



Commentary on results for year ended 30 June 2004

Melbourne (Australia), 25 August 2004: Starpharma Holdings Limited (ASX:SPL) today announced financial results for the full year ending 30 June 2004. The Company had cash reserves of \$15.6 million at year end, and is well positioned to advance its development programs over the next three years.

Operating expenditure for the full year was similar to the previous year, after adjusting for the impact of operating expenses of the associated entity Dendritic Nanotechnologies Ltd (DNT), prior to that entity being deconsolidated at the end of March 2003.

DNT was established in August 2001 as an Australian company with US operations, and was incorporated as a US company in March 2003. Starpharma has invested a total of A\$3.9 million in DNT, and currently owns 44.5% of the company. This has been an important strategic investment for Starpharma, and the company is optimistic about the potential of DNT. In addition to the value of the equity investment, Starpharma has commercialisation rights to DNT's intellectual property in the area of polyvalent dendrimer based pharmaceuticals.

The past year has seen a number of material developments for Starpharma, including:

- **Clinical Trials – world first for dendrimer based pharmaceutical**

There was significant progress with Phase I clinical trials for VivaGel™, the microbicide Starpharma is developing for the prevention of HIV. In February 2004, VivaGel™ reached a major development milestone with the initiation of a Phase I human clinical trial under a U.S. Food and Drug Administration "Investigational New Drug" application. Starpharma thus became the first company in the world to initiate a clinical trial for a dendrimer-based pharmaceutical.

- **Institutional shareholder base**

Starpharma has attracted a number of new institutional shareholders over the past year and over a third of the company's share register is now represented by Australian institutional investors. The presence of these institutions on the register provides an excellent foundation for future growth of the company.

Because of Starpharma's presence in the US (through DNT and other research and commercial initiatives) the company will be looking to further expand its shareholder base in the US over the coming year.

- **Change in Pooled Development Fund (PDF) status.**

In January 2004 shareholders voted comprehensively to support a proposal to allow the company to relinquish its PDF status, and this was put into effect in March 2004. This change in status is part of the evolution of Starpharma and will allow the company to better take advantage of international commercial opportunities.

For Australian shareholders there were capital gains tax implications in this change of status. Generally, shareholders were deemed to have disposed of their shares and to

have immediately re-acquired the shares at market value on 17 March 2004, the date of PDF licence revocation. The share price at this time was A\$0.90, and this became the cost base for calculation of future capital gains tax on disposal of these shares.

Starpharma's commercialisation strategy is to progress in-house the development of its lead product VivaGel™ as part of a broader focus on women's reproductive health. The key diseases targeted in this market niche include HIV, genital herpes, genital warts and Chlamydia.

There are a number of other development opportunities arising from Starpharma's core expertise and IP position in dendrimer nanotechnology and the company's strategy is to partner with other companies in the development of these opportunities. Starpharma is very optimistic about the year ahead.



John W Raff
Chief Executive Officer

Starpharma Holdings Limited (ASX:SPL) is focused on the development and application of dendrimer nanotechnologies as drugs against major diseases. Starpharma's lead dendrimer product, VivaGel™ has received clearance from the US FDA for human clinical trials. VivaGel™ is a topical microbicide gel product that has been developed for women as a preventative against the sexual transmission of HIV. It is also active in animal studies for the prevention of other sexually transmitted diseases including genital Herpes and Chlamydia. SPL also has an equity interest in a US based company – Dendritic Nanotechnologies Inc. (DNT) – established with the US pioneer of dendrimer nanotechnology, Dr Donald Tomalia.

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Starpharma Holdings Limited (**Starpharma**) is admitted to the official list of the Australian Stock Exchange Limited (**ASX**). At this time, Starpharma has not agreed to be listed, or to have its securities quoted, on any other financial market. If investing in Starpharma through another financial market you should be aware that you may not acquire direct ownership of securities issued by Starpharma nor be recognised by Starpharma as a holder of its securities for the purposes of corporate actions, and that Starpharma does not usually make announcements to the operators of such markets.

STARPHARMA HOLDINGS Limited
ABN 20 078 532 180

**ASX Preliminary final report – 30 June
2004**

Lodged with the ASX under Listing Rule 4.3A

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STARPHARMA HOLDINGS Ltd
Year ended 30 June 2004
(Previous corresponding period:
Year ended 30 June 2003)

Results for Announcement to the Market

				\$
Revenue from ordinary activities	up/down	8%	to	1,390,603
Profit/(loss) from ordinary activities after tax attributable to members	up/down	29%	to	(5,497,850)
Net profit/(loss) for the period attributable to members	up/down	29%	to	(5,497,850)

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

Record date for determining entitlements to the dividend

Not Applicable

No dividends have been paid or declared by the entity since the beginning of the current reporting period. No dividends were paid for the previous corresponding period.

Explanation of Revenue

Revenue consisted of grant income from a Commonwealth Government R&D START Grant of \$656,148 (2003: \$839,251), Interest revenue of \$640,247 (2003: \$558,674), and other revenue of \$94,208 (2003: \$112,495).

Explanation of Net Profit/(loss)

The consolidated loss of \$5,497,850 is after fully expensing all research and development expenditure and patenting costs. The reduction of 29% in the net loss is primarily the result of excluding the revenues and expenses of the former controlled entity Dendritic Nanotechnologies Ltd from the consolidated entity. This is further explained in the section "Material factors affecting the revenues and expenses of the consolidated entity for the current period" on page 6.

STARPHARMA HOLDINGS Ltd
Consolidated statement of financial performance
For the year ended 30 June 2004

	Consolidated	
	2004	2003
	\$	\$
Revenue from ordinary activities	1,390,603	1,510,420
Expenses from ordinary activities		
Administration expense	(2,211,604)	(2,026,347)
Research and development expense	(4,119,259)	(5,713,405)
Occupancy expense	(324,664)	(439,175)
Depreciation (plant and equipment)	(603,089)	(604,642)
Borrowing	(12,011)	(15,529)
Other expense from ordinary activities	-	(25,513)
Share of results of associates accounted for using the equity method	382,174	(230,530)
PROFIT (LOSS) FROM OPERATING ACTIVITIES BEFORE TAX	(5,497,850)	(7,544,721)
Income tax on ordinary activities	-	-
PROFIT (LOSS) FROM OPERATING ACTIVITIES AFTER TAX	(5,497,850)	(7,544,721)
(Profit) Loss attributable to outside equity interest	-	(175,062)
PROFIT (LOSS) FROM OPERATING ACTIVITIES AFTER TAX	(5,497,850)	(7,719,783)

STARPHARMA HOLDINGS Ltd
Consolidated statement of financial position
As at 30 June 2004
Consolidated

	30 June 2004	30 June 2003
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash assets	15,658,300	7,891,543
Receivables	471,139	420,257
Other	113,044	147,540
TOTAL CURRENT ASSETS	16,242,483	8,459,340
NON CURRENT ASSETS		
Property, plant and equipment	1,556,265	2,005,400
Investments accounted for using the equity method	692,194	250,700
TOTAL NON-CURRENT ASSETS	2,248,459	2,256,100
TOTAL ASSETS	18,490,942	10,715,440
LIABILITIES		
CURRENT LIABILITIES		
Payables	445,908	720,809
Provisions	249,015	205,729
Interest-bearing liabilities	60,007	60,007
Other	-	282,243
TOTAL CURRENT LIABILITIES	754,930	1,268,788
NON-CURRENT LIABILITIES		
Interest-bearing liabilities	143,516	203,522
TOTAL NON-CURRENT LIABILITIES	143,516	203,522
TOTAL LIABILITIES	898,446	1,472,310
NET ASSETS	17,592,496	9,243,130
EQUITY		
Contributed equity	46,821,956	33,034,058
Foreign currency translation reserve	12,709	(46,609)
Retained profits (Accumulated losses)	(29,242,169)	(23,744,319)
TOTAL EQUITY	17,592,496	9,243,130

STARPHARMA HOLDINGS Ltd
Consolidated statement of cash flows
For the year ended 30 June 2004

	2004	2003
	\$	\$
CASH FLOWS FROM OPERATIONS		
Receipts from trade and other debtors	36,197	125,086
Grant Income (Inclusive of GST)	560,529	948,285
Interest received	613,010	646,677
Interest expense	(11,993)	(15,529)
Payments to suppliers and employees (Inclusive of GST)	(7,004,922)	(8,687,731)
NET CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES	(5,807,179)	(6,983,212)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash eliminated on deconsolidation	-	(933,239)
Proceeds from sale of property, plant and equipment	-	40,411
Payments for property, plant and equipment	(153,955)	(1,610,181)
NET CASH INFLOWS (OUTFLOWS) FROM INVESTING ACTIVITIES	(153,955)	(2,503,009)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	14,494,200	-
Share issue transaction costs	(706,302)	-
Lease repayments	(60,007)	(56,471)
NET CASH INFLOWS (OUTFLOWS) FROM FINANCING ACTIVITIES	13,727,891	(56,471)
NET INCREASE (DECREASE) IN CASH HELD	7,766,757	(9,542,692)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	7,891,543	17,434,235
CASH AT THE END OF THE FINANCIAL YEAR	15,658,300	7,891,543

STARPHARMA HOLDINGS Ltd
Notes to the full-year report
For the period ended 30 June 2004

Material factors affecting the revenues and expenses of the consolidated entity for the current period

There was a reduction of 29% in the operating loss of the consolidated entity during the current period compared with the previous year. This is attributable to the following factors:

Loss of Control of Dendritic Nanotechnologies Ltd

During the previous year the revenues and expenses of the consolidated entity were affected by the change in the level of control of the former controlled entity Dendritic Nanotechnologies Ltd ("DNT Ltd"). From 27th March 2003 Dendritic Nanotechnologies Ltd became a wholly owned subsidiary of the US entity Dendritic Nanotechnologies, Inc. ("DNT Inc") and Starpharma Holdings Ltd held 49.99% of the issued shares in DNT Inc. The revenues and expenses of DNT Ltd were included in the consolidated results of the Company from 1 July 2002 to 27 March 2003, but as control in DNT Ltd ceased on 27 March 2003 from that date the accounts of DNT Ltd and DNT Inc have been excluded from the consolidated accounts.

Revenue

Revenue from ordinary activities decreased by \$119,817. This was primarily due to the exclusion of revenues of the former controlled entity DNT Ltd and a reduction in grant income associated with completion of R&D START grants.

Operating costs

The 2003 costs included \$1.83 million of operating expenses and \$68,171 of depreciation attributable to DNT Ltd prior to that entity being deconsolidated. Excluding the impact of DNT Ltd in the calculation of the 2003 costs, operating expenditure and depreciation attributable to remaining group members was \$6.39 million and \$536,470 respectively in 2003 compared with operating expenditure of \$6.66 million and depreciation of \$603,089 in 2004.

Share of results of associates

The application of equity accounting methods in relation to the investment in DNT Inc. has resulted in a gain of \$382,174 on the Consolidated Statement of Financial Performance.

Material factors affecting the assets, liabilities and equity of the consolidated entity for the current period

New Equity

There was an increase in contributed equity of \$13,787,898 (from \$33,034,058 to \$46,821,956) as a result of:

	\$
An issue of 13,335,000 fully paid ordinary shares @ \$0.52 each under a share placement on 10th September 2003	6,934,200
Less: Issue costs	<u>328,418</u>
	6,605,782
An issue of 9,000,000 fully paid ordinary shares @ \$0.84 each under a share placement on 18th March 2004	7,560,000
Less: Issue costs	<u>377,884</u>
	7,182,116

DNT Inc – Associated Entity

DNT Inc has been treated as an associated company with effect from 27 March 2003. The investment in DNT Inc was initially valued at cost in the accounts of the consolidated entity. Subsequent to that date, normal equity accounting principles have been applied in the determination of the carrying value of the investment in the accounts of the consolidated entity.

There were no other material factors affecting the assets, liabilities and equity of the consolidated

entity for the current period not otherwise disclosed in this report.

Material factors affecting the cash flows of the consolidated entity for the current period

Capital investments

There was a significant reduction in payments for property, plant and equipment compared with the previous year. During the previous year capital expenditure of \$1,430,920 relating to the fit out of the chemistry laboratory and corporate headquarters on Level 6 of the Baker Heart Research Building was incurred.

Cash position

Cash at bank at the end of the current period included the proceeds of the two share placements referred to in the section above headed "New Equity".

Reconciliation of cash

	Consolidated	
	2004	2003
	\$	\$
Cash at bank and on hand	2,118,872	1,444,750
Deposits at call	13,539,428	6,446,793
	15,658,300	7,891,543
Balance of cash as shown in the statement of cash flows	15,658,300	7,891,543

The deposits are bearing floating interest rates of 5.37% (2003: 4.75%).

Cash flow information

Reconciliation of net cash flows from operating activities to operating profit/(loss) after income tax

	Consolidated	
	2004	2003
	\$	\$
Operating profit/(loss) after income tax	(5,497,850)	(7,544,721)
Depreciation and amortisation	603,089	604,642
(Increase) decrease in receivables and other assets	(16,386)	86,435
Increase (decrease) in trade creditors	(274,901)	(484,048)
Increase (decrease) in employee provisions	43,286	27,364
Increase (decrease) in deferred income	(282,243)	111,484
Share of results of associates accounted for using the equity method	(382,174)	230,530
Gain on sale of property, plant and equipment	-	(14,898)
Net cash inflows/(outflows) from operating activities	(5,807,179)	(6,983,212)

Income tax

The consolidated entity has recorded a nil income tax expense for the period and has substantial future income tax benefits not brought to account at balance date because the directors do not believe it appropriate to regard the realisation of the future income tax benefit benefits as virtually certain.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

Segment note

Business Segments

The consolidated entity operates in the following business segments:

- Virology – development and commercialisation of dendrimers for prevention and treatment of virus diseases, particularly sexually transmitted diseases.
- Angiogenesis – development and commercialisation of dendrimers that inhibit angiogenesis.
- Other Pharmaceuticals – development of dendrimers with novel pharmaceutical activity.

Geographical Segments

The consolidated entity operates in the one geographical segment of Australia.

Equity Accounted Investment

The consolidated entity owns 44.54% of Dendritic Nanotechnologies, Inc., a research, development and commercialisation company located in Michigan, USA which in the determination of the full-year result to and balance sheet as at 30 June 2004, is accounted for using the equity method. As at and for the full-year ended 30 June 2003, the consolidated entity owned 49.99% of Dendritic Nanotechnologies, Inc.

Prior Year Comparison

The consolidated entity owned 55% of Dendritic Nanotechnologies Ltd. for the previous year to date ending 27 March 2003. Therefore, the subsidiary's results enter into the determination of that full-year result and segment note.

Segment Information for Year Ending 30 June 2004

Primary Basis - Business Segments

REVENUE	Virology	Angiogenesis	Other Pharmaceuticals	Unallocated	Consolidated Total
External Revenue	-	656,148	47,012	687,443	1,390,603
Total Segment Revenue	-	656,148	47,012	687,443	1,390,603
SEGMENT RESULT					
Profit/(Loss) from Ordinary Activities before Income Tax	(2,347,094)	(1,104,520)	(1,760,994)	(285,242)	(5,497,850)
DEPRECIATION & AMORTISATION					
Depreciation	241,235	241,235	60,310	60,309	603,089
LIABILITIES					
Total Segment Liabilities	-	-	-	898,446	898,446
ASSETS					
Total Segment Assets	3,920,059	1,260,938	3,513,964	9,795,981	18,490,942
SEGMENT ASSETS ACQUIRED DURING THE REPORTING PERIOD					
Property, Plant & Equipment	61,074	61,074	15,269	16,538	153,955
Investments in Associates	-	-	-	692,194	692,194

Segment Information for Year Ending 30 June 2003

Primary Basis - Business Segments

REVENUE	Virology	Angiogenesis	Other Pharmaceuticals	Dendritic Nanotechnologies Limited	Unallocated	Consolidated Total
External Revenue	134,700	704,551	-	77,627	568,029	1,484,907
Total Segment Revenue	134,700	704,551	-	77,627	568,029	1,484,907
SEGMENT RESULT						
Profit/(Loss) from Ordinary Activities before Income Tax	(3,216,985)	(966,975)	(1,689,574)	(2,118,634)	272,385	(7,719,783)
DEPRECIATION & AMORTISATION						
Depreciation	214,588	214,588	53,647	68,171	53,648	604,642
LIABILITIES						
Total Segment Liabilities	-	282,243	-	-	1,190,067	1,472,310
ASSETS						
Total Segment Assets	4,437,793	4,437,793	1,109,448	-	730,406	10,715,440
SEGMENT ASSETS ACQUIRED DURING THE REPORTING PERIOD						
Property, Plant & Equipment	804,072	804,072	161,018	-	161,019	1,930,181
Investments in Associates	-	-	-	250,700	-	250,700

Events occurring after balance date

There are no significant events occurring after balance date.

STARPHARMA HOLDINGS Ltd
Supplementary Appendix 4E information

Additional dividend/distribution information

No dividends have been paid or declared by the entity since the beginning of the current reporting period.

No dividends were paid during the previous corresponding period.

Accumulated Losses

	30 June 2004	30 June 2003
	\$	\$
Accumulated losses at the beginning of the financial period	(23,744,319)	(16,024,536)
Net profit (loss) attributable to members of STARPHARMA HOLDINGS Ltd	(5,497,850)	(7,719,783)
Retained profits at the end of the financial period	<u>(29,242,169)</u>	<u>(23,744,319)</u>

NTA Backing

	2004	2003
Net tangible asset backing per ordinary share	\$0.16	\$0.10

Associates and Joint Venture entities

Name	Ownership interest		Aggregate share of profits/(losses), where material		Contribution to net profit/(loss), where material	
	2004	2003	2004	2003	2004	2003
	%	%	\$	\$	\$	\$
Dendritic Nanotechnologies, Inc.	44.5	49.9	(193,436)	(3,570,739)	(193,436)	(3,570,739)

Share of Result of Associate

	2004	2003
Gain on deconsolidation	-	3,340,209
Share of loss	(193,436)	(3,570,739)
Gain on issue of new equity by associate	575,610	-
Share of result of associate per statement of financial performance	382,174	(230,530)

Other significant information

Earnings per share

	2004	2003
	Cents	Cents
Basic Earnings/(Loss) per share	(5.38)	(8.68)
Diluted Earnings/(Loss) per Share	(5.38)	(8.68)

Weighted average number of shares used as the denominator

	2004	2003
	Number	Number
Weighted average number of shares used as the denominator in calculating basic earnings per share	102,169,098	88,900,000

Potential ordinary shares not considered dilutive:

As at 30th June 2004 the company had on issue:

240,000 options over unissued capital exercisable on or before the 31st December 2005 at the price of 93.75 cents per ordinary share

220,000 options over unissued capital exercisable on or before the 11th April 2007 at the price of 93.75 cents per ordinary share.

200,000 options over unissued capital exercisable on or before the 30th June 2007 at the price of 93.75 cents per ordinary share.

200,000 options over unissued capital exercisable on or before the 31st December 2008 at the price of 73.00 cents per ordinary share.

749,000 options over unissued capital exercisable on or before the 8th February 2009 at the price of 93.75 cents per ordinary share.

4,750,000 options expiring 31 March 2005 exercisable at \$1.00 if exercised before 30 September 2004 and at \$1.25 if exercised between 1 October 2004 and 31 March 2005.

Other Supplementary Information

On 23 January 2004 the Company announced the results of a General Meeting of shareholders convened to consider a proposal to give Directors the discretion to relinquish the company's status as a pooled development fund (PDF). Shareholders voted in support of the proposal, giving the Company the discretion to apply to the PDF Registration Board at any time prior to the Company's next Annual General Meeting (to be held in November 2004) to have its PDF registration declaration revoked. The Company applied to the PDF Registration Board to have its PDF registration declaration revoked on 16 March 2004. On 17 March 2004, the PDF Registration Board revoked the Company's PDF registration application.

The Board's decision to apply to have the Company's PDF registration declaration revoked was taken to ensure that the Company would be able to make strategic decisions such as follow-on investments in the US based Dendritic Nanotechnologies, Inc. or other spin-out opportunities that may arise in the future. As a PDF registered entity, the Company was precluded from making further investments in overseas opportunities.

Appendix 4E items 4, 5, 6, 8 and 9 are not applicable.

Audit

This report is based on accounts which are in the process of being audited.

Compliance Statement

This preliminary final report was approved by a resolution of the Board of Directors of the Company on 25 August 2004.



Ben Rogers
Company Secretary
25 August 2004