash outflows for the year were $10,344,000 (2018: $10,201,000). During the financial year, $4,019,000 (2018: $3,747,000) was received from R&D tax incentives associated with eligible expenditure and activities from the prior financial year, and the VivaGel® BV European licence milestone of US$1.5M.

Earnings Per Share

	2019	2018
Basic & diluted earnings/(loss) per share	($0.04)	($0.03)

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 part-funded by incentive programs (eg. R&D tax credits) and other under competitive grants. 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 2019 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 2019, 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 2019 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) Approach to setting and reviewing remuneration
    b) Remuneration principles and strategy
    c) Details of executive equity incentive plans
    d) Grant of equity incentives to KMP executives in FY19
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 45) 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 Key Performance Indicators (KPIs) 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 FY19 remains largely consistent with the previous period, comprising fixed remuneration, short-term incentives (STI) in both cash and equity, and equity based long-term incentives (LTI). As communicated in previous years, the strategy and structural improvements implemented in 2015 included an increase of the relative portion of LTI for executives thereby reducing the proportion of fixed pay and short-term incentives. This was further strengthened in FY18 where the target LTI equity portions of total remuneration were increased to arrive at the current target remuneration mix is outlined on page 24.

The number of rights awarded in the STI and LTI each year, as determined by the Board, is calculated on the face value based on the 3 month volume weighted average price (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. Following a number of achievements in early FY19, Starpharma's share price increased resulting in the quantum of remuneration associated with performance rights being 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. For instance, for the CEO the fair value at grant date, being the 2018 AGM, of $1.48 represents a 21% increase over the 3 month VWAP to 30 June 2018 face value of $1.22.

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 2019. 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 competitive 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;
- Motivate and reward superior performance by the executive team whilst aligning these to the interests of shareholders; and
- Create a respectful culture of performance and innovation through appropriately structured individual assessments.

Benchmarking
Extensive salary and remuneration benchmarking is undertaken by Starpharma each year for executive and non-executive positions. 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.

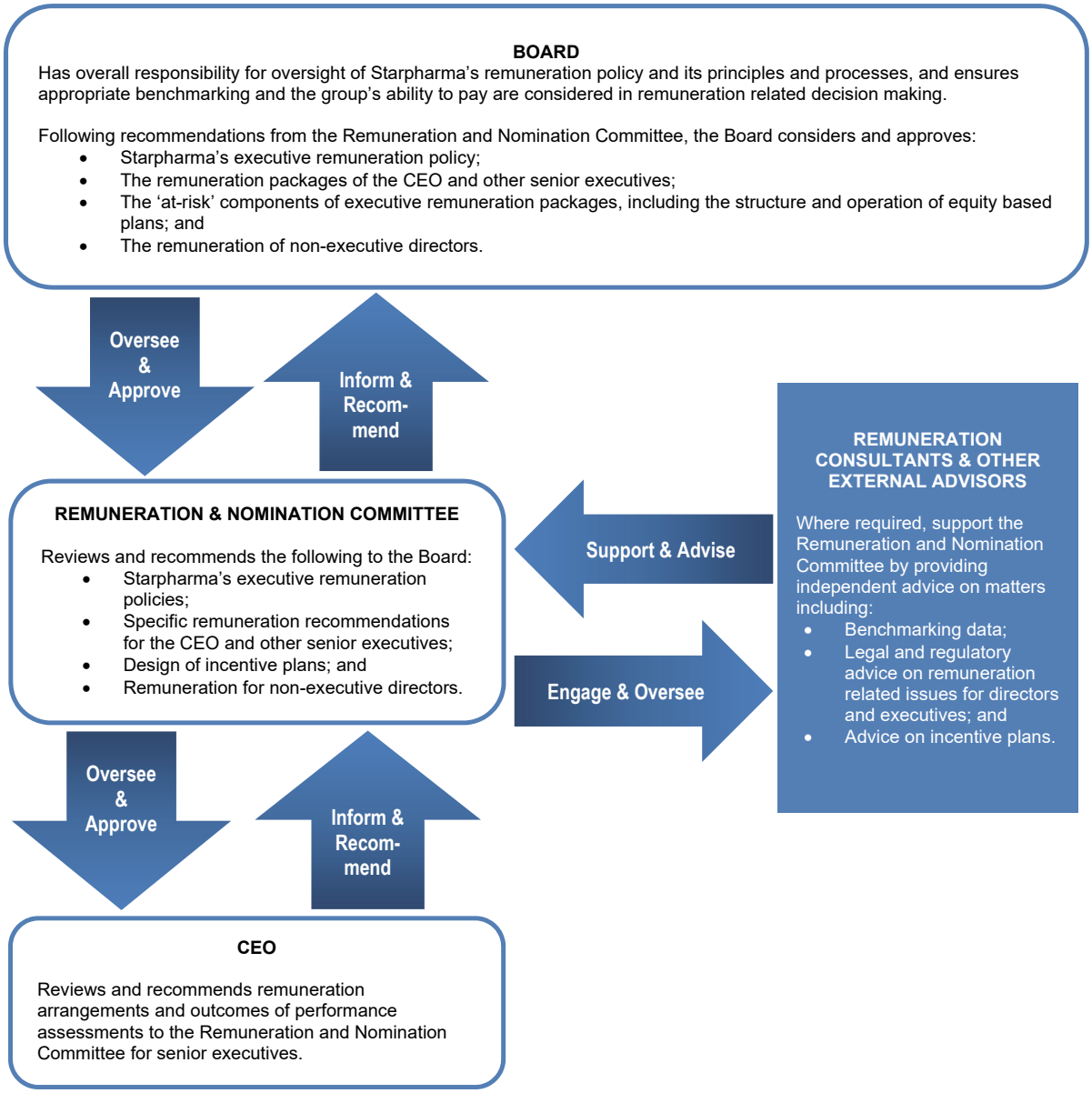
Performance reviews
At the beginning of a performance period all staff have KPIs set, specific to their role. At the conclusion of the performance period a performance review against these KPIs is conducted and this feeds into the annual salary review process. The performance reviews consider behavioural 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 based on performance, 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 2018 Annual General Meeting (AGM)
Of the votes cast on the company's remuneration report for the 2018 financial year, over 96% 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.

3. Non-executive director remuneration policy

Determination of fees and the maximum aggregate fee pool
The Board seeks to set non-executive directors' fees at a level which provides the group with the ability to attract and retain non-executive directors of the highest calibre with relevant professional expertise. 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 a group of comparable peer 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 2019 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 FY19
The aggregate amount paid to non-executive directors for the year ended 30 June 2019 was $355,500 (2018: $349,500). The details of remuneration for each non-executive director for the years ended 30 June 2019 and 30 June 2018 are outlined in the tables in section 6.

Proposed fee adjustments for FY20
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 2019 be increased to $134,000 and $68,000 respectively. The amounts for both committee chairs will increase to $10,500 and the fee for committee members remains unchanged. The proposed fees, compared to the current FY19 levels represent an overall increase of 3.5% and are outlined in the table below.

Annual Non-Executive Directors' Fees		Proposed Fees from 1 July 2020	Actual Fees to 30 June 2019
Board fees		**$**	**$**
Chair (no additional fees for serving on Board committees)		134,000	130,000
Base fee for other non-executive directors		68,000	65,500
Committee fees			
Audit and Risk Committee	Chair	10.500	10,000
	Member	4,500	4,500
Remuneration and Nomination Committee	Chair	10,500	10,000
	Member	4,500	4,500

4. Executive remuneration policy

a) 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, whilst being market competitive and enabling the company to retain staff whilst structuring awards which 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 for FY19 with reference to industry peers, together with, where appropriate, other benchmarking reports which apply to specific positions. A group of peer companies were included in the benchmarking exercise for FY19, from within the pharma/biotechnology sector. These peer companies included Acrux, AirXpanders,Bionomics, Clinuvel, IDT Australia, Impedimed, Mayne Pharma, Medical Developments International, Mesoblast, Nanosonics, Pharmaxis, Phosphagenics, Prana Biotechnology, Reva Medical, Sirtex Medical, Universal Biosensors and Viralytics. Several of the peer companies included for benchmarking for FY19 have been the subject of takeover activity or are no longer operating. Starpharma reviews and develops this benchmark list of peer companies annually to add and remove companies based on their current operations; their size; market capitalisation; and the complexity of their business. For some executive roles it may be necessary to add or modify the composition of the peer group to ensure comparable roles are benchmarked.

In reviewing the benchmarking data and determining the level of CEO pay, the Board considers the experience and 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 FY19 was $242,500, which represented a target of 15% 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 FY19, the STI target cash bonus pool for other KMP executives was 25% 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.

4. Executive remuneration policy (continued)

b) 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

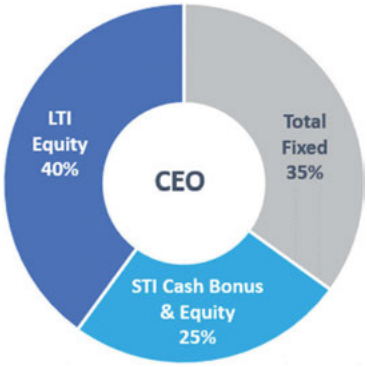
Attract, motivate and retain high performing individuals

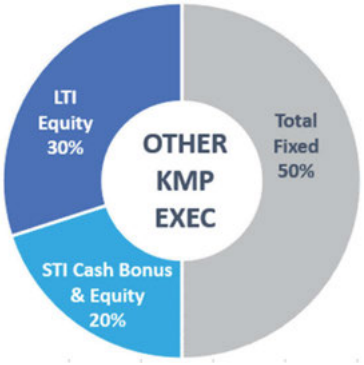
- The remuneration offering is competitive for companies of similar size and complexity within the industry through benchmarking
- The mix of short and longer-term remuneration encourages retention and performance across multiple years as appropriate for the lifecycle of the group

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 diagrams 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. This was further strengthened in FY18 where the target LTI equity as a proportion of total remuneration was again increased to further align executives with long term outcomes. 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 the desired level to ensure management remain focused on long term outcomes.

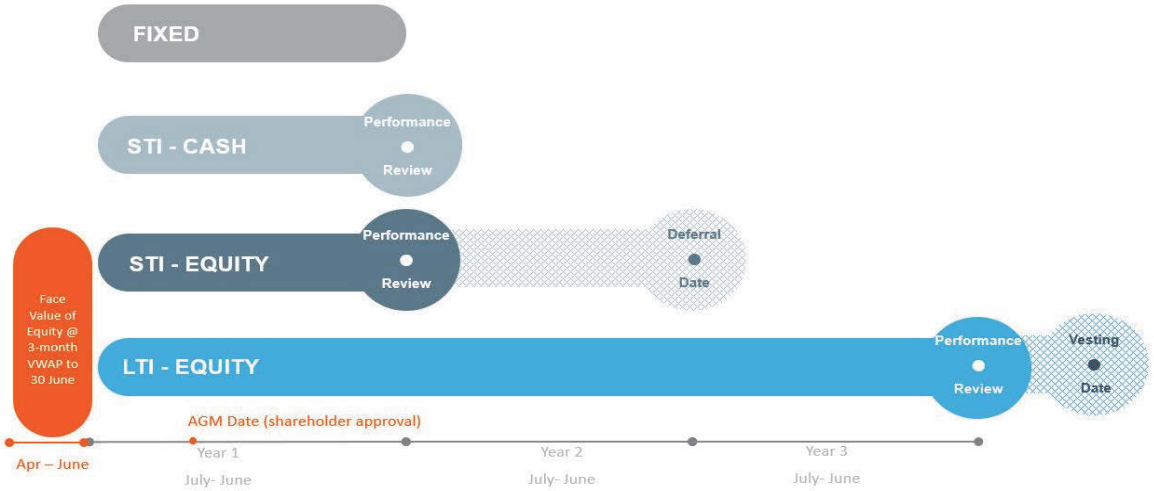
Target Remuneration Mix





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 FY19 and is consistent with the prior year. The timeline and structure of the proposed performance related pay to be granted in FY20 to executives is consistent with this structure.



c) 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. The STI is 'at risk' remuneration and subject to achieving relevant 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 at a similar stage of their life cycle. During FY19 the CEO and executives were awarded STI equity with a 1 year performance period (1 July 2018 to 30 June 2019), with a deferred vesting date of 30 June 2020 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 on target; and within 2% for all other KMP executives (average 21%) for FY19. The CEO STI opportunity for FY19 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 FY19, 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 FY19 equated to an average of 14% of total remuneration or an average of 28% of total fixed remuneration, based on the achievements in the year.
What are the STI performance conditions for FY19?	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 FY19, 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 27.

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?	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 common practice for companies at a similar stage of their life cycle. 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. The LTI is 'at-risk' remuneration and subject to achieving the relevant KPIs.

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 FY19 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 FY19 was 41% of total remuneration. For other KMP executives, the LTI opportunity for FY19 was ~30% of total remuneration. As outlined in section 4 of the remuneration report, the target LTI opportunity is 40% and 30% of total remuneration for the CEO and other KMP executives, respectively.
What are the LTI performance conditions for rights granted in FY19?	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 2019 these were: • The monetisation of the VivaGel® and Drug Delivery portfolios represented by the completion of a number of commercial deals that build shareholder value and/or generate income; and • The development of new DEP® candidates and/or the licensing of DEP® 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, relative TSR is considered a relevant performance condition in respect of LTIs. The relative 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 relative 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. Each year, the Remuneration and Nomination Committee, and the Board, review the suitability of the Index as a comparator. To achieve the full relative 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 relative 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 relative 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 relative 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 relative 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. Relative TSR is calculated independently by a professional services firm with specialist expertise.
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.

d) Grant of equity incentives to KMP executives in FY19

In FY19, the Board determined the number of rights granted for STI and LTI equity based on the face value of rights (see below) and the target remuneration mix as set out on page 24.

Starpharma uses and reports face value for determining the allocation of equity as it provides transparency on the value of the allocations compared with fair value. This practice reflects the increasingly accepted view by industry that presenting remuneration equity at face value provides a more accurate representation of the true value of that equity and for users to understand the value of these awards.

The face value of each right is based on the VWAP of the company's shares traded on the ASX over the 3 month period to 30 June 2018, which reflects the beginning of the performance period. 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 relative TSR performance condition. The face value is not adjusted for changes (increase or decreases) in share price post 30 June, which has been the practice since 2015. The face value for each right was $1.2224.

The below tables summarise the equity incentives granted in FY19:

		Deferred STI equity	LTI equity
	Performance Period	1 July 2018 to 30 June 2019	1 July 2018 to 30 June 2021
	Deferral Period	12 months from end of performance period	Not applicable
	Vesting Date	30 June 2020	30 September 2021
	Face Value per Right	Based on 3 month VWAP to 30 June 2018 of $1.2224	
	Method for calculating number of rights	Total value of grant at face value divided by the face value per right	
J K Fairley (CEO and Managing Director)	Face Value of grant	$165,000	$659,999
	Number of Rights	134,980	539,921
	Fair value per AASB2[#]	$199,096	$740,696
	Performance Conditions	100% Corporate KPIs	70% Corporate KPIs 30% relative TSR performance
J Paull (Other KMP Executives)	Face Value of grant	$51,585	$206,341
	Number of Rights	42,200	168,800
	Fair value per AASB2[†]	$53,231	$202,452
	Performance Conditions	70% Business Unit KPIs 30% Corporate KPIs	70% Business Unit KPIs 15% Corporate KPIs 15% relative TSR performance
N J Baade A Eglezos D J Owen (Other KMP Executives)	Face Value of grant	$47,185	$188,739
	Number of Rights	38,600	154,400
	Fair value per AASB2[†]	$48,690	$185,181
	Performance Conditions Performance Conditions (% of Face Value)	70% Business Unit KPIs 30% Corporate KPIs	70% Business Unit KPIs 15% Corporate KPIs 15% relative TSR performance
Other Vesting Conditions	Remains employed until the vesting date and has not engaged in fraud or dishonesty		

[#] 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. Starpharma's accounts are required under Australian Accounting Standards to show a fair value calculation, hence its' inclusion in the table above.

[†] The grant date to calculate the fair value of the award under AASB2 is the date when the performance rights were offered. Starpharma's accounts are required under Australian Accounting Standards to show a fair value calculation, hence its' inclusion in the table above.

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 relative to 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.

	FY19	FY18	FY17	FY16	FY15
Closing price 30 June	$1.36	$1.17	$0.73	$0.645	$0.73
Share price high	$1.66	$1.67	$0.88	$0.98	$0.99
Share price low	$0.87	$0.71	$0.59	$0.54	$0.41
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
% 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%	0%	13%	50%	21%

Fixed remuneration:
The average increase in KMP executive fixed remuneration for FY19 was 3.2% (FY18: 3.2%). 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 FY19 for the CEO

	STI Cash ($)	STI Equity (# of Rights)
Maximum Available	$242,500	134,980
STI Achieved	$202,488	112,708
% Achieved	83.5%	83.5%

STI awards (cash and equity) for the CEO in FY19 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 83.5% of STI awards for the performance period 1 July 2018 to 30 June 2019. The KPIs are reviewed and updated annually.

Summary of performance pay related to FY19 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 an average performance assessment of 88% of STI awards (between 85% and 90%) for the performance period 1 July 2018 to 30 June 2019.

Long-term incentives (LTI):

Summary of performance pay for the CEO for the three years ended 30 June 2019

	LTI Equity (# of Rights)	% Achieved
Maximum Available	**876,978**	
LTI Achieved		
KPIs for 3 years to 30 June 2019	506,494	94.3%
Relative TSR for 3 years to 30 June 2019	339,787	100.0%
Total LTI Achieved	846,281	
% Achieved	96.5%	

Performance assessment of relative TSR for the three years ended 30 June 2019

The company's TSR was tested against the performance of the S&P/ASX300 Index for the three-year performance period ended 30 June 2019. The company's TSR over the period was 82.2% compared with an Index TSR over the period of only 26.4%. The company's annualised TSR for the period was 22.1% compared to the S&P/ASX300 Index annualised TSR of 8.1% well above the additional 10% per annum required. As a result, 100% of the relative 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 2019	3 years to 30 June 2018
Starpharma annualised TSR	22.1%	21.4%
Index annualised TSR	8.1%	4.4%
Starpharma outperformance of Index (annualised over 3 years)	14.0%	17.0%
% of relative TSR awarded	100%	100%

Summary of performance pay for other KMP executives for the three years ended 30 June 2019

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 relative 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 2016 to 30 June 2019 for determining LTI awards.

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

STI Performance Assessment		Performance period 1 July 2018 to 30 June 2019	
Performance category	**Metric**	**Weighting**	**Satisfied**
Regulatory activities for VivaGel® BV	Advance further VivaGel® BV registrations in multiple countries, with priority given to major markets	15%	Partially Met
Commercialisation of VivaGel® BV	Sign a licence for VivaGel® BV for the US; launch VivaGel® BV in at least two regions; whilst optimising returns	26%	Met
Other VivaGel® products	Progress with regulatory and commercialisation activities (including for other opportunities e.g. ophthalmology)	5%	Partially Met
Clinical stage internal DEP® programs	Progress with clinical trials for DEP® docetaxel, DEP® cabazitaxel and DEP® irinotecan, including expansion in relation to further indications and combination therapies, in parallel with partnering discussions	20%	Partially Met
Preclinical DEP® candidate(s)	Advanced preclinical studies on another DEP® candidate, in preparation for clinical trials; and develop the DEP® internal pipeline with further DEP® product candidates	10%	Met
Partnered-DEP® programs	Progress with existing partnered-DEP® programs and/or expanded field/products and/or progress with new partnering deals	16.5%	Partially Met
Capital management, culture and leadership	Manage company's capital in a prudent manner to create value, increase recurrent revenues and maintain and develop a highly results oriented culture with exceptional leadership	7.5%	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 VivaGel® BV regulatory activities, including:
  - Starpharma obtained European approval for a second BV indication (for the prevention of recurrent BV) to enable VivaGel® BV to be marketed more broadly in Europe.
  - Extensive interactions with the FDA following formal acceptance of the NDA; Support of multiple FDA clinical site inspections, as well as an FDA inspection at Starpharma.
  - NDA review resulted in no nonclinical (safety) or chemistry, manufacturing, or quality control issues.
  - NDA not approved on first cycle review following FDA's request for further clinical data for VivaGel® BV, a meeting was held with the FDA, for which substantial additional data analyses were provided to the FDA.
  - Successful completion of other regulatory audits to support regulatory approvals/submissions in other jurisdictions.
  - Starpharma provided extensive support to its partners with activities to register VivaGel® BV in several regions as quickly as practicable including in Asia, the Middle East and Africa.
- Licensed VivaGel® BV to ITF Pharma for the US market, up to US$101M in milestones plus ascending double-digit royalties.
- VivaGel® BV launched in two regions during the year – in Europe and Australia. Starpharma actively supported both partners Aspen Pharmacare (Fleurstat BVgel) and Mundipharma (Betadine® BV) to launch products as rapidly as possible.
- Extension of product and material supply arrangements to support global commercialisation.
- Regulatory approval and launch of the VivaGel® condom in Japan, and made regulatory progress in China, Europe and other markets.
- Positive interim results from the DEP® docetaxel phase 2 trial and DEP® cabazitaxel including encouraging efficacy signals and a notable lack of bone marrow toxicity (e.g. neutropenia) and other common side effects including hair-loss, anaphylaxis and oedema. Additional indications, sites and combinations advanced.
- DEP® irinotecan trial: CRO appointed, sites selected, regulatory approval achieved and ethics review near final. All necessary trial documents finalised to support trial commencement as soon as possible.
- Conducted an extensive series of pre-clinical combination studies for DEP® docetaxel, DEP® cabazitaxel and DEP® irinotecan, with very positive results – which informs trial design and partnering discussions and further builds the value of DEP®.
- Developed additional DEP® products, initiated preclinical development, and commenced a DEP® radiopharmaceuticals program.
- Signed a Development and Option Agreement with AstraZeneca to progress a DEP® version of one of AstraZeneca's major existing oncology medicines.
- Progressed DEP® partnered programs including support for the preparation of an IND for AZD0466, prior to commencing clinical trials in CY2019.
- First partnered DEP® patent granted for Bcl2/xL DEP® candidates including AZD0466 in the US.
- Progressed with partnered Targeted DEP® programs and pursued other partnered-DEP® programs.
- Attained a very robust financial position and maintained Starpharma's stable, highly dedicated and skilled work-force.

In the assessment of STI KPIs, the Board took account of the significant achievements obtained over the performance period and the effort and dedication required to accomplish these milestones. These achievements include the successful launch of VivaGel® BV in Europe and Australia and securing a further international licence, for the US, in addition to several DEP® milestones, across both the internal and external portfolio including positive interim trial results for internal products, new candidates, a new commercial deal with AstraZeneca and granting of valuable new DEP® patents.

LTI Performance Assessment		Performance period 1 July 2016 to 30 June 2019	
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 and regulatory activity that build shareholder value and generate income.	40%	Partially Met
DEP® Platform	Development of new product candidates for the DEP® platform technology and/or the licensing of such candidates.	30%	Partially Met
Relative 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 not disclosed were also taken into account):

- ***VivaGel® BV, Drug Delivery & Agrochemicals***:
  - Signed a second commercial agreement with AstraZeneca to progress a DEP® version of one of AstraZeneca's major existing oncology medicines.
- Achieved launch of VivaGel® BV in Australia and Europe.
- Successfully licensed VivaGel® BV to ITF Pharma, Inc. for the US market for US$101M in milestones plus ascending double-digit royalties.
  - 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).
- Sold the agrochemicals business to Agrium Inc for $35 million.
  - Onset of recurrent revenue from Aspen, Mundipharma and Okamoto.
  - Achieved TGA approval for VivaGel® BV in Australian and added a second BV indication to European approval, for the prevention of recurrent BV.
  - VivaGel® condom was approved and launched in Japan and Canada.
  - VivaGel® BV NDA prepared, submitted, subsequently accepted for filing.
  - Achieved Fast Track Status and Qualified Infectious Disease Product designation granted by the FDA.
  - 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.
  - Supported the IND preparation and final preclinical work completed for AZD0466 ahead of IND filing (first IND to be filed for a DEP® product) and trial expected to start in CY2019.
- 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. This facility has already provided significant savings for internal programs and revenues from manufacture of DEP® candidates for partner programs.
- ***DEP® Platform***:
- DEP® docetaxel phase 1 trial was successfully completed in FY18, with a phase 2 trial commencing immediately after.
- Two further DEP® drugs have been developed: DEP® cabazitaxel commenced phase 1 / 2 trial in FY18 and DEP® irinotecan commenced a phase 1 / 2 trial in August 2019.
- Partnering discussions underway for several internal DEP® candidates with licences to be pursued at the most appropriate time to maximise commercial value.
- Other preclinical DEP® candidates have been developed and are currently preclinical development.
- Development of DEP® radiopharmaceutical and targeted DEP® candidates currently undergoing preclinical testing.
- ***Relative 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 2019. The company's annualised TSR for this period was 22.1% compared to the S&P/ASX300 Index annualised TSR of 8.1%, well above the additional 10% per annum required.
- The relative TSR is calculated independently by a professional services firm and more information regarding the relative 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.

2019	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	74,500	–	–	–	–	–	74,500
Z Peach	68,950	–	–	6,550	–	–	75,500
P R Turvey	68,950	–	–	6,550	–	–	75,500
Executive director							
J K Fairley	491,564	202,488	35,081	20,531	13,453	980,260	1,743,377
Other Key Management Personnel (group)							
N J Baade	214,738	76,000	36,700	20,531	2,079	201,322	551,370
A Eglezos	244,475	80,000	7,529	20,531	2,566	204,064	559,165
D J Owen	232,678	70,000	22,073	20,531	2,277	203,047	550,606
J R Paull	218,479	80,000	42,633	20,531	7,591	230,888	600,122
Totals	1,733,055	508,488	144,016	127,034	27,966	1,819,581	4,360,140

† 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 FY19 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 2018 to 30 June 2019. The actual cash payment of the bonuses will occur in the following financial year.

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.

The relative proportions of remuneration for 2019 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%	14%	7%	21%	29%
A Eglezos	Actual	50%	14%	7%	21%	29%
D J Owen	Actual	50%	13%	7%	20%	30%
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.

As depicted in the table above, the actual remuneration mix for the CEO and other KMP executives for FY19 were within 4% of all target ranges.

Non-statutory Executive Remuneration
The non-statutory executive remuneration is the remuneration earned by KMP executives in FY19 and is set out below with calculations of equity value both at the vesting date and based on the face value at the beginning of the relevant performance period. Starpharma discloses non-statutory remuneration voluntarily because it includes the face value of equity that vested in FY19. For LTI equity, the reported value reflects the KMP executive performance over three years, the residual four year transitional rights, and the significant impact of an increase in the share price of 210% - 350% over the 3 to 4 year period.

The table differs from the remuneration details prepared above in this section 6 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.

2019

Name	Fixed remuneration (1)	STI cash paid in FY19 (2)	STI equity vested in FY19 based on face value (3)	STI equity vested in FY19 based on share price at vesting date (4)	LTI equity vested in FY19 based on face value (3)	LTI equity vested in FY19 based on share price at vesting date (4)	Total non-statutory remuneration earned based on face value of equity (3)	Total non-statutory remuneration earned based on share price at vesting date (4)	Total remuneration per Accounting Standards (5)
	($)	($)	($)	($)	($)	($)	($)	($)	($)
J K Fairley	547,176	206,800	140,800	270,200	571,751	1,342,197	1,466,527	2,366,373	1,743,377
N J Baade	271,969	68,000	39,887	76,545	170,361	407,761	550,217	824,275	551,370
A Eglezos	272,535	72,000	41,486	79,613	170,680	408,509	556,701	832,658	559,165
D J Owen	275,282	68,000	39,887	76,545	171,956	411,506	555,125	831,333	550,606
J R Paull	281,643	74,000	46,425	89,091	211,325	505,492	613,393	950,226	600,122

[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 FY19 reflects the FY18 STI paid in October 2018 following the release of the FY18 results.

[3] Value of equity rights that vested during the year, based on the face value of the performance rights based on the 3 month VWAP prior to the start of the relevant performance period (1 July). Vested rights will remain as rights in subsequent periods until exercised. The STI equity was granted in FY18 and the LTI equity was granted in FY15 and/or FY16.

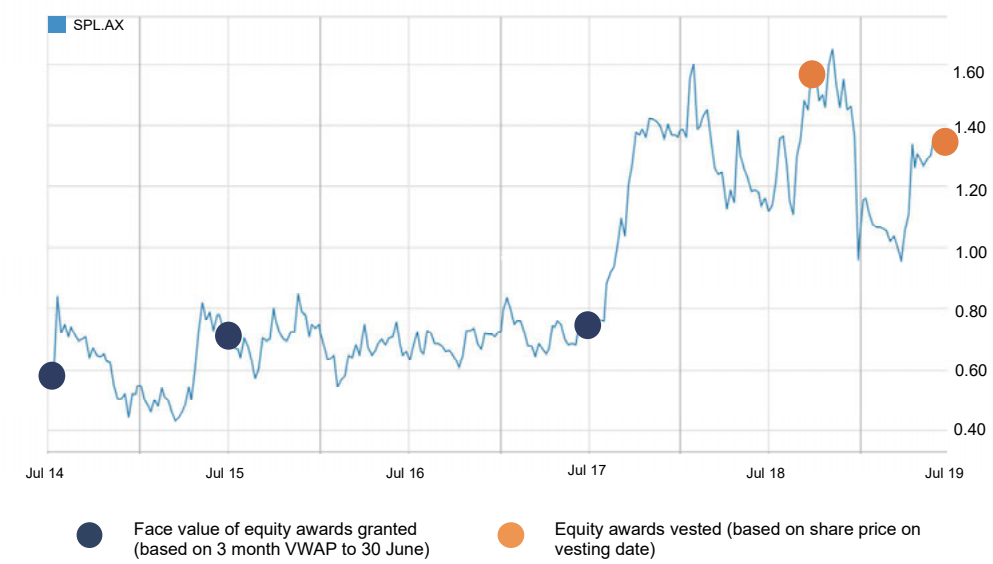
[4] Value of equity rights that vested during the year, based on the opening price on the date of vesting. Other than the 4 year rights which automatically converted into shares following vesting, other vested rights will remain as rights in subsequent periods until exercised. The STI equity was granted in FY18 and the LTI equity was granted in FY15 and/or FY16.

[5] 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.

6. Details of remuneration (continued)

Equity awards and share price

The total non-statutory remuneration based on the vesting date share price is higher than the total remuneration per Accounting Standards and the non-statutory remuneration based on face value. The higher amount is primarily driven by the value attached to the equity awards that vested in FY19. This reflects the strong share price performance over the relevant periods of up to a 2.5x fold increase in share price compared with the face value. The LTI rights (3 and/or 4 years) are predominately driving the higher reported value at the vesting date. Likewise, if the share price were to have significantly decreased, the value of these equity awards would have reduced accordingly. The equity award component of each executive's remuneration is a key instrument in the Board's policy of aligning their remuneration with share price performance. Furthermore, as the 2 and 3 year rights did not automatically convert to shares, and no executives exercised rights, these values have not yet been realised despite being reported in non-statutory remuneration.



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 83.5% of her maximum cash bonus entitlement of $242,500 in FY19, with the balance of 16.5% 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 2019[1,2]	Year granted	Vested	Forfeited	Financial years in which rights may vest	Maximum fair value yet to vest
	$		%	%		$
J K Fairley	939,792	2019	-	-	30/06/2022	512,934
		2019	-	-	30/06/2020	99,548
		2018	-	-	30/06/2021	435,576
		2018	88%	12%	30/06/2019	-
		2017	-	-	30/06/2020	46,509
		2016	94%	6%	30/06/2019	-
N J Baade	233,871	2019	-	-	30/06/2022	128,238
		2019	-	-	30/06/2020	24,345
		2018	-	-	30/06/2021	72,729
		2018	87%	13%	30/06/2019	-
		2017	-	-	30/06/2020	11,970
		2016	90%	10%	30/06/2019	-
		2015	100%	0%	30/06/2019	-
A Eglezos	233,871	2019	-	-	30/06/2022	128,238
		2019	-	-	30/06/2020	24,345
		2018	-	-	30/06/2021	72,729
		2018	91%	9%	30/06/2019	-
		2017	-	-	30/06/2020	11,970
		2016	90%	10%	30/06/2019	-
		2015	100%	0%	30/06/2019	-
D J Owen	233,871	2019	-	-	30/06/2022	128,238
		2019	-	-	30/06/2020	24,345
		2018	-	-	30/06/2021	72,729
		2018	87%	13%	30/06/2019	-
		2017	-	-	30/06/2020	11,970
		2016	91%	9%	30/06/2019	-
		2015	100%	0%	30/06/2019	-
J R Paull	255,683	2019	-	-	30/06/2022	140,198
		2019	-	-	30/06/2020	26,616
		2018	-	-	30/06/2021	79,547
		2018	93%	7%	30/06/2019	-
		2017	-	-	30/06/2020	13,059
		2016	94%	6%	30/06/2019	-
		2015	100%	0%	30/06/2019	-

[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 2019 of $544,000, to be reviewed annually by the Remuneration and Nomination Committee.
- A cash bonus up to $242,500 for the year to 30 June 2019 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.

2019 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	775,000	–	–	50,000	825,000
J K Fairley	3,875,434	–	–	30,000	3,905,434
R A Hazleton	208,466	–	–	–	208,466
Z Peach	48,975	–	–	–	48,975
P R Turvey	149,821	–	–	30,000	179,821
Other key management personnel of the group					
N J Baade	525,291	–	75,000	-	600,291
A Eglezos	260,003	–	75,000	(4,000)	331,003
D J Owen	562,482	–	75,000	-	637,482
J R Paull	270,106	–	90,000	(69,000)	291,106

* 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 FY19 or the prior year.

2019 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	3,244,672	674,901	-	(84,486)	3,835,087	1,387,329	2,447,758
Other key management personnel of the group							
N J Baade	904,563	193,000	(75,000)	(29,071)	993,492	324,492	669,000
A Eglezos	903,023	193,000	(75,000)	(26,365)	994,658	325,658	669,000
D J Owen	906,313	193,000	(75,000)	(26,738)	997,575	328,575	669,000
J R Paull	1,026,500	211,000	(90,000)	(20,022)	1,127,478	396,478	731,000

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 2019 was $3,667,459 (2018: $1,572,212). No other shares were issued on the vesting of performance rights provided as remuneration to any of the directors or the KMP of the group in the current year.

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 2019 there were 13,183,915 performance rights on issue, of which 7,948,290 were held by KMP. These rights represent 3.5% and 2.1%, respectively, of shares on issue (based on the 371,694,437 shares at 30 June 2019).

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

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

Grant date	Vesting date	Number of rights granted	Performance measure	Fair value per right at grant date	% vested
30 January 2015	30 September 2018	331,500	Achievement of KPIs	$0.46	81
30 January 2015	30 September 2018	58,500	TSR	$0.27	81
11 November 2015	30 September 2018	714,000	Achievement of KPIs	$0.72	89
11 November 2015	30 September 2018	126,000	TSR	$0.50	100
19 November 2015	30 September 2018	537,516	Achievement of KPIs	$0.76	89
19 November 2015	30 September 2018	356,335	TSR	$0.54	100
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 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	90
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	88
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
16 August 2018	30 June 2020	158,000	Achievement of KPIs	$1.26	Nil
16 August 2018	30 September 2021	537,200	Achievement of KPIs	$1.26	Nil
16 August 2018	30 September 2021	94,800	TSR	$0.85	Nil
29 November 2018	30 June 2020	134,980	Achievement of KPIs	$1.48	Nil
29 November 2018	30 September 2021	377,945	Achievement of KPIs	$1.48	Nil
29 November 2018	30 September 2021	161,976	TSR	$1.13	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.
Relative TSR (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
11 Nov 2015	30 Sep 2018	2,076,800	1,342,559
11 Nov 2015	30 Jun 2017	519,200	299,325
19 Nov 2015	30 Sep 2018	893,851	836,260
19 Nov 2015	30 Jun 2017	219,395	181,001
13 Oct 2016	30 Jun 2018	594,450	351,084
13 Oct 2016	30 Sep 2019	2,377,800	1,971,400
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	591,750
10 Aug 2017	30 Sep 2020	2,776,480	2,523,680
29 Nov 2017	30 Jun 2019	224,121	197,226
29 Nov 2017	30 Sep 2020	895,879	895,879
16 Aug 2018	30 Jun 2020	203,500	203,500
16 Aug 2018	30 Sep 2021	814,000	814,000
2 Nov 2018	30 Jun 2020	259,147	233,227
2 Nov 2018	30 Sep 2021	1,036,587	932,907
29 Nov 2018	30 Jun 2020	134,980	134,980
29 Nov 2018	30 Sep 2021	539,921	539,921

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

Shares issued on the vesting or exercise of rights

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

Date rights granted	Issue price of shares (Exercise price of right)	Number of shares issued
30 Jan 2015	$ -	706,356
11 Nov 2015	$ -	332,111
13 Oct 2016	$ -	98,559
10 Aug 2017	$ -	4,200

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	2019 $	2018 $
Audit or review of financial reports of the entity or any entity in the group under the *Corporations Act 2001*	137,537	118,616

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 42.

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 *AO*
Chairman
Melbourne, 28 August 2019

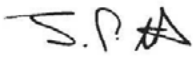
Auditor's Independence Declaration

As lead auditor for the audit of Starpharma Holdings Limited for the year ended 30 June 2019, 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 entity it controlled during the period.



Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
28 August 2019

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 2019. The ASX has also published a 4th edition of the Corporate Governance Principles and Recommendations ("4th Edition CGC Recommendations") for reporting on in the FY21 Annual Report. Notwithstanding this, Starpharma already complies with a number of these 4th Edition CGC Recommendations, as detailed below. 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 eight 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 physical location in the U.S., whereby there is no suggestion that he is involved in the day-to-day operations or activities of the senior management team 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 FY19.

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

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

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

1.5 Diversity objectives and achievement
The company is committed to workplace diversity, and the Board values the level of diversity already present within the organisation, believing that continuing to promote diversity is in the best interests of the company, its employees and its shareholders. The Board last revised its Diversity Policy in April 2019, 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 2019 financial year, and progress against these objectives is set out below:

Objective	Measurement	FY19 Performance
Female participation/talent pipeline	Achieve greater than 40% female participation for direct reports to the CEO or senior executives (CEO minus 2).	48% 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 FY19, 50 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 FY19. 60% 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).	18% of employees work under flexible working arrangements.
	Granting a majority of requests for flexible work arrangements for family responsibilities.	Mutually satisfactory flexible work arrangements were reviewed and agreed between the requesting employee and the company in 100% of cases during FY19.
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 FY19.

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 2019.

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 43% of all employees born outside Australia in 15 different countries.

% Female	2019	2018
Whole organisation (staff and Board)	**50%** (24/48)	**54%** (26/48)
Leadership/management roles	**60%** (12/20)	**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 FY19.

1.7 CEO and senior executive performance
Performance assessments for senior executives take place annually and 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 April 2019. 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 FY19 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.

Starpharma's CEO also sits on the board of listed small-cap investment company Mirrabooka as a non-executive director. This external post exposes both Dr Fairley and Starpharma to insights from institutional investors and further extends the company's network and provides her with a different vantage point. Dr Fairley remains fully committed to her CEO role at Starpharma and the Board has carefully considered the time commitment to ensure her leadership of Starpharma is not impacted.

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 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 April 2019. 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

Corporate Governance Statement

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 2019 half year financial statements and the 2019 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, resulting in a new audit engagement partner for FY20. An analysis of fees paid to the external auditors is provided in note 19 to the financial statements.

It is the policy of the external 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.

The Board receives copies of all ASX announcements promptly after they have been made.

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.

All resolutions at AGMs are voted on by poll rather than by show of hands.

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

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

Principle 7: Recognise and manage risk

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

7.2 Risk assessment and management
The Board, through the Audit and Risk Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The company operates in a challenging and dynamic environment, and risk management is viewed as integral to realising new opportunities as well as identifying issues that may have an adverse effect on the company's existing operations and its sustainability. The company is committed to a proactive approach towards risk management throughout its entire business operations. The Board aims to ensure that effective risk management practices become embedded in the company's culture and in the way activities are carried out at all levels of the company. The Board and management recognise the importance that risk management plays in ensuring the business is able to fully capitalise on the opportunities available to it, as well as mitigating potential loss.

Health and safety are considered to be of paramount importance and are the focus of significant risk management activities within the company. Other risk areas that are addressed include product liability, business continuity and disaster recovery, reputation, intellectual property, product development and clinical trials. Adherence to the code of conduct is required at all times and the Board actively promotes a culture of quality and integrity. The Board has required management to design and implement a risk management and internal control system to manage the group's material business risks. The risk management policy sets out policies for the oversight of material business risks, and describes the responsibilities and authorities of the Board, the Audit and Risk Committee, the CEO, CFO & Company Secretary, and the senior management team. A summary of the policy is available on the company's website at www.starpharma.com/corporate_governance

The CEO and CFO & Company Secretary are responsible to the Board through the Audit and Risk Committee for the overall implementation of the risk management program. During the financial year management has reported to the Board as to the effectiveness of the group's management of its material risks.

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

7.4 Sustainability risks and management
The company's key economic, environmental and social sustainability risks are outlined on 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 40.

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 38).

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

Contents

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

Its registered office and principal place of business is:

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

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

The financial statements were authorised for issue by the directors on 28 August 2019. 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 2019

	Notes	30 June 2019 $'000	30 June 2018 $'000
Continuing operations			
Revenue	5	2,708	4,884
Cost of goods sold		(251)	-
Other income	5	12	73
Research and product development expense (net of R&D tax incentive)	6	(10,454)	(10,576)
Commercial and regulatory operating expense	6	(3,774)	(2,425)
Corporate, administration and finance expense	6	(2,495)	(2,241)
Loss before income tax		**(14,254)**	**(10,285)**
Income tax expense	7	-	-
Loss from continuing operations attributable to equity holders of the company		**(14,254)**	**(10,285)**
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company		**$**	**$**
Basic loss per share	25	($0.04)	($0.03)
Diluted loss per share	25	($0.04)	($0.03)

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 2019

	Notes	30 June 2019 $'000	30 June 2018 $'000
Loss for the period		**(14,254)**	**(10,285)**
Other comprehensive income (loss)			
Items that may be reclassified to profit or loss		**-**	**-**
Other comprehensive income (loss) for the period		**-**	**-**
Total comprehensive income (loss) for the period		**(14,254)**	**(10,285)**

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

Consolidated Balance Sheet as at 30 June 2019

	Notes	30 June 2019 $'000	30 June 2018 $'000
Current Assets			
Cash and cash equivalents	8	41,251	51,319
Trade and other receivables	9	6,159	6,134
Inventories	10	399	-
Total Current Assets		**47,809**	**57,453**
Non-Current Assets			
Property, plant and equipment	11	1,050	1,058
Total Non-Current Assets		**1,050**	**1,058**
Total Assets		**48,859**	**58,511**
Current Liabilities			
Trade and other payables	12	4,917	3,801
Finance lease liabilities	13	26	26
Provision for employee benefits	14	1,056	930
Deferred income	5	427	407
Total Current Liabilities		**6,426**	**5,164**
Non-Current Liabilities			
Finance lease liabilities	13	-	23
Provision for employee benefits	14	38	47
Total Non-Current Liabilities		**38**	**70**
Total Liabilities		**6,464**	**5,234**
Net Assets		**42,395**	**53,277**
Equity			
Contributed capital	15	193,621	193,583
Reserves	16	16,775	13,440
Accumulated losses	17	(168,001)	(153,746)
Total Equity		**42,395**	**53,277**

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 2019

	Notes	Contributed capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2017		**193,549**	**10,896**	**(143,461)**	**60,984**
Loss for the year		-	-	(10,285)	(10,285)
Other comprehensive income (loss)		-	-	-	-
Total comprehensive income (loss) for the year		**-**	**-**	**(10,285)**	**(10,285)**
Transactions with owners, recorded directly in equity					
Employee share plans	15	34	-	-	34
Employee performance rights plan	16	-	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**
Loss for the year		-	-	(14,254)	(14,254)
Other comprehensive income (loss)		-	-	-	-
Total comprehensive income (loss) for the year		**-**	**-**	**(14,254)**	**(14,254)**
Transactions with owners, recorded directly in equity					
Employee share plans	15	38	-	-	38
Employee performance rights plan	16	-	3,334	-	3,334
Total transactions with owners		**38**	**3,334**	**-**	**3,372**
Balance at 30 June 2019		**193,621**	**16,775**	**(168,001)**	**42,395**

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 2019

	Notes	30 June 2019 $'000	30 June 2018 $'000
Cash Flows from Operating Activities			
Receipts from trade and other debtors (inclusive of GST)		2,807	2,788
Grant income and R&D tax incentives (inclusive of GST)		4,019	3,747
Payments to suppliers and employees (inclusive of GST)		(18,244)	(17,799)
Interest received		1,076	1,067
Interest paid		(2)	(4)
Net cash outflows from operating activities	24	**(10,344)**	**(10,201)**
Cash Flow from Investing Activities			
Payments for property, plant and equipment		(314)	(359)
Proceeds from sale of available-for-sale financial assets		8	-
Net cash outflows from investing activities		**(306)**	**(359)**
Cash Flow from Financing Activities			
Finance lease payments		(26)	(26)
Net cash outflows from financing activities		**(26)**	**(26)**
Net increase (decrease) in cash and cash equivalents held		**(10,676)**	**(10,586)**
Cash and cash equivalents at the beginning of the year		51,319	61,188
Effects of exchange rate changes on cash and cash equivalents		608	717
Cash and cash equivalents at the end of the year		**41,251**	**51,319**

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

Contents

1. Significant Accounting Policies

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 July 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions*
- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers to Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration.*

AASB 15 Revenue from Contracts with Customers
AASB15 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 group has adopted AASB 15 effective from 1 July 2018 using the modified retrospective approach.

Management assessed the impact of AASB 15 on the measurement and recognition of revenue from existing contractual arrangements. Based on the assessment, the adoption of AASB 15 has had no material impact on the group's profit or loss, nor has there been any adjustments to opening retained earnings as at 1 July 2018.

AASB 9 Financial Instruments
AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The group has adopted AASB 9 effective from 1 July 2018. There has been no 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. AASB 9 introduces an expected credit loss model for impairment of financial assets such as trade receivables. The group has reviewed the requirements of the 'expected credit loss' model and did not identify any required provision.

The group had to change its accounting policies following the adoption of AASB 15 but has not had to make retrospective adjustments. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or 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 2018.

(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 2019, the consolidated entity has incurred losses from continuing operations of $14,254,000 (2018: $10,285,000) and experienced net cash outflows of $10,344,000 from operations (2018: $10,201,000), as disclosed in the income statement and statement of cash flows, respectively. The company is in the development and early commercialisation 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 2020. 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 2019 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.

(e) Revenue Recognition

The accounting policies for the group's revenue from contracts with customers are explained in note 5.

(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 21). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property, and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term. Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term.

(i) Impairment of assets

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

(j) Cash and cash equivalents

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

(k) Trade Receivables

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

1. Significant Accounting Policies (continued)

(l) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(m) 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.

(n) Property, Plant and Equipment and Leasehold improvements

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.

The cost of improvements to or on leasehold properties is amortised over the remaining notice period under the premises lease (being 3.5 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 expensed as 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. As at the reporting date no patents or licenses are recognised as intangible assets.

(ii) Research and development

Research and development expenditure is expensed as incurred except that costs incurred on development projects, relating to the design and testing of new or improved products, are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. To date no research and development costs have been recognised as intangible assets.

(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.

(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 the 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, annual and long-service 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 and long service leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(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 performance rights that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of performance 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 at the earlier of three years or cessation of employment. 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 or performance rights are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or performance rights, 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.

1. Significant Accounting Policies (continued)

(y) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) 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 group has reviewed all of the group's leasing arrangements in light of the new lease accounting rules in AASB 16. The standard will affect primarily the accounting for the group's operating leases.

As at the reporting date, the group has non-cancellable operating lease commitments of $2,315,000, see note 21. Of these commitments, approximately $16,000 relates to low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

For the remaining lease commitments, the group expects to recognise right-of-use assets and lease liabilities of approximately $2,160,000 on 1 July 2019. Overall, net assets will be approximately the same.

The group expects that reported expenses will increase by approximately $50,000 for the 2020 financial year, due to the interest component calculated on the lease liability under the new standard.

Operating cash outflows will decrease, and financing cash outflows will increase by approximately $560,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The group will apply the standard from its mandatory adoption date, being the annual report period commencing 1 July 2019. The group intends to apply the simplified transition (cumulative effect) approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption.

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 2019 for US$ of $0.7013 and for £ of $0.5535 was as follows:

	30 June 2019 US$ $'000	30 June 2018 US$ $'000	30 June 2019 £ £'000	30 June 2018 £ £'000
Cash and cash equivalents	5,405	6,279	2,438	3,314
Trade and other receivables	671	1,500	-	-
Trade and other payables	542	1,063	1,266	334

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 or Great British pounds. A positive number indicates a favourable movement; that is an increase in profit or reduction in the loss.

	30 June 2019 $'000	30 June 2018 $'000	30 June 2019 £'000	30 June 2018 £'000
Impact on profit / (loss) on a movement of	**US$**	**US$**	**£**	**£**
Australian dollar strengthens (increases) against the foreign currency by 10%	(717)	(826)	(192)	(481)
Australian dollar weakens (decreases) against the foreign currency by 10%	877	1,010	235	588

(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 2019 $'000	30 June 2018 $'000
Term Deposits and deposits at call	38,306	47,966

Group Sensitivity

At 30 June 2019, 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 $193,000 higher or lower (2018 - change of 50 bps: $241,000 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, product supply 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 licensing, product supply and royalty 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 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.

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 2019 the group has recorded a contra research and development expense of $5,071,000 (2018: $4,056,000). The total R&D Tax Incentive receivable recorded at 30 June 2019 is $4,898,000 (2018: $3,847,000)

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 2019 $'000	30 June 2018 $'000
Revenue from contracts with customers	1,651	3,812
Interest revenue	1,057	1,072
Total revenue from continuing operations	**2,708**	**4,884**
Other income	12	73
Total revenue and other income from continuing operations	**2,720**	**4,957**

Disaggregation of revenue from contracts with customers
Revenue from contracts with customers includes licensing revenue, royalties and products sales, and research revenue from partners.

Total revenue from contracts with customers for the year was $1,651,000 (2018: $3,812,126) and includes a $715,000 (US$500,000) milestone payment from Mundipharma for the launch of VivaGel® BV in Europe, as well as $364,000 in prepaid minimum royalties associated with the VivaGel® condom in Japan. The revenue in the prior year includes signature payments of $2,955,000 for the Mundipharma VivaGel® BV licensing agreements for Europe, Asia, South America, Middle East and Africa.

Assets and liabilities related to contracts with customers
The group has recognised the following current assets and current liabilities related to contracts with customers:

	30 June 2019 $'000	30 June 2018 $'000
Trade and other receivables (Note 9)	1,009	2,065
Contract Liabilities - deferred income	(427)	(407)

Trade and other receivables at year-end relate to product supply and milestones, such as the VivaGel® BV launch milestone in Europe. The decrease from the prior year reflects the receipt of Mundipharma VivaGel® BV signature payments during the year.

Contract Liabilities (deferred income) relate to potential liabilities for product discounts, that are dependent on product registrations in certain countries.

Performance obligations
Revenue is recognised when the company satisfies a performance obligation by transferring control of the promised good or service to a customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. Information about the company's performance obligations are summarised below:

(i) Licensing revenue and royalties
Typically, a licence granted by the company provides the customer with the right to use, but not own, the company's intellectual property as it exists at the point in time the licence is granted. The company may receive signature payments, milestone payments for specific development (such as clinical or regulatory) or commercial based outcomes, and/or sales-based royalties as consideration for the licence. The performance obligation(s) for a licence are usually satisfied upon, or soon after, the granting of the licence to the partner. Signature payments are normally fixed, where-as development and commercial milestones are variable consideration as they are dependent on the achievement of certain events in the future. The company's estimate of variable consideration will only be recognised to the extent it is highly probable that a significant revenue reversal will not occur in future periods.

Royalties based on sales of product are recognised when the customer's sales of product occur. Where consideration includes guaranteed minimum royalties, they are recognised when the licence is granted or when they are no longer subject to constraint.

Milestones payments are generally due within 30 to 60 days from timing of the milestone event. Royalties are generally due 30 to 60 days after the end of the defined royalty reporting period.

(ii) Product sales
The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 60 days from delivery. Some contracts provide customers with a right of return for product non-conformance which may give rise to variable consideration subject to constraint.

(iii) Research revenue
The performance obligation is satisfied over-time upon completion of outlined deliverables and payment is generally due within 30 to 60 days of achievement of each deliverable.

6. Expenses

Loss from continuing operations before income tax expense includes the following items:	30 June 2019 $'000	30 June 2018 $'000
R&D tax incentive (contra expense)[1]	(5,071)	(4,056)
Employee benefits expenses (including share-based payments)	10,548	9,051
Depreciation	298	311
Rental expense on operating leases	586	570

[1] Included within the research and product development expense line item in the consolidated income statement.

7. Income Tax Expense

	30 June 2019 $'000	30 June 2018 $'000
(a) Income tax expense/(credit)		
Current Tax / Deferred Tax	–	–
Total income tax expense	**–**	**–**
Income tax attributable to continuing operations	–	–
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	(14,254)	(10,285)
Tax at the Australian tax rate of 30% (2018: 30%)	(4,276)	(3,086)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Eligible expenses claimed under R&D tax incentive	1,857	1,436
Share-based payments	1,012	774
Unearned income	1	(1)
Sundry items	(101)	56
Future income tax benefits not brought to account	1,506	821
Income tax expense	**–**	**–**

7. Income Tax Expense (continued)

(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)	115,313	110,685
Potential tax benefit	**34,594**	**33,206**

(d) Unrecognised temporary differences		
Temporary differences for which no deferred tax asset has been recognised as recoverability is not probable	4,133	4,482
Unrecognised deferred tax relating to the temporary differences	**1,240**	**1,345**

(e) Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Intangibles	-	-
Sundry items	3	24
Total deferred tax liabilities	**3**	**24**
Set-off of deferred tax assets pursuant to set-off provisions	(3)	(24)
Net deferred tax liabilities	**–**	**–**
Deferred tax liabilities expected to be settled within 12 months	3	24
Deferred tax liabilities expected to be settled after 12 months	-	-
	3	**24**

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 2019 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 2019 which it believes will be satisfied.

8. Current Assets – Cash and Cash Equivalents

	30 June 2019 $'000	30 June 2018 $'000
Cash at bank and on hand	2,945	3,353
Term Deposits and deposits at call	38,306	47,966
	41,251	**51,319**

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.

Deposits not available
There is $548,000 (2018: $806,000) of term deposits not available for use due funds being provided as security for a bank guarantee on the premises lease, and for a finance lease facility.

Interest rate risk
Current receivables are non-interest bearing.

30 June 2019		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	2,972	35,631	–	–	2,648	41,251	N/A
Receivables	9	–	–	–	–	6,159	6,159	6,159
		2,972	**35,631**	**–**	**–**	**8,807**	**47,410**	**6,159**
Weighted average interest rate		*1.7%*	*2.1%*	*–%*	*–%*	*–%*		
Financial Liabilities								
Payables	12	–	–	–	–	4,917	4,917	4,917
Finance lease liabilities	13	–	26	–	–	–	26	26
		–	**26**	–	–	**4,917**	**4,943**	**4,943**
Weighted average interest rate		*–%*	*5.8%*	*–%*	*–%*	*–%*		

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	12	–	–	–	–	3,801	3,801	3,801
Finance lease liabilities	13	–	26	23	–	–	49	49
		–	**26**	**23**	–	**3,801**	**3,850**	**3,850**
Weighted average interest rate		*–%*	*5.8%*	*5.8%*	*–%*	*–%*		

9. Current Assets – Trade and Other Receivables

	30 June 2019 $'000	30 June 2018 $'000
Trade and grant receivables	5,857	5,911
Interest receivables	49	68
Prepayments	79	37
Other receivables	174	118
	6,159	**6,134**

Trade and grant receivables
Trade and grant receivables primarily comprise of $4,898,000 (2018: $3,847,000) of expenditure reimbursable under the Australian Government's R&D tax incentive scheme, with the balance related to customer receivables for VivaGel® licensing fees, product sales and royalties. Customer receivables are subject to normal terms of settlement within 30 to 60 days.

Other receivables
Other receivables comprise sundry debtors and GST/VAT claimable and are subject to normal terms of settlement within 30 to 90 days.

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

Impaired receivables
As at 30 June 2019, there were no material trade and grant receivables that were past due (2018: nil). No receivables are considered impaired at 30 June 2019 (2018: nil).

10. Inventories

Current Assets	30 June 2019 $'000	30 June 2018 $'000
Raw materials	248	-
Finished goods	151	-
	399	**-**

Assigning costs to inventories
The costs of individual items of inventory are determined using the weighted average cost method. See Note 1(l) for the group's other accounting policies for inventories.

Amounts recognised in profit or loss
Inventories recognised as an expense during the year ended 30 June 2019 amounted to $251,000 (2018: Nil). These were included in cost of goods sold.

Finished goods
Finished goods are products that are subject to a customer purchase order, have completed production, and are awaiting delivery to the customer.

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

	Plant and Equipment $'000	Leasehold improvements $'000	Total $'000
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**
Year ended 30 June 2019			
Opening net book amount	898	160	1,058
Additions	236	54	290
Disposals	-	-	-
Depreciation	(255)	(43)	(298)
Closing net book amount	**879**	**171**	**1,050**
At 30 June 2019			
Cost	3,607	656	4,263
Accumulated depreciation	(2,728)	(485)	(3,213)
Net book amount	**879**	**171**	**1,050**

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

Leased equipment	30 June 2019 $'000	30 June 2018 $'000
Cost	72	72
Accumulated depreciation	(50)	(26)
Net book amount	**22**	**46**

12. Current Liabilities – Trade and Other Payables

	30 June 2019 $'000	30 June 2018 $'000
Trade payables and accruals	4,098	3,023
Other payables	819	778
	4,917	**3,801**

Trade payables and accruals

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

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

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

2019		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	21	–	26	–	–	26
Weighted average interest rate		–%	5.8%	–%	–%	

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	21	–	26	23	–	49
Weighted average interest rate		–%	5.8%	5.8%	–%	

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

Leave obligations	30 June 2019 $'000	30 June 2018 $'000
Current	1,056	930
Non-current	38	47
	1,094	**977**

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 $747,000 (2018: $636,000).

Refer to Note 1(s) for further information.

15. Contributed Equity

(a) Share capital

	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Share Capital				
Ordinary shares – fully paid	371,694,347	370,544,775	193,621	193,583

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price	$'000
1 Jul 2018		370,544,775		193,583
5 Oct 2018	Employee performance rights plan share issue	706,356	$ –	–
11 Dec 2018	Employee performance rights plan share issue	369,411	$ –	–
8 Feb 2019	Employee share plan ($1,000) issue	34,542	$1.10	38
19 Mar 2019	Employee performance rights plan share issue	39,263	$ –	–
	Balance at 30 June 2019	**371,694,347**		**193,621**

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**

(c) Ordinary shares

As at 30 June 2019 there were 371,694,347 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.

16. Reserves

(a) Reserves

	30 June 2019 $'000	30 June 2018 $'000
Share-based payments reserve	16,775	13,440
	16,775	**13,440**

(b) Movement in reserves

Share-based payments reserve	30 June 2019 $'000	30 June 2018 $'000
Balance at 1 July	13,440	10,896
Performance right expense	3,334	2,544
Balance at 30 June	**16,775**	**13,440**

(c) Nature and purpose of reserves

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

17. Accumulated Losses

	30 June 2019 $'000	30 June 2018 $'000
Accumulated losses balance at 1 July	(153,746)	(143,461)
Net loss for the year	(14,254)	(10,285)
Accumulated losses balance at 30 June	**(168,001)**	**(153,746)**

18. Related Party Transactions

(a) Parent entity and subsidiaries

The parent entity of the group is Starpharma Holdings Limited. Interests in subsidiaries are set out in note 23.

(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 2019 $	30 June 2018 $
Short-term employee benefits	2,385,559	2,311,570
Post-employment benefits	127,034	124,278
Other long-term benefits	27,966	31,599
Share-based payments	1,819,581	1,760,049
	4,360,140	**4,227,496**

Detailed remuneration disclosures are provided in the remuneration report on pages 19 to 40.

19. 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 2019 $	30 June 2018 $
Statutory audit services		
Audit or review of financial reports of the entity or any entity in the consolidated entity		
PricewaterhouseCoopers	137,537	118,616
Total remuneration for statutory audit services	**137,537**	**118,616**

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

20. Events Occurring After the Balance Sheet Date

No matters or circumstances have arisen since 30 June 2019 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.

21. Commitments

(a) Capital Commitments

There is no material capital expenditure contracted not recognised as liabilities at the reporting date (2018: 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. The group also leases office equipment generally over a three to five year term.

	30 June 2019 $'000	30 June 2018 $'000
Commitments for minimum lease payments in relation operating leases are payable as follows:		
Not later than one year	649	632
Later than one year and not later than five years	1,666	2,317
Later than five years	–	–
Representing non-cancellable operating leases	**2,315**	**2,949**

21. Commitments (continued)

Finance Leases

The group leases plant and equipment under a finance leases expiring within one (2018: two) years.

Commitments in relation to finance leases are payable as follows:	Notes	30 June 2019 $'000	30 June 2018 $'000
Not later than one year		27	28
Later than one year and not later than five years		–	24
Later than five years		–	–
Minimum lease payments		**27**	**52**
Future finance charges		(1)	(3)
Recognised as a liability		**26**	**49**

Representing finance lease liabilities:			
Current	13	26	26
Non-Current	13	-	23
		26	**49**

The weighted average interest rate implicit in the lease is 5.8% (2018: 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.

22. Contingencies

Starpharma has licensed VivaGel® BV in the United States to ITF Pharma and is eligible to receive up to US$101M in regulatory approval and commercialisation milestones, plus royalties on net sales. Upon receipt of cash proceeds under the licence, Starpharma is required to pay a small proportion of its receipts to an investment bank which advised on the competitive licence process, up to a maximum of US$1.35M over the life of the licence.

The company has no contingent assets at 30 June 2019 (2018: nil for contingent assets and liabilities).

23. 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	2019 %	2018 %
Starpharma Pty Limited	Australia	Ordinary	100.00%	100.00%

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

	30 June 2019 $'000	30 June 2018 $'000
Operating profit/(loss) after tax	(14,254)	(10,285)
Depreciation and amortisation	298	311
Foreign exchange (gain)/loss	(608)	(717)
Non-cash employee benefits: share-based payments	3,372	2,578
Net gain/(loss) on sale of property, plant and equipment	-	-
Net (gain)/loss on sale of available for sale financial assets	(8)	-
Change in operating assets and liabilities, net of effects of acquisitions and disposals of entities:		
Decrease/(increase) in receivables and other assets	(23)	(1,757)
(Increase)/decrease in inventories	(399)	-
Increase/(decrease) increase in trade creditors	1,140	(847)
Increase in employee provisions	117	120
Increase/(decrease) in deferred income	21	396
Net cash outflows from operating activities	**(10,344)**	**(10,201)**

25. Earnings Per Share

	30 June 2019	30 June 2018
Basic earnings/(loss) per share / Diluted earnings/(loss) per share		
Total earnings/(loss) per share attributable to the ordinary equity holders of the company ($)	(0.04)	(0.03)
Reconciliations of earnings/(loss) used in calculating earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings/(loss) per share: ($'000)	(14,254)	(10,285)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	371,293,413	370,136,605

As at 30 June 2019 the company had on issue 13,183,915 (30 June 2018: 11,876,199) 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 (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). 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 2019 was $1.33 per right (2018: $0.88). There were 2,988,135 performance rights granted in the current year (2018: 4,590,600).

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:

2019

Grant Date	Vesting Date	Holding Lock Date	Balance at start of the year	Granted during the year	Converted during the year	Forfeited during the year	Balance at end of the year
			Number	Number	Number	Number	Number
30 Jan 2015	30 Sep 2018	–	714,750	–	706,356	8,394	–
11 Nov 2015	30 Jun 2017[1]	–	319,693	–	20,368	–	299,325
11 Nov 2015	30 Sep 2018[1]	–	1,785,600	–	289,747	131,298	1,364,555
19 Nov 2015	30 Jun 2017[1]	–	181,001	–	–	–	181,001
19 Nov 2015	30 Sep 2018[1]	–	893,851	–	–	57,591	836,260
13 Oct 2016	30 Jun 2018[1]	–	462,284	–	98,559	12,641	351,084
13 Oct 2016	30 Sep 2019	–	2,022,600	–	–	32,000	1,990,600
29 Nov 2016	30 Jun 2018[1]	–	172,842	–	–	–	172,842
29 Nov 2016	30 Sep 2019	–	876,978	–	–	–	876,978
10 Aug 2017	30 Jun 2019	–	665,320	–	–	69,370	595,950
10 Aug 2017	30 Sep 2020	–	2,661,280	–	–	115,200	2,546,080
29 Nov 2017	30 Jun 2019	–	224,121	–	–	26,895	197,226
29 Nov 2017	30 Sep 2020	–	895,879	–	–	–	895,879
16 Aug 2018	30 Jun 2020	–	–	203,500	–	–	203,500
16 Aug 2018	30 Sep 2021	–	–	814,000	–	–	814,000
2 Nov 2018	30 Jun 2020	–	–	259,147	–	22,400	236,747
2 Nov 2018	30 Sep 2021	–	–	1,036,587	–	89,600	946,987
29 Nov 2018	30 Jun 2020	–	–	134,980	–	–	134,980
29 Nov 2018	30 Sep 2021	–	–	539,921	–	–	539,921
Total			**11,876,199**	**2,988,135**	**1,115,030**	**565,389**	**13,183,915**

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

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.

Information used in assessing the fair value of performance rights granted during the year ended 30 June 2019 is as follows:

Right grant date	16 August 2018	16 August 2018	16 August 2018	2 November 2018
Number of rights granted	203,500	691,900	122,100	259,147
Vesting date	30 June 2020	30 September 2021	30 September 2021	30 June 2020
Performance Measure	KPIs	KPIs	TSR	KPIs
Expected price volatility of the company's shares	50%	50%	50%	50%
Risk-free interest rate	1.76%	2.04%	2.04%	1.71%
Expected dividend yield	–	–	–	–
Share price at grant date	$1.26	$1.26	$1.26	$1.39
Assessed fair value	$1.26	$1.26	$0.85	$1.39

Right grant date	2 November 2018	29 November 2018	29 November 2018	29 November 2018
Number of rights granted	1,036,587	134,980	377,945	161,976
Vesting date	30 September 2021	30 June 2020	30 September 2021	30 September 2021
Performance Measure	KPIs	KPIs	KPIs	TSR
Expected price volatility of the company's shares	50%	50%	50%	50%
Risk-free interest rate	2.05%	1.68%	2.01%	2.01%
Expected dividend yield	–	–	–	–
Share price at grant date	$1.39	$1.48	$1.48	$1.48
Assessed fair value	$1.39	$1.48	$1.48	$1.13

26. Share-Based Payments (continued)

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

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 whilst 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 $1,000 Plan during the year ended 30 June 2019 was $1.10 (2018: $1.38 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 2019 is as follows:

Share grant date	8 February 2019
Number of shares granted	34,542
Share price at grant date	$1.10
Assessed fair value	$1.10

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

Expenses arising from share-based payment transactions

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

	30 June 2019 $'000	30 June 2018 $'000
Employee shares issued	38	34
Employee performance rights issued	3,334	2,544
	3,372	**2,578**

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 2019 $'000	30 June 2018 $'000
Balance Sheet		
Current assets	37,897	47,506
Total assets	37,897	47,506
Current liabilities	630	710
Total liabilities	630	710
Shareholders' equity		
Contributed equity	193,621	193,583
Reserves	16,266	12,898
Accumulated losses	(172,619)	(159,685)
Loss for the year	(12,935)	(12,513)
Total comprehensive income	(12,935)	(12,513)

(b) Contingencies of the parent entity

The parent entity has no contingent assets or liabilities at 30 June 2019 (2018: nil).

Directors' Declaration for the year ended 30 June 2019

In the directors' opinion:

(a) the financial statements and notes set out on pages 49 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 2019 and of its performance for the financial year ended on that date; and

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

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

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

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

Rob Thomas *AM*
Chairman
Melbourne, 28 August 2019

Independent auditor's report

To the members of Starpharma Holdings Limited

Report on the audit of the annual financial report

Our opinion

In our opinion:

The accompanying annual financial report of Starpharma Holdings Limited (the Company) and its controlled entity (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 2019 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 annual financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated income statement for the year then ended
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the annual 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 annual 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 annual 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 $730,000, which represents approximately 5% of the Group's 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 annual financial report as a whole. • We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable 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: – Research and development Tax Incentive – Revenue Recognition under AASB 15 *Revenue from Contracts with Customers* • 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 annual financial report for the current period. The key audit matters were addressed in the context of our audit of the annual 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*
Research and Development Tax Incentive *(Refer to note 3 critical accounting estimates and judgements, note 6 expenses and note 9 current assets - trade and other receivables)*	
The Group'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 2019 was $4.90 million and $5.07 million was recognised as contra R&D expense in the income statement for the period ended 30 June 2019. This is a key audit matter due to: • the significance of the amount receivable as at 30 June 2019; and • the degree of judgement and interpretation of the R&D tax legislation required by the Group to assess the eligibility of the R&D expenditure under the scheme.	We have performed the following procedures to assess the Group's estimate of the R&D Tax Incentive receivable as at 30 June 2019: • compared the estimate recorded in the financial statements as at 30 June 2018 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 underlying R&D expenditure included in the current year estimate to the prior year estimate; • assessed the nature of the expenses against the eligibility criteria of the R&D Tax Incentive programme; • agreed the eligible expenditure in the estimate to the general ledger 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; and • assessed the classification of the amount in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition under AASB 15 Revenue from Contracts with Customers *(Refer to note 1 Significant Accounting Policies and note 5 revenue and other income)* The Group recognises licensing, royalty and research revenues from arrangements with commercial partners. On 1 July 2018, the Group adopted AASB 15 *Revenue from Contracts with Customers* using the modified retrospective approach. The Group has assessed the impact of AASB 15 on the measurement and recognition of revenue from existing contractual arrangements. Based on the assessment, the Group concluded there was no material impact on the group's profit or loss, nor have there been any adjustments to opening retained earnings as at 1 July 2018. The Group has recognised $1.65 million of revenue from contracts with customers for the period ended 30 June 2019. This is a key audit matter due to the nature of the Group's contractual arrangements and complexity of applying the new accounting standard to those contractual arrangements.	We have performed the following procedures to assess the Group's revenue recognition as at 1 July 2018 and for the period ended 30 June 2019: ● obtained an understanding of the Group's contractual arrangements with commercial partners, focusing on the identification of performance obligations, license arrangements and the associated recognition of fixed and variable consideration, royalty income and product sales; ● evaluated the Group's impact assessment of the adoption of AASB 15 and the conclusions reached ● evaluated the appropriateness of Group's new accounting policy; and ● evaluated the adequacy of disclosures in the annual financial report required under AASB 15.

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 2019, but does not include the annual financial report and our auditor's report thereon.

Our opinion on the annual 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 annual financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 annual financial report

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

In preparing the annual 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 annual financial report

Our objectives are to obtain reasonable assurance about whether the annual 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 annual financial report.

A further description of our responsibilities for the audit of the annual 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 40 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Starpharma Holdings Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

Jon Roberts
Partner

Melbourne
28 August 2019

Shareholder Information

The shareholder information set out below was applicable as at 20 August 2019.

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	1,426	–
1,001–5,000	2,194	–
5,001–10,000	1,029	–
10,001–100,000	1,488	17
100,000 and over	254	23
Total	**6,391**	**40**

There were 438 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	120,843,433	32.51
2.	JP Morgan Nominees Australia Pty Limited	46,926,351	12.62
3.	Citicorp Nominees Pty Limited	24,264,350	6.53
4.	BNP Paribas Noms Pty Ltd <DRP>	8,477,974	2.28
5.	National Nominees Limited	7,226,778	1.94
6.	T & N Argyrides Investments P/L <Super Fund A/C>	5,122,092	1.38
7.	Mirrabooka Investments Limited	3,979,571	1.07
8.	Applecross Secretarial Services Pty Ltd <L Gorr Family A/C>	3,361,550	0.90
9	Ms Jacinth Fairley	3,252,386	0.87
10.	Mr Peter Murray Jackson	3,250,000	0.87
11.	Mr Kingsley Bryan Bartholomew	2,517,072	0.68
12.	HSBC Custody Nominees (Australia) Limited - A/C 2	2,437,681	0.66
13.	Dollar Coin Investments <Cousins Discretionary A/C>	1,994,850	0.54
14.	AMCIL Limited	1,930,000	0.52
15.	Merrill Lynch (Australia) Nominees Pty Limited	1,670,152	0.45
16.	Commonwealth Scientific and Industrial Research Organisation	1,448,798	0.39
17.	Mr Mario Thomas Argyrides	1,439,900	0.39
18.	Mr David Michael Hosey + Mrs Andrea Jane Hosey	1,361,246	0.37
19.	Mr Nicholas Wheeler	1,350,000	0.36
20.	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,231,660	0.33
		244,085,844	**65.66**

	Unquoted equity securities over ordinary shares	
Name	Number on issue	Number of holders
Employee Performance Rights	13,098,519	40

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 2019:

	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

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 130 granted patents and more than 30 patent applications pending.

Key patents within the Starpharma portfolio as at 31 July 2019:

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, Mexico, Russia, USA	Brazil, Canada, Europe, Hong Kong, India, South Korea
Method of Treatment or Prophylaxis of Infection of the Eye	13 September 2012 WO2014/043576	China, Europe, Hong Kong, Japan, USA	Canada, India
Method of Prophylaxis of Zika Virus Infection	15 May 2016 WO2017/190193		ARIPO, OAPI (Africa), Brazil, Mexico, Thailand, USA
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, China, India, Japan, USA	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, China, Japan, South Korea, USA	Brazil, Canada, Europe, Hong Kong, India
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 AO – *Chairman*
J K Fairley – *Chief Executive Officer and Managing Director*

P R Turvey
R A Hazleton
Z Peach

Company Secretary

Nigel Baade

Registered office

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Share register

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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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