Starpharma Holdings Limited

ABN 20 078 532 180

Appendix 4E: Preliminary Financial Report
Year ended 30 June 2020

Lodged with the ASX under Listing Rule 4.3A
Previous corresponding period (pcp): Year ended 30 June 2019

Results for announcement to the market

				$'000
Revenue from continuing operations *(Appendix 4E item 2.1)*	Up	142%	to	**$6,556**
Loss from continuing operations after tax attributable to members *(Appendix 4E item 2.2)*	Up *(increase)*	3%	to	**$14,678**
Loss for the period attributable to members *(Appendix 4E item 2.3)*	Up *(increase)*	3%	to	**$14,678**

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 $6,556,000 (2019: $2,708,000) for the year includes $6,033,000 in commercial partner revenues from licensing, product sales, royalties, and research activities. Interest income on cash invested of $523,000 (2019: $1,057,000) is also included. The increase in revenue reflects the AstraZeneca $4,339,000 development milestone achieved during the year for the first dose of AZD0466 administered in the phase 1 trial of its first DEP® product.

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 $14,678,000 (2019: $14,254,000 loss) reflecting expensing all research and development expenditure and patenting costs associated with VivaGel® and DEP® programs. The slightly increased loss compared to the prior year (↑3%), relates to expanded DEP® clinical programs, with ongoing expenditure on clinical trials for DEP® docetaxel, and DEP® cabazitaxel, the commencement of the DEP® irinotecan clinical trial, as well as preparations for a potential VivaGel® BV treatment clinical trial.

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 2020 is $0.08 (2019: $0.11).

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.

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ASX Announcement

Starpharma annual report and full year financial results

Melbourne, Australia; 27 August 2020: Starpharma (ASX: SPL, OTCQX: SPHRY) today released its annual report and financial results for the year ended 30 June 2020.

Financial Results

- Cash position at 30 June 2020 of $30.1M
- Net cash burn[1] of $11.2M (FY19: $10.1M)
- Total revenue and other income of $7.1M (FY19: $2.7M), an increase of 162% compared to the prior year
- Reported loss of $14.7M (FY19: $14.3M)
- Receipt of $4.9M R&D tax incentive

Key activities

- AstraZeneca commenced phase 1 trial for its first DEP® product, AZD0466, and triggered a US$3 million milestone payment to Starpharma;
- DEP® irinotecan phase 1 trial commenced and was completed successfully with encouraging efficacy signals observed, and progressed to a phase 2 trial;
- DEP® cabazitaxel phase 1 trial was completed successfully with encouraging efficacy signals observed, and progressed to a phase 2 trial;
- Starpharma's internal clinical DEP® trials for DEP® docetaxel, DEP® cabazitaxel and DEP® irinotecan progressed well with all three assets now in phase 2 trials; encouraging efficacy signals were observed in each trial and multiple new sites opened;
- DEP® docetaxel + gemcitabine clinical combination study commenced following ethics committee and regulatory approvals;
- VivaGel® BV was launched in the UK and in Central and Eastern European countries, by Mundipharma under the Betadine brand; First Asian regulatory approvals were granted and VivaGel® BV was launched in South East Asia; VivaGel® BV achieved product sales and royalties of $1.5 million;
- VivaGel® BV achieved #1 ranking in topical BV treatment in Australia, and product roll-out continued in Australia under the brand name Fleurstat BVgel, and Aspen launched the product in New Zealand;
- SPL7013 was tested and found to have significant activity against SARS-CoV-2, the coronavirus that causes COVID-19. Significant progress was made with product development for a nasal spray;
- Development of a DEP® radiotherapy product, DEP® lutetium, opening up a new opportunity for the application of the DEP® platform;
- Signed a new DEP® partnership with leading Chinese Pharmaceutical company Tianjin Chase Sun Pharmaceutical Co., Ltd, in a new therapeutic area (anti-infectives), with potential for additional programs in other therapeutic areas;

[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 2019 to 30 June 2020.

- DEP® irinotecan in combination with immuno-oncology (IO) showed superior anti-tumour activity and significant survival benefit compared to IO alone in two human colorectal cancer models;
- Impressive data were reported for DEP® irinotecan, alone and in combination with Lynparza®, in a refractory human colon cancer model;
- DEP® gemcitabine demonstrated significantly enhanced anti-tumour activity compared with Gemzar® (gemcitabine) in a human pancreatic cancer model;
- A novel DEP® HER-2 Targeted ADC (Antibody Drug Conjugate) conjugate demonstrated significant tumour regression and 100% survival in a preclinical human ovarian cancer model;
- Continued to actively pursue US FDA approval of VivaGel® BV including progressing a detailed administrative review process with the agency;
- Expansion of Okamoto's licence for the VivaGel® condom in 11 further Asian countries (in addition to Japan);
- Achieved EU approval for the VivaGel® condom, and Lifestyles commenced marketing preparations for launch in Europe;
- Advanced arrangements with potential partners of new Targeted (ADC) and non-ADC DEP® programs;
- Signed a new DEP® partnered program with an existing partner in a novel area of cancer therapeutics, and progressed DEP® program discussions with two further major pharmaceutical companies;
- AACR (American Association for Cancer Research) Annual Meeting 2020 featured five posters based on Starpharma's DEP® products; and
- TGA licence granted to Starpharma to manufacture DEP® active pharmaceutical ingredient in-house for clinical trial purposes.

Starpharma concluded the year in a strong financial position with a cash balance of $30.1 million. Revenues for the year totalled $6.6 million including a US$3 million AstraZeneca milestone payment and $1.5 million for VivaGel® product sales and royalties. The net loss after tax for the year was $14.7 million, 3% higher than the previous year due to increased development expenses associated with the company's expanding clinical product portfolio, which now includes three phase 2 assets.

Starpharma CEO, Dr Jackie Fairley, commented: "The past year has been an extraordinary period for all of us. While COVID-19 has impacted companies around the world, Starpharma was able to achieve a number of important milestones during the year, including: significant progress with our internal clinical-stage DEP® assets with three products now in phase 2; advancing multiple new development programs, including in antivirals and radiotherapy; in addition to several product launches of VivaGel® BV in the UK, Europe and Asia".

Dr Fairley added: "As the pandemic emerged we also identified an opportunity for a preventative SPL7013 COVID-19 nasal spray. We already knew SPL7013 has broad spectrum antiviral activity, and undertook further testing which established it has significant activity against SARS-CoV-2. In a short period of time we have been able to develop nasal formulations, select a manufacturer and appropriate device components, and have undertaken pilot manufacture. We have also held discussions with regulators and confirmed a rapid development pathway. Feedback from key opinion leaders confirms that a SPL7013 antiviral nasal spray could be an important addition in preventing the transmission of COVID-19 and complementing vaccine-based strategies".

"One of several DEP® milestones for the year included the commencement of AstraZeneca's phase 1 trial for its first DEP® product, AZD0466. In our internal DEP® portfolio, we continued to advance our three clinical-stage DEP® assets, including initiating a new combination study for DEP® docetaxel; moving DEP® cabazitaxel to phase 2; and successfully completing phase 1 for DEP® irinotecan, ahead of schedule. We also made some important additions to our preclinical DEP® pipeline with our first radiopharmaceutical, DEP® lutetium, DEP® gemcitabine and a novel HER-2 Targeted DEP® (ADC)."

"In the year ahead, we will continue to advance our clinical DEP® assets and expand our portfolio by moving up our preclinical programs and explore value-adding combinations to increase the market opportunities. Starpharma is well positioned for further growth as we achieve further approvals and launches in our VivaGel® portfolio, as well as accelerating the development of our COVID-19 nasal spray.", concluded Dr Fairley.

Starpharma has published a standalone ESG (Environment, Social & Governance) Report which is available at https://starpharma.com/responsibility.

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 names Betafem® BV Gel (UK), Betadine BV™ (Europe), Betadine™ BV Gel (Asia) and Fleurstat BVgel (Australia and New Zealand) 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. The VivaGel® condom is approved in Europe.

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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Disclosure
This ASX Announcement was authorised for release by the Board of Directors.

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 2020

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2020 HIGHLIGHTS

- AstraZeneca's first DEP® product, AZD0466, commenced phase 1, triggering US$3M milestone
- Leading cancer site, MD Anderson Cancer Center, opened for AstraZeneca's AZD0466 trial
- DEP® irinotecan phase 1/2 trial commenced and advanced into phase 2 ahead of schedule on positive results

- DEP® cabazitaxel trial advanced into phase 2 on positive results

- DEP® docetaxel + gemcitabine combination study commenced
- Kinghorn Cancer Centre trial site opened for DEP® irinotecan and DEP® cabazitaxel clinical trials
- VivaGel® BV launched in the UK following earlier launches in Europe
- VivaGel® BV approved and launched in multiple countries in Asia, with further roll-out underway
- VivaGel® BV launched in Central and Eastern Europe

- Fleurstat BVgel ranked as #1 topical BV treatment in Australia
- Fleurstat BVgel launched in New Zealand

- SPL7013 shown to be active against SARS-CoV-2 (coronavirus)

- DEP® radiotherapeutic candidate, DEP® lutetium, showed significant anti-cancer activity and 100% survival in a human prostate cancer model
- DEP® irinotecan + immuno-oncology agent resulted in superior anti-tumour activity and significant survival benefit in two human colorectal cancer models

- DEP® irinotecan, alone and in combination with Lynparza®, showed significant anti-tumour efficacy and synergy in an irinotecan-refractory human colon cancer model

- New DEP® candidate, DEP® gemcitabine, demonstrated significantly enhanced anti-tumour activity in a human pancreatic cancer model

- New DEP® candidate, DEP® HER-2 ADC, demonstrated significant tumour regression and 100% survival in a preclinical human ovarian cancer model
- Okamoto added 11 more Asian countries to its VivaGel® condom licence
- VivaGel® condom received regulatory approval in Europe
- Five DEP® posters presented at AACR showcasing AstraZeneca's first DEP® product, AZD0466, as well as DEP® docetaxel, DEP® cabazitaxel and DEP® irinotecan
- TGA licence granted to Starpharma to manufacture DEP® Active Pharmaceutical Ingredient for clinical trials

On behalf of the Board, I am delighted to present our 2020 Annual Report.

FY2020 was a year of growth for Starpharma. We achieved launches of VivaGel® BV in the UK, Europe and Asia. Our internal DEP® clinical-stage assets were advanced with three products now in phase 2 while multiple new development programs, including antivirals and radiotherapy, were advanced. Before I detail those achievements and how we are delivering on our strategy, I want to first reflect on the current environment and our response to the COVID-19 pandemic.

This has been an unprecedented period that has called for clear planning and leadership. As the pandemic emerged, our company employed a broad range of measures to protect the health and safety of our staff and clinical trial patients. Starpharma's leadership team is managing the changes to business activities very effectively and to date, disruptions to our laboratory, office and supply chain have been minimal although some clinical trials have obviously been impacted. While our team adapted quickly to addressing the challenges during this pandemic, they never lost sight of our commercial strategy: 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.

All our development programs continued to progress well. Importantly our scientists also identified new opportunities to use Starpharma's technology and assets to develop therapies to combat COVID-19.

With the knowledge that our proprietary dendrimer SPL7013 (the active component in VivaGel®) had significant antiviral activity against viruses such as HIV, HSV, HPV, Adenovirus, HBV, and Zika – it made sense to test VivaGel® against the coronavirus and we were pleased to see it demonstrate significant activity against SARS-CoV-2, the coronavirus that causes COVID-19.

Starpharma's SPL7013 preventative nasal spray for COVID-19 is being developed with great urgency given the immense need for such a product for the broader population and especially for frontline workers in the health, aged care and the travel industry. With VivaGel® already approved in many major markets, we expect the product to be ready for market within 12 months. The product may also have application beyond COVID-19 including for common respiratory viruses and potential use in future pandemics.

Notwithstanding the immense workload of this new antiviral program, and the challenges of the COVID-19 pandemic, the company continued to achieve critical milestones in both its VivaGel® and DEP® portfolios. In FY20, Starpharma expanded its global footprint for VivaGel® BV, securing regulatory approvals including in Asia and other regions, and successfully launched the product in the UK, in countries in Central and Eastern Europe, Asia and New Zealand. Further manufacturing campaigns and regulatory submissions were completed which will support additional launches in FY21. The global expansion for VivaGel® BV remains on track despite the disruption of COVID-19 to partner sales and marketing activities and some impact on consumer demand.

Our commercialisation journey with VivaGel® BV has brought much value to the company, and also some challenges in relation to the US, given the request for confirmatory data despite the fact that other regulators in Europe, Australia and Asia have already approved the product. We continue to diligently work with expert advisers through an administrative review process with the FDA.

As the commercialisation of our DEP® platform progresses further, it has the potential to deliver immense value to the company. This year our partner AstraZeneca advanced its first DEP® product, AZD0466, into a multicentre phase 1 trial in the US. AZD0466 was also the subject of three scientific posters presented at this year's American Association of Cancer Research annual meeting, and this partnered program continues to demonstrate the significant commercial potential of our DEP® platform.

I cannot overemphasise the potential value of DEP®. The versatility and broad applicability of this platform is further demonstrated with the signing of new research agreements this year, including with Chase Sun and other commercial partners, in anti-infectives, oncology and other therapeutic areas. It is one of the most compelling commercial benefits of the platform, that DEP® can be licensed to multiple partners, and be applied to multiple products in parallel, which creates remarkable optionality.

From both a commercial and community perspective, we were extremely pleased to see positive results for patients treated with our DEP® products. We now have clinical data for each of our three phase 2 DEP® products including clear efficacy signals as well as reduced impacts of a range of side effects typically experienced with originator (non-DEP®) products. Starpharma is making every effort to accelerate these trials, including opening new sites, to achieve the requisite phase 2 data to support licensing of our internal DEP® assets.

In parallel with advancing our clinical-stage assets, we also expanded our DEP® pipeline with three new preclinical programs, including in the growing, high-value area of radiotherapy. Each of these new DEP® assets demonstrated compelling and impressive preclinical data and addresses therapeutic areas that have significant unmet need for patients.

The DEP® science is truly world class and momentum for the DEP® platform is building with new partners and new therapeutic areas, including anti-infectives and antivirals.

Developing new pharmaceutical and medical products is both challenging and rewarding. Our people care passionately about improving patient health and the company's culture is embedded with a mix of patient-centric and commercially-focussed values. These values are featured in our inaugural Environment, Social and Governance (ESG) Report.

We sincerely thank our CEO, Dr Jackie Fairley, and the entire Starpharma team for their commitment and work during the year. I also thank my fellow board members, and collectively we congratulate retiring director, Richard Hazleton, for his invaluable contribution over the past 13 years. We are committed to developing our Board capability and we were delighted to welcome David McIntyre as a director in March this year. David has extensive and broad life sciences experience including in finance, strategy and commercialisation both in Australia and the USA.

We are grateful for the continued support of Starpharma's shareholders, customers and business partners. The company has an increasingly broad and high-value product pipeline, with 150+ patents and a growing list of partners – and has potential to deliver a substantial contribution to patient and customer health while creating significant long-term value for our shareholders.

Yours Sincerely,

Rob Thomas *AO*
Starpharma Chairman

CEO'S REPORT

Dr Jackie Fairley,
Chief Executive Officer

We entered 2020 with a deep portfolio and a strong balance sheet, which provided an excellent foundation to handle the challenging environment presented by the COVID-19 pandemic. Our team responded rapidly to the evolving situation, implementing a business continuity plan to mitigate the impacts of COVID-19 and a comprehensive program of measures to protect the health and safety of our staff and trial patients. Starpharma has continued to operate with minimal disruption, including the Company's laboratory and in-house GMP manufacturing facilities.

We stayed the course by focussing on strategic priorities to advance and commercialise our products, while repurposing our approved VivaGel® active and leveraging the DEP® platform. I am pleased to report on the milestones achieved in both of our portfolios – notably, additional regulatory approvals and market launches for VivaGel® BV – and progression of our lead DEP® products through clinical trials and three exciting new candidates in our preclinical pipeline.

During the year, VivaGel® BV continued to increase its geographic footprint with launches in the UK, Central and Eastern Europe – and also in Asia, following first approvals in that region. We were pleased to expand our licence with Okamoto, our Japanese VivaGel® condom partner, adding 11 additional countries. While in the European market, we achieved EU approval for the VivaGel® condom.

We also advanced each of our lead DEP® products, including commencing a new combination study for DEP® docetaxel focused on pancreatic cancer; advancing DEP® cabazitaxel to phase 2; and commencing the first human trial for DEP® irinotecan. The trial for DEP® irinotecan made excellent progress and, despite COVID-19, moved into phase 2 ahead of schedule on positive results. In parallel, our partner, AstraZeneca, commenced a clinical trial for its first DEP® product, AZD0466, most recently opening the highly prestigious MD Anderson Cancer Center, in the US, as a site. We also advanced three new DEP® candidates from discovery into our preclinical pipeline, including in the exciting area of radiopharmaceuticals.

"With four DEP® products now in the clinic, and a pipeline of other high-potential candidates, the DEP® platform is generating a deep portfolio of valuable assets. During the year, we added three new DEP® products to our preclinical program – which has continued to generate consistent, impressive results in a range of cancer types that have otherwise limited options for patients."

As companies and research organisations race to develop a vaccine and treatments for COVID-19, Starpharma is also playing a role. We already knew that SPL7013 has broad spectrum antiviral activity against a range of viruses, so following the emergence of the pandemic, we independently tested SPL7013 for COVID-19 activity. Data from multiple studies has shown SPL7013 has significant antiviral activity against SARS-CoV-2, the coronavirus that causes COVID-19.

A key advantage in repurposing SPL7013 as a preventative COVID-19 nasal spray is that it has already been shown to be safe and well tolerated in humans. SPL7013 has been approved – as the active in VivaGel® products – and is already on market, which means the development pathway can be much faster than developing a product from scratch.

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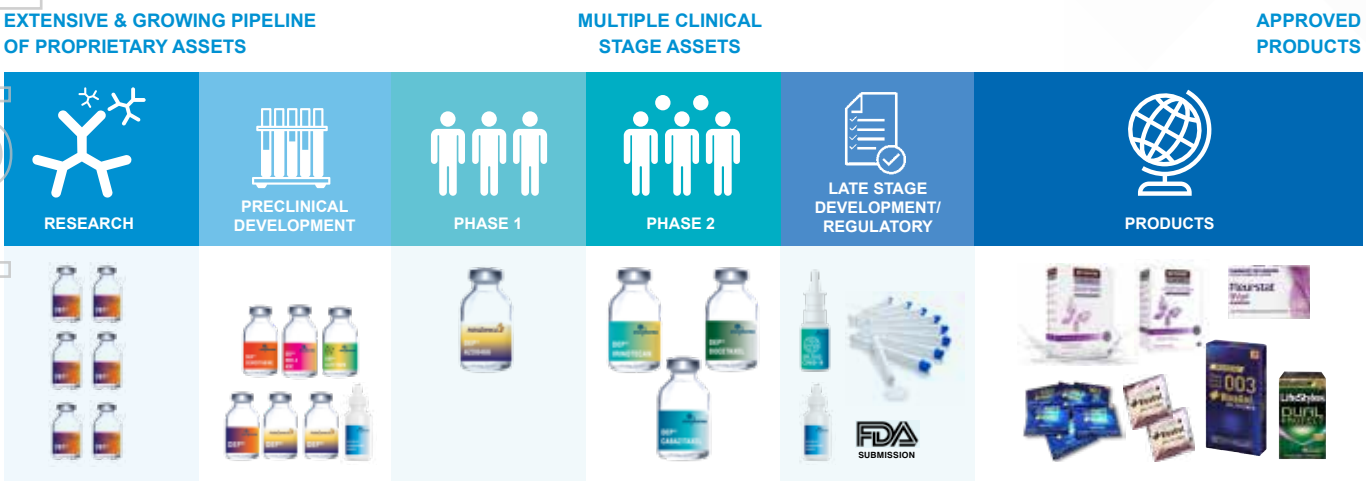
Starpharma's portfolio of high-value assets including products on market



Global expansion of VivaGel® BV continued in FY20 with launches in the UK, in Europe, Asia and New Zealand

VivaGel® BV is a highly novel, non-antibiotic therapy for the treatment of bacterial vaginosis (BV) and prevention of recurrent BV. BV is the most common vaginal infection worldwide and twice as common as thrush. Approximately one in three women will experience BV and half of these women will have recurrent BV. VivaGel® BV is an Australian innovation – invented, fully developed, registered and commercialised by Starpharma.

BV is a troublesome and often recurrent condition that causes unpleasant vaginal odour and discharge, symptoms that have significant social impact for women. BV is also associated with a range of other serious reproductive health-related medical problems including infertility and still birth.

VivaGel® BV is marketed in multiple countries under the brand names Betafem® BV Gel (UK), BETADINE BV™ Gel (Europe), BETADINE™ BV Gel (Asia) and Fleurstat BVgel (Australia and New Zealand).

During the year, VivaGel® BV was launched in the UK, Central and Eastern Europe, Asia and New Zealand. VivaGel® BV, was also launched in the UK, under the brand Betafem® BV Gel. The UK launch followed the first European launches in Germany and other countries in 2019.

VivaGel® BV was launched in the Central and Eastern European region in June 2020 and Mundipharma expects to roll-out the product in additional countries in Europe throughout the year ahead.

Mundipharma further expanded VivaGel® BV's geographic footprint by also launching in Asia in 2020, following receipt of the first regulatory approvals during the period. BETADINE™ BV Gel was initially launched in multiple countries in South East Asia, and is available over-the-counter without a prescription.

Asia is the second major region in which Mundipharma has launched VivaGel® BV and is a significant market, with more than 1 billion women. Mundipharma have a leading position in feminine care in Asia with their successful international brand BETADINE.

Starpharma's and Mundipharma's marketing, supply and regulatory teams continue to work actively together on further launches of VivaGel® BV in Mundipharma's territories. A significant number of additional regulatory submissions were made during the year and further submissions and approvals are expected in the coming months, which will facilitate further launches.

Starpharma's Australia and New Zealand partner, Aspen, launched Fleurstat BVgel in New Zealand earlier in the year, where the product is also being distributed in pharmacies throughout the country.

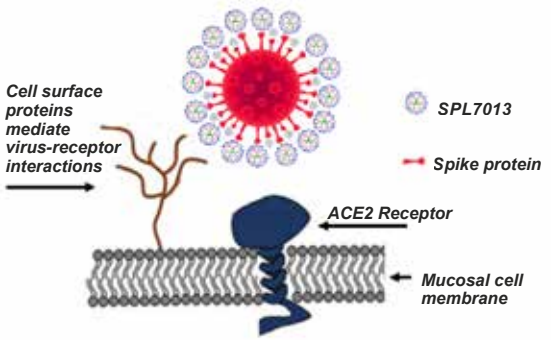
In the US, Starpharma continues to explore regulatory options with ongoing input from a team of expert FDA consultants (regulatory, statistical, clinical, legal – including senior ex-FDA staffers). Starpharma continues to progress the formal review of some of the FDA's initial conclusions via an administrative review process. This review is ongoing and has been impacted by COVID-19. In parallel, Starpharma had made preparations for a BV treatment trial in the US to commence only if required by the FDA, however, due to the significant disruption to the US healthcare system caused by COVID-19, activities relating to a potential BV treatment trial in the US remain on hold.

The broad spectrum antiviral activity of SPL7013 creates potential for COVID-19 and future pandemic preparedness products

SPL7013 COVID-19 – antiviral mechanism of action

SPL7013 has been shown to bind to viral spike proteins, thereby inhibiting the interactions leading to attachment of viruses to human cells and thereby preventing infection. The antiviral activity of SPL7013 against SARS-CoV-2 is thought to be mediated by a similar mechanism.

Based on the previously established antiviral mechanism of action of SPL7013, it is thought to bind to the SARS-CoV-2 spike protein, blocking the ability of the virus to attach to and enter mucosal (human) cells.



SPL7013

- Broad-spectrum antiviral agent
- Shown to be safe and well tolerated in multiple clinical trials
- Approved and marketed in products in the UK, Europe, Japan, Asia, Canada, Australia and New Zealand
- Manufactured at an industrial scale

SPL7013 has broad spectrum antiviral activity including against HIV, HSV, HPV, Adenovirus, HBV, and Zika. SPL7013 is the active ingredient included in marketed VivaGel® products and has been shown to be safe and well tolerated in multiple large clinical trials.

Following the emergence of the coronavirus pandemic, Starpharma instigated independent testing of SPL7013 by an expert laboratory and the results showed significant activity against SARS-CoV-2, the coronavirus that causes COVID-19.

Starpharma is repurposing SPL7013, initially as a nasal spray, to help prevent acquisition of SARS-CoV-2, and to potentially reduce severity of and treat infection. Prevention strategies which complement vaccine use are expected to play an important role in an effective response to managing COVID-19 in the future. Due to its broad spectrum activity, SPL7013 could also play a role for future pandemic preparedness. Such a preventative product would provide an additional line of defence (in addition to conventional PPE and vaccines) including for those in the frontline of this crisis, such as doctors, nurses and other essential workers and in crowded and high-risk environments, such as public transport and aged care.

Importantly, SPL7013 is already approved for use in other products (VivaGel® BV and VivaGel® condom) that are marketed globally, including in the UK, Europe, Asia, Canada, Australia and New Zealand. This situation enables Starpharma to leverage existing approvals to fast-track regulatory development, with the potential to have a product ready for market within 12 months, and regulators have confirmed that minimal re-development is required. The regulatory documentation is already well progressed. Starpharma has developed a range of formulations, selected the product manufacturer and appropriate device components, and is about to manufacture pilot batches, in parallel with commercial discussions.

VivaGel® condom: Okamoto added 11 more Asian countries to its licence

Following the Japanese launch of VivaGel® antiviral condom under Okamoto's highly successful Zero Zero Three (003) brand, Okamoto sought an expansion of its licensed territory to include 11 additional countries in Asia. In March 2020, Starpharma granted Okamoto marketing rights to further countries in Asia which include South Korea, Indonesia, Malaysia, Thailand, Singapore, and the consumer (non-government) Chinese market.

Under this licence, Starpharma is eligible to receive royalties on sales of the VivaGel® condom and will also receive revenue on supply of SPL7013 active. Okamoto will be responsible for regulatory submissions, marketing, and other related costs.

Okamoto has an outstanding condom product portfolio and leading market positions within the Asian region with a number 1 or 2 ranking in multiple relevant Asian countries.

European approval granted for the VivaGel® condom

In November 2019, Starpharma was granted marketing approval for the VivaGel® condom in Europe.

Since this approval was granted, Starpharma has been working closely with its marketing partner in Europe, LifeStyles, as they undertake marketing preparations ahead of the launch of the VivaGel® condom under their brand name Absolute™ DUAL PROTECTION.

LifeStyles SINCE 1905

SKYN · Blowtex · LifeStyles · JISSBON · MANIX

Starpharma has three clinical-stage DEP® products in phase 2 trials across 10 sites – in the UK and in Australia

Starpharma's DEP® drug delivery technology is designed to improve the delivery of existing and novel drugs. The technology enables a drug's properties to be enhanced with improved targeting and pharmacokinetics so that more drug is directed to diseased or cancerous tissue in preference to healthy cells. The technology has been shown to reduce side effects and improve overall performance. By focusing on existing drugs, Starpharma is able to accelerate development of improved DEP® therapies to market. For novel drugs, the DEP® technology provides potential benefits to overcome critical issues such as insolubility or toxicities that hinder their development, as well as creating valuable additional intellectual property and patent life.

Starpharma's internal DEP® strategy is to develop enhanced DEP® versions of existing drugs to create value through clinical proof-of-concept data, followed by partnering and licensing. Three DEP® products are already in phase 2 trials and further DEP® assets are currently progressing through the development pipeline toward clinical trials.

DEP® docetaxel: Phase 2

- Promising efficacy signals observed in phase 2
- New combination study: DEP® docetaxel + gemcitabine

During the year, further promising efficacy signals were observed in the current DEP® docetaxel phase 2 trial. Patients treated with DEP® docetaxel have experienced impressive results including substantial target tumour shrinkage and stable disease in cancers including pancreatic, lung, prostate, gastric and oesophageal.

Two new sites, the Christie (Manchester) and the Beatson (Glasgow), were initiated during the year. During COVID-19, enrolled patients continued treatment, however recruitment of new patients was paused during the height of the crisis. The majority of sites have recommenced recruitment although some hospitals have reduced capacity which may impact timelines.

A new combination study commenced with gemcitabine, based on strong interest from clinicians following release of compelling preclinical data for DEP® docetaxel in combination with gemcitabine in pancreatic cancer models.

DEP® cabazitaxel: Phase 2

- Successfully completed phase 1 with promising efficacy signals in 67% evaluable patients
- Commenced phase 2 and promising efficacy signals observed

During the year, the phase 1 trial for DEP® cabazitaxel was completed with encouraging efficacy signals observed in 67% of evaluable patients. Efficacy signals have included prolonged stable disease in multiple tumour types, including prostate cancer. Efficacy signals were also observed in cancers not usually responsive to conventional cabazitaxel (Jevtana®), such as ovarian cancer, and responses were seen at doses significantly lower than standard for Jevtana®.

Two new sites were initiated: Imperial College London and Velindre Cancer Centre in Cardiff, in addition to Guy's Hospital and University College London Hospital. A further site, the Kinghorn Cancer Centre in Sydney, was also recently opened for DEP® cabazitaxel.

Phase 2 is now progressing well, notwithstanding COVID-19 impacts on paused recruitment. Further encouraging efficacy signals have been observed in multiple patients, including significant target tumour shrinkage, prolonged stable disease (>47 weeks), and substantial tumour marker reductions (e.g. Prostate Specific Antigen), in cancers including prostate, gastro-oesophageal, breast, ovarian and cholangiocarcinoma.

One patient case study from the DEP® cabazitaxel trial is detailed below.

PATIENT PROFILE	TREATMENT RESPONSE
Advanced (metastatic) ovarian cancer ▶ Heavily pre-treated; her cancer progressed on three other anti-cancer therapies including paclitaxel (another taxane) ▶ Previously had 14 cycles of other treatment therapies and multiple surgeries	Patient has received 6 cycles of DEP® cabazitaxel to date ▶ Response seen after 3 cycles of DEP® cabazitaxel treatment; well tolerated ▶ Response maintained after 6 cycles, 43% reduction in some tumours, 40% overall reduction across all target tumour lesions

DEP® irinotecan: Phase 2

- Commenced first human clinical trial for DEP® irinotecan, a highly novel SN-38 nanoparticle
- Successful completed phase 1 with promising efficacy signals in >50% evaluable patients
- Commenced phase 2 and efficacy signals already observed

Starpharma commenced its phase 1/2 clinical trial for DEP® irinotecan, a highly novel SN-38 nanoparticle. The escalation part of the trial was conducted at leading UK cancer centres: The Christie, The Royal Marsden, and Newcastle Freeman Hospital. Phase 1 was successfully completed ahead of schedule in May 2020, with promising efficacy signals in >50% evaluable patients and phase 2 commenced immediately after.

Phase 1 enrolled seven patients with colorectal cancer, pancreatic cancer, and breast cancer, who were each dosed with up to 10 cycles of DEP® irinotecan. DEP® irinotecan was well-tolerated and patients generally experienced less severe side-effects, including no cases of severe diarrhoea, which is particularly problematic and is the basis of an FDA black box warning for the marketed forms of irinotecan. Encouraging efficacy signals were observed in >50% of evaluable patients, and in all three tumour types enrolled, despite the fact that enrolled patients were heavily pre-treated – the majority with more than 10 cycles and some with up to 100+ cycles of prior treatment.

One patient case study from the DEP® irinotecan trial is detailed below.

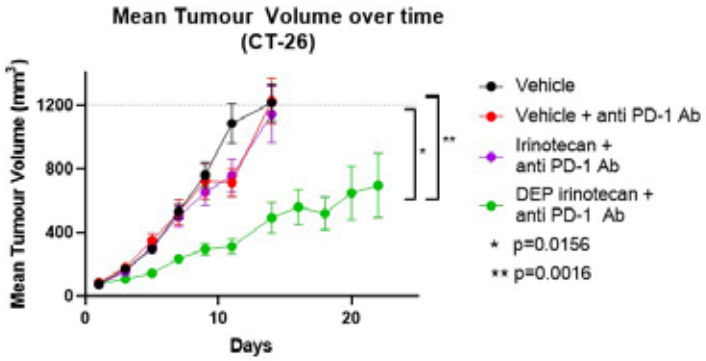
PATIENT PROFILE	TREATMENT RESPONSE
Diagnosis: stage IV breast cancer patient with extensive liver metastases ► Extensive metastases including in the liver ► Heavily pre-treated – more than 100 cycles of 11 different treatment regimens	Patient has received a total of 16 cycles of DEP® irinotecan to date ► Response seen after just 3 cycles of treatment ► Prolonged stable disease >45 weeks ► Well tolerated

Phase 2 is now well underway and the trial is actively recruiting at five sites, including The Kinghorn Cancer Centre (Sydney) and the Beatson (Glasgow), which were recently opened. The objective of the trial is to establish anti-tumour activity (efficacy) and safety of DEP® irinotecan. The first stage will enrol approximately 20-30 patients with colorectal and other cancers.

Combinations with immuno-oncology

In addition to the monotherapy part of the trial program Starpharma is exploring commercially relevant value-adding combinations for DEP® irinotecan, including with immuno-oncology (IO) agents. A recent study with an anti-PD-1 antibody resulted in enhanced anti-tumour activity and significant survival benefit compared to the IO therapy alone in two preclinical colorectal cancer (CRC) models. This combination benefit was not observed when conventional irinotecan was used together with the same IO therapy (anti-PD1 antibody).

These results indicate that DEP® irinotecan in combination with an anti-PD-1 antibody could boost the efficacy of the anti-PD-1 antibody alone.



IO agents including anti-PD-1 antibodies have yielded excellent efficacy results in some patient groups and certain cancer types, but not in CRC. Between 30-60% of patients do not respond to IO treatments alone and CRC is one of the least responsive to IO so there is significant commercial interest in combination approaches, including with chemotherapeutics, to overcome these limitations.

IO agents are now important treatments in several major cancers and the market for these agents is expected to exceed US$55 billion by 2025, and include Merck's Keytruda®, BMS's Yervoy® and AstraZeneca's Imfinzi®.

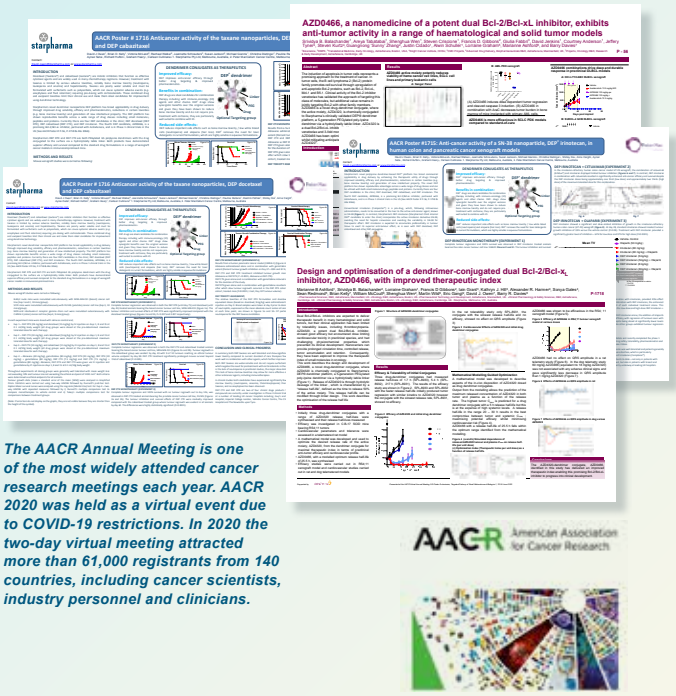
DEP® posters presented at the 2020 AACR Annual Meeting

Five posters featuring products based on Starpharma's DEP® platform were presented at the AACR (American Association for Cancer Research) Annual Meeting in June 2020.

The AACR Annual Meeting brings together leading cancer research and medicine from institutions all over the world and is an important forum for both raising product awareness and commercial interactions.

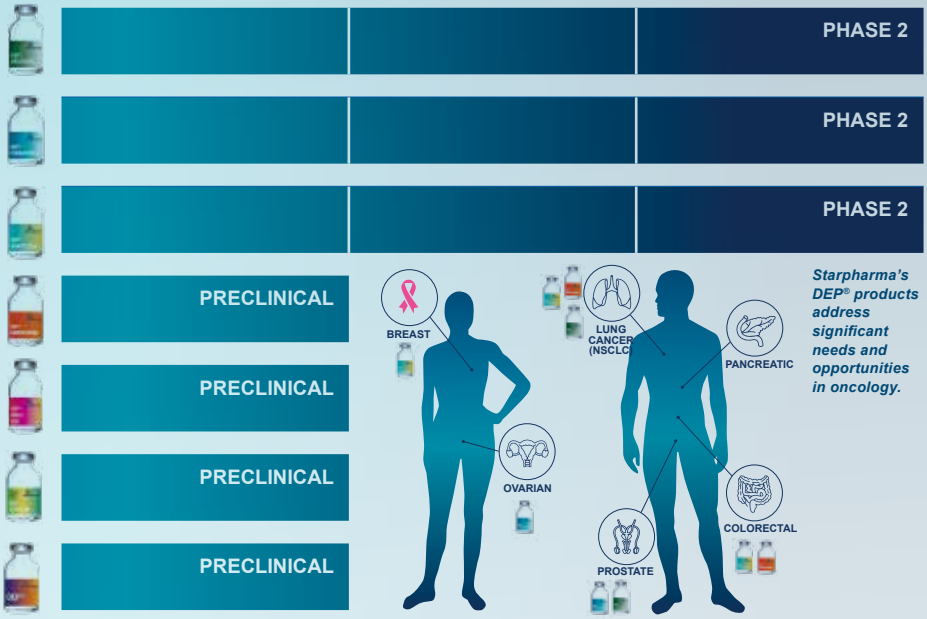
Three posters covered AstraZeneca's first DEP® oncology product in the clinic, AZD0466, and two posters showcased Starpharma's DEP® docetaxel, DEP® cabazitaxel and DEP® irinotecan.

These posters highlight the reproduceable improvements in efficacy and therapeutic index enabled by the DEP® technology that are key benefits of the platform seen in Starpharma's internal products and partner programs.



The AACR Annual Meeting is one of the most widely attended cancer research meetings each year. AACR 2020 was held as a virtual event due to COVID-19 restrictions. In 2020 the two-day virtual meeting attracted more than 61,000 registrants from 140 countries, including cancer scientists, industry personnel and clinicians.

Starpharma's internal DEP® pipeline & other development programs



DEP® Pipeline

DEP® radiotherapeutics

The versatility of Starpharma's DEP® platform means it can be used with a wide range of therapies and types of molecules (e.g. small molecule drugs, peptides, antibodies, radioisotopes). This flexibility has allowed Starpharma to develop a range of DEP® radiotherapeutics as well as its other DEP® programs. In keeping with other DEP® products, DEP® radiotherapeutic products have the potential to target cancer tissue, reduce off-target toxicity and enhance efficacy. They can also be used alone or in combination with other therapeutic approaches and provide additional commercial opportunities for co-development of therapeutic and diagnostic products.

During the year, Starpharma's first DEP® radiotherapy candidate, DEP® lutetium was tested in a human prostate cancer model (DU-145) and showed highly statistically significant anti-cancer activity, with tumour regression and 100% survival. DEP® lutetium is a Starpharma patented nanoparticle that incorporates the radioisotope, Lutetium-177, on a DEP® dendrimer scaffold.

Radiopharmaceuticals are a rapidly developing area of cancer treatment and diagnosis, and this area has recently generated several high-value transactions. Sales in the category are estimated to grow rapidly with forecast sales of $12–15 billion by 2030[1]. DEP® lutetium is one of several promising DEP® radiotherapeutic candidates in development by Starpharma.

[1] Nuclear medicine world market report & directory, MEDraysintell, 2016

DEP® gemcitabine

Starpharma advanced the development of a further new exciting internal DEP® candidate, DEP® gemcitabine, during the year.

DEP® gemcitabine is a DEP® version of Lilly's Gemzar® (gemcitabine) – a well-established anti-cancer drug, which had peak sales of US$1.7 billion. Gemzar® (gemcitabine) is one of the leading chemotherapeutic drugs used to treat pancreatic cancer – and there are otherwise limited options for these patients. Gemzar® is administered as a monotherapy or in combination with other therapies such as Abraxane®. Pancreatic cancer is a leading cause of cancer death, with a 1-year survival rate of 20%, and a 5-year survival rate of only 7% and therefore represents a significant unmet need.

DEP® gemcitabine demonstrated significantly enhanced anti-tumour activity compared with Gemzar® (conventional gemcitabine), both alone and in combination with Nab-paclitaxel (Abraxane®) in a preclinical human pancreatic cancer model. Pancreatic cancer represents a significant unmet need with very low response rates to treatment.

DEP® HER-2 ADC

Building on Starpharma's previously announced internal Targeted DEP® programs, the company developed a novel DEP® HER-2 Targeted ADC (antibody drug conjugate).

This DEP® HER-2 Targeted ADC demonstrated significant tumour regression and 100% survival in a preclinical human ovarian cancer model and significantly outperformed leading HER-2 products, Kadcyla®, a HER-2 targeted ADC, and Herceptin® itself.

Starpharma's novel DEP® HER-2 Targeted ADC binds to the same target (HER-2) as the leading monoclonal antibody cancer therapy, Herceptin®, which had 2018 sales in excess of US$7 billion. The use of ADCs is an innovative and cutting-edge area in cancer therapy that continues to grow and the company also has a number of partner programs in the area.

Starpharma is developing multiple other DEP® candidates to add to its high-value preclinical pipeline.

Partnered DEP® programs

Starpharma's business model provides pharmaceutical partners with access to its novel DEP® drug delivery platform under commercial licences – creating significant leverage and optionality in returns for Starpharma.

Starpharma assists its partners by creating DEP® versions of their molecules, initially under a research collaboration, with the potential to licence rights to Starpharma for development and commercialisation. DEP® provides partners with a number of benefits: it can assist partners as a lifecycle management tool by improving their existing drugs – to increase sales and margins through differentiated product benefits and new intellectual property. For partners developing novel drugs that have issues (e.g. toxicity, insolubility, suboptimal pharmacokinetics etc), the DEP® platform can address such suboptimal drug characteristics that would otherwise limit future use and patient acceptability.

Starpharma's research team provide highly specialised expertise in dendrimers to partner programs. Having a TGA licence and in-house capabilities also allows Starpharma to accelerate the development of DEP® products, scale up products and facilitate partnered programs whilst generating additional revenues.

AstraZeneca commenced its first DEP® trial

In December 2019, AstraZeneca commenced its first-in-human phase 1 clinical trial for AZD0466 in a range of cancers, at multiple sites in the US. Most recently, MD Anderson Cancer Center, the internationally renowned cancer center in Houston (Texas), opened as a trial site. The commencement of this trial followed the achievement of US FDA approval of an investigational new drug (IND) application for AZD0466.

The development of AZD0466 is being progressed under a multi-product licence whereby Starpharma is eligible to receive development, launch and sales milestones. The commencement of the AZD0466 phase 1 trial triggered a milestone payment to Starpharma of US$3 million.

AZD0466 is a highly optimised nanomedicine formulation of a novel dual Bcl2/xL inhibitor which utilises Starpharma's DEP® technology. AstraZeneca describes AZD0466 as having the potential to be a 'best-in-class' agent in this field due to its ability to target both Bcl2 and Bcl/xL with a broad opportunity in solid and haematological tumours (blood cancers). AZD0466 is Starpharma's first partnered DEP® product to enter the clinic and illustrates the significant benefits that can be created for novel agents using the DEP® platform.

In June 2020, AZD0466 was presented in three scientific posters at the 2020 American Association for Cancer Research (AACR) Annual Meeting. These posters highlight the marked improvement in therapeutic index achieved with AZD0466 through the application of the DEP® technology, enabling its progression into the clinic and attracting significant interest from clinicians.

The AACR posters also highlighted the potent and broad ranging anti-cancer activity of AZD0466 which results from the dual Bcl2 and Bcl/xL activity. AZD0466 has demonstrated superior anti-cancer activity in a wide range of preclinical tumour models including Acute Myeloid Leukemia (AML), Acute Lymphoblastic Leukemia (ALL), Non-Hodgkin's Lymphoma and Small Cell Lung Cancer (SCLC).

During the AACR meeting, AstraZeneca also presented an overview of AZD0466 as part of its oncology portfolio, including the extract below.

Extract from AstraZeneca's AACR presentation:

"AZD0466 is a nanomedicine of a potent inhibitor of BCL-2 and BCL-XL. AZD0466 conjugated with Starpharma DEP® biodegradable poly-L-lysine dendrimers is specifically designed to disrupt both BCL-2 and BCL-XL interactions with pro-death proteins. AZD0466 administered on a weekly intravenous schedule releases the active moiety over a period of time to potentially maximize therapeutic index. AZD0466 is currently being investigated as a potential therapy in both hematologic malignancies and solid cancers".

AstraZeneca

Other partnered DEP® programs

During the year, Starpharma progressed its other DEP® partnered programs, including Targeted DEP® partnerships with world leading antibody-drug conjugate companies.

Starpharma also signed up a new DEP® program with an existing partner in a novel area of cancer. The company also progressed discussions with two new pharmaceutical partners, for several partnered DEP® drug delivery programs in oncology and non-oncology areas.

Starpharma recently signed a new research partnership with leading Chinese Pharmaceutical company Tianjin Chase Sun Pharmaceutical Co., Ltd. (Chase Sun) to develop several DEP® nanoparticle formulations for an anti-infective drug. The agreement also provides for the potential to conduct additional DEP® programs, which can be across therapeutic areas beyond anti-infectives. Chase Sun is a leading listed Chinese pharmaceutical company focussed on R&D and commercialisation of healthcare products. Chase Sun is a rapidly growing and innovative company with a market capitalisation exceeding A$3 billion and its 2019 sales were in excess of A$1 billion.

3 Year Financial Summary

	2020 $M	2019 $M	2018 $M
Revenue & other income	6.6	1.7	3.9
Interest revenue	0.5	1.0	1.1
Total revenue and other income	**7.1**	**2.7**	**5.0**
Expenditure	(21.8)	(17.0)	(15.3)
Loss for the period	**(14.7)**	**(14.3)**	**(10.3)**
Net operating cash outflows	(10.8)	(10.3)	(10.2)
Net investing and financing cash outflows	(0.7)	(0.3)	(0.4)
Cash and cash equivalents at end of year	30.1	41.3	51.3

Overview of Financial Results

Total revenue and other income for the year was $7.1 million, which included a $4.3 million development milestone from AstraZeneca for the first dose of AZD0466 administered in the phase 1 trial of its first DEP® product, and $1.5 million from product sales and royalties related to VivaGel® BV and the VivaGel® condom.

Starpharma reported a net loss of $14.7 million, compared to $14.3 million last year. The increase in expenditure from the prior year reflected the expanded clinical programs, with ongoing clinical expenditure on clinical trials for DEP® docetaxel, and DEP® cabazitaxel, the commencement of the DEP® irinotecan clinical trial, and preparations for a potential VivaGel® BV treatment clinical trial.

The net operating cash outflows for the year were $10.8 million, compared to $10.3 million last year. Starpharma ended the financial year with a strong cash balance of $30.1 million.

Review and Future Outlook

The past year has been an extraordinary period for all of us. Despite the challenges posed by a global pandemic, I am very proud of our small and talented team of 45 people, who have navigated through the COVID-19 environment with unwavering commitment, dedication and agility. Our performance-driven culture has never been more apparent and is reflected in the multitude of important milestones achieved throughout the year despite the challenging external environment. I thank all our staff for their hard work and resilience throughout this period.

Thus far, we have had no material disruptions to our R&D output, operations, or supply chain although we have experienced pauses in recruitment of varying duration in most DEP® trial sites as they deal with COVID-19 in their areas. Our executive team worked rapidly to implement a broad range of measures for the safety of our employees, patients, and consumers. The risks associated with this virus remain and we will continue to proactively manage all aspects of our business operations.

As the pandemic emerged, we moved quickly to test our proprietary antiviral dendrimer, SPL7013, against the virus. The high potency of SPL7013 means that a final formulated product will have a concentration of SPL7013 that is several thousand-fold higher than required to inactivate SARS-CoV-2. It is with the highest sense of urgency that our team works to develop and progress this product to provide people like our front-line healthcare workers with a much-needed preventative product.

We now plan to leverage our existing regulatory approvals, production and commercialisation expertise and relationships to progress this product as rapidly as possible.

We are also very pleased to have achieved key milestones within both of our portfolios, with VivaGel® BV launched in multiple countries, and expanded licensing and EU approval for the VivaGel® condom. It will take some time for revenues to build for these products and we will continue to support our partners to establish a long-lasting and valuable brand presence for these important products.

Starpharma's team, which is developing a range of internal and partnered DEP® products, have shown remarkable dedication, flexibility and tenacity during the year – progressing further DEP® products into the clinic and advancing multiple new DEP® candidates through the preclinical pipeline, including our first radiotherapeutic candidate. The progression of our DEP® assets are made possible by the clear and compelling benefits that are consistently demonstrated in preclinical and clinical studies.

Our people appreciate that the very nature of Starpharma's products affords the opportunity of changing lives for the better. This year, Starpharma has prepared its first, standalone Environment, Social and Governance (ESG) report. Our ESG Report showcases how we, as a company, contribute to and care for, the broader community – while driving to achieve our goal to bring important medicines to patients in need – and our pursuit of responsible business practices to achieve this goal. We encourage you visit our website and read the report.

Looking to the year ahead, we remain focussed on progressing our clinical DEP® assets and continuing to expand this portfolio, moving up our preclinical programs and exploring value-adding combinations to broaden the market opportunity. In parallel, we will work assiduously on further approvals in our VivaGel® portfolio, including in the US, to enable additional launches as well as the development of our SPL7013 COVID-19 product.

Starpharma's strong balance sheet and anticipated building revenues place the company in an excellent position for growth. Starpharma is well placed to leverage its expertise, resources and, most importantly, its human capital and IP portfolio to drive success and increase shareholder value.

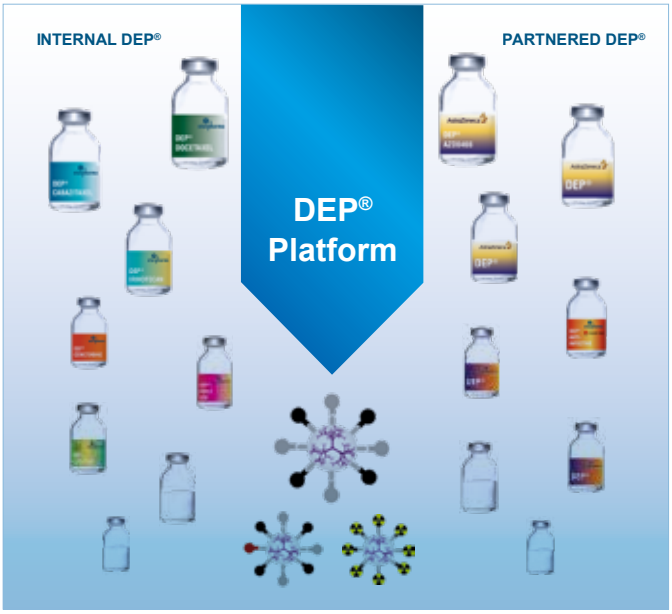
As we move forward, I thank our staff, partners and our shareholders and remain committed to our purpose of creating innovative therapies which have the potential to profoundly improve patient health worldwide, and generate shareholder value.

Jackie Fairley
Chief Executive Officer

Diverse, High-Value VivaGel® and DEP® Portfolios

Starpharma's VivaGel® products are based on its proprietary dendrimer, SPL7013 and are currently on market in the UK, Europe, Asia & AUS/NZ

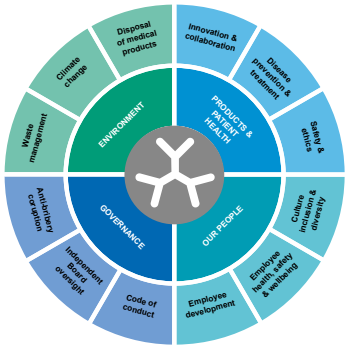
Starpharma's DEP® platform enhances the commercial and therapeutic value of a wide range of drugs, making it a highly valuable partnering technology



ENVIRONMENT, SOCIAL & GOVERNANCE

As an ASX300 biopharmaceutical company, Starpharma produces positive societal outcomes for its stakeholders, including patients, consumers, shareholders, employees, the broader community and the environment. The very nature of Starpharma's products affords the opportunity of changing lives for the better. Through innovative research and development, Starpharma and its partners are creating therapies which have the potential to profoundly improve patient health worldwide.

This year, Starpharma published its first standalone ESG Report to further communicate the company's established practices and its focus on continuous improvement in this area. The report details how Starpharma contributes to and cares for the broader community, and the company's commitment to responsible business practices to ensure its products are being developed safely and ethically, in strict compliance with the relevant regulatory requirements, including for the areas of research, commercialisation and supply.



Our ESG Framework comprises Products & Patient Health, Our People, Governance, and the Environment, and is embedded with specific activities and initiatives to achieve high standards in each of these areas.

Our People, Our Values

Developing new pharmaceutical and medical products is both challenging and rewarding. Doing so requires a culture where our people have the right balance of both patient-centric and commercially-focussed values. Working with a sense of urgency, innovative thinking, resilience and collaboration are central to our company values: Teamwork, Superior Performance, Innovation, Integrity and Accountability. Our people have a strong sense of how their work benefits the broader community.

Starpharma is committed to continued development of its organisational capabilities, including a focus on initiatives that promote diversity and inclusiveness in the workplace. We believe having a diverse workforce drives better outcomes for our business and provides the company with greater breadth of experience and ideas.

As at 30 June 2020, almost half of our employees were born outside of Australia and approximately half of our employees are female. Half of the leadership roles at Starpharma are held by women, and at Board level, 33% per cent of directors are female. Since 2011 Starpharma has maintained female representation on its board of between 33–40% .

We have a highly skilled and specialised workforce. The employees of Starpharma are critical to the company achieving business success. To ensure a positive culture and that Starpharma remains a safe, healthy, and attractive workplace for our employees, Starpharma has well developed 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.

At Starpharma, occupational health and safety is key and is considered every employee's responsibility. Starpharma's occupational, health and safety program is designed to prevent work related injuries and accidents and the company has an excellent track record in this regard. The company's zero harm objective is promoted through a culture of safety and hazard reporting and overseen by an active OH&S committee. OH&S is monitored by both lead and lag indicators. Incidents and near misses are reported and investigated in order to understand root causes and prevent recurrence. During FY20 and at least the previous 10 years, Starpharma has had no WorkSafe notifiable incidents.

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.

Product & Patient Safety

All Starpharma's products, are developed in compliance with the relevant regulatory requirements, including for the areas of research, clinical trials, commercialisation and manufacturing.

Starpharma takes product quality very seriously and has a comprehensive quality management system with well-developed quality systems processes, including (but not limited to): change control, internal auditing, complaint handling, post market surveillance and supplier management. Starpharma also ensures that its manufacturing suppliers have all the necessary controls in place for quality performance.

Suppliers

The company's supplier code includes a wide range of business practices to provide suppliers with clear expectations regarding their conduct. Starpharma is conscious of responsible and ethical sourcing and is actively reviewing its procedures in this area. The company is continually reviewing the applicable guidance on responsible sourcing and sustainable procurement with the aim of creating greater social and sustainability benefits through its purchasing activities.

Environment

Starpharma is committed to conducting its operations in an environmentally responsible manner, as healthy people rely on a healthy environment. Reducing our environmental footprint is not only important for human and environmental health – it also leads to the long-term health of economies and our business. 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.

The full ESG Report is available at www.starpharma.com.

Directors' Report

Your directors have pleasure in presenting this report on the consolidated entity (referred to hereafter as the "group", "company", or "Starpharma") consisting of Starpharma Holdings Limited (the "Parent Entity") and the entities it controlled at the end of, or during, the year ended 30 June 2020.

Directors

The following persons were directors of Starpharma Holdings Limited 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)

D J McIntyre was a director from 1 March 2020 to the date of this report.

Information on Directors

Robert B Thomas AO, BEc, MSAA, SF Fin, FAICD, FRSN
Independent non-executive director (appointed 4 December 2013) and 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 Chief Executive Officer ("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® International Inc, the second largest global manufacturer of left ventricular assist heart pumps. Mr Thomas is Chair of AusBio Ltd and Grahger Retail Securities, and a director of Biotron Limited and O'Connell Street Associates.

For many years Mr Thomas was regarded as one of Australia's leading financial analysts and regularly lectured with Financial Services Institute of Australia ("FINSIA"). He has considerable expertise in Mergers & Acquisition ("M&A") 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® International 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: Biotron Limited.

Directorships of other ASX listed entities within last three years: Virgin Australia Limited and REVA Medical Inc.

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; occupational health & safety ("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 Limited ('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, is a non-executive director of listed investment company Mirrabooka Investments Limited and Chairman of the Invest Victoria Advisory Board. 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 the 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
4,453,114 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 – 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 to the company 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 executive 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 Chairman of Pacific Smiles Group Limited, and a Non-Executive Director of the ASX-listed Monash IVF 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 the 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) and Deputy Chairman from 26 November 2019

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 Chairman of ImmVirX Pty Ltd, a Non-Executive Director of Cell Therapies Pty Ltd (a subsidiary of the Peter MacCallum Cancer Centre), and a director of Victorian Government owned entity Agriculture Victoria Services Pty Ltd and Phytogene 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 Certified Practising Accountant ("CPA") 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.

David McIntyre CPA, LL.B., MBA and B. Econs (Acc)
Independent non-executive director (appointed 1 March 2020) – resides in the United States

Experience
Mr McIntyre has more than 20 years of executive experience including 18 years in the life science sector, having held various executive roles including Chief Financial Officer and Chief Operating Officer at HeartWare® International, Inc, and Chief Financial Officer & Head of Technical Operations at Braeburn, Inc. Mr McIntyre is currently the Chief Financial Officer of AVITA Therapeutics, Inc.

Mr McIntyre's experience includes seven years as a Partner at Apple Tree Partners, a multi-billion-dollar life science venture capital and growth equity fund, giving him a deep knowledge of, and extensive contacts, in the US pharma, medical device and biotech markets. During this time, Mr McIntyre served as a non-executive director of several US life science companies.

Prior to entering life sciences, Mr McIntyre practiced as a senior attorney at Baker & McKenzie and KPMG specialising in M&A, initial public offerings, and corporate law and also held various senior finance roles in both multi-national companies and small growth companies.

Mr McIntyre is based in the US and brings to the table an international lens on licensing and commercialisation, marketing and business and development, and M&A/capital markets. He has significant experience in the areas of accounting/corporate finance, audit and risk, strategy and risk management.

Mr McIntyre holds a Bachelor of Economics (Accounting) from the University of Sydney, Australia, a Bachelor of Laws from the University of Technology, Sydney and an MBA from Duke University Fuqua School of Business (Fuqua Scholar) from Durham, North Carolina, in the United States of America. Mr McIntyre is a CPA and is also admitted as a legal practitioner of the Supreme Court of New South Wales and of the High Court of Australia.

Committee membership
Member of Audit & Risk Committee.

Other current directorships of ASX listed entities: Redflex Holdings Ltd.

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

Specific skills and experience areas
With more than 20 years of executive experience including 18 years in the life science sector, Mr McIntyre's experience covers all key areas described in the Board skills matrix. In particular, Mr McIntyre has substantial expertise in accounting/corporate finance, audit and risk; M&A/capital markets; governance; licensing and commercialisation of innovation; strategy and risk management, having held executive roles including Chief Financial Officer and Chief Operating Officer. He has also had significant experience with US based companies in the medical device, biotechnology and pharmaceutical sector.

Interests in Starpharma Holdings Limited
16,240 ordinary shares

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 nanoparticles called dendrimers, including 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 2020, 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 2020 was $14,678,000 (2019: $14,254,000). The net operating cash outflows for the year were $10,776,000 (2019: $10,344,000). The cash balance at 30 June 2020 was $30,054,000 (June 2019: $41,251,000).

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 2020 (2019: Nil).

Review of operations

Key activities until the date of this report include:

VivaGel® and SPL7013 Portfolio

- SPL7013 was tested and found to have significant activity against SARS-CoV-2, the coronavirus that causes COVID-19. Significant progress was made with product development for a nasal spray;
- VivaGel® BV was launched in the United Kingdom ("UK") by Mundipharma under the brand Betafem® BV Gel, and in Central and Eastern European countries under the brand Betadine BV™;
- First Asian regulatory approvals were granted for VivaGel® BV and the product was subsequently launched in South East Asia by Mundipharma under the brand Betadine™ BV;
- Australian roll-out of VivaGel® BV under the brand Fleurstat BVgel by Aspen, and product launched in New Zealand;
- Strategy undertaken to progress US Food and Drug Administration ("FDA") approval of VivaGel® BV including commencing an administrative review process;
- Okamoto expanded its licence for the VivaGel® condom in 11 further Asian countries (in addition to Japan); and
- VivaGel® condom was granted EU approval and Lifestyles commenced marketing preparations for launch in Europe.

DEP® Drug Delivery Platform

- AstraZeneca commenced phase 1 for its first DEP® product, AZD0466. The successful dosing of the first patient in December 2019 triggered a US$3 million milestone payment to Starpharma;
- Signed a new DEP® partnership with leading Chinese Pharmaceutical company Tianjin Chase Sun Pharmaceutical Co., Ltd, in a new therapeutic area (anti-infectives), with potential for additional programs in other therapeutic areas;
- Starpharma's three internal clinical DEP® trials progressed well with encouraging efficacy signals observed in each trial and multiple new sites opened, including leading cancer centres, The Marsden in the UK and the Kinghorn Cancer Centre in Sydney;
- DEP® docetaxel + gemcitabine clinical combination study commenced following ethics committee and regulatory approvals;
- DEP® cabazitaxel phase 1 met its objective of identifying a Recommended Phase 2 Dose (RP2D) and transitioned to phase 2;
- DEP® irinotecan phase 1 / 2 trial commenced and met its phase 1 objective of identifying a RP2D and transitioned to phase 2;
- DEP® irinotecan in combination with an immuno-oncology agent (anti PD-1 antibody) showed superior anti-tumour activity and significant survival benefit compared to the anti PD-1 antibody alone in two human colorectal cancer models;
- Impressive data were reported for DEP® irinotecan, alone and in combination with Lynparza®, in a refractory human colon cancer model;
- DEP® gemcitabine demonstrated significantly enhanced anti-tumour activity compared with Gemzar® (gemcitabine) in a human pancreatic cancer model;
- A novel HER-2 Targeted DEP® (ADC) conjugate demonstrated significant tumour regression and 100% survival in a preclinical human ovarian cancer model;
- Starpharma's first DEP® radiotherapy product, DEP® lutetium, showed statistically significant and durable anti-cancer activity in a human prostate cancer model;
- Signed a new DEP® program with an existing partner in a novel area of cancer therapeutics, and progressed DEP® program discussions with two further major pharmaceutical companies; and
- TGA licence granted to Starpharma to manufacture DEP® active pharmaceutical ingredient ("API") in-house for clinical trial purposes.

SPL7013 Portfolio

Following the emergence of the coronavirus pandemic, SPL7013 was tested and found to have significant activity against SARS-CoV-2, the coronavirus that causes COVID-19. Starpharma moved quickly and is now developing a nasal spray with SPL7013 aimed at preventing infection and/or reducing severity of disease. The company has already held discussions with regulators, who have confirmed that minimal re-development is required for a SPL7013 COVID-19 nasal spray. The expedited program is now well underway with Starpharma aiming to have the product ready for market within 12 months.

VivaGel® Portfolio

During the year, VivaGel® BV achieved multiple further registrations and market launches. VivaGel® BV was launched by Mundipharma under the brand names, Betafem® BV Gel in the UK, and Betadine BV™ in several countries in Central and Eastern Europe. VivaGel® BV was approved in multiple Asian countries and was subsequently launched in the region, initially in South East Asia, and work continues on further registrations and launches. Aspen continued to roll-out Fleurstat BVgel in Australia and also launched the product in New Zealand. Starpharma earned revenue from the supply of product to its partners and received payments triggered by multiple registration milestones.

Starpharma continued to progress its strategy regarding FDA approval of VivaGel® BV with ongoing support from a team of expert FDA consultants (regulatory, statistical, clinical, legal; several ex-FDA). The company progressed the formal review of some of the FDA's initial conclusions via an ongoing administrative review process. Due to the significant disruption to the US healthcare system caused by COVID-19, activities relating to a potential BV treatment trial in the US were put on hold.

Okamoto expanded its licence for the VivaGel® condom to a further 11 countries in Asia, in addition to its initial agreement for Japan. Starpharma is eligible to receive royalties on sales of the VivaGel® condom under this licence and will also receive revenue on supply of SPL7013 active. The VivaGel® condom also achieved EU approval and LifeStyles commenced marketing preparations for its European launch under the brand name Absolute™ DUAL PROTECTION.

DEP® Drug Delivery Platform

During the year, Starpharma continued to actively progress development of its internal DEP® portfolio, including advancing a third internal DEP® product into the clinic – increasing its clinical program to three phase 2 assets. Positive patient findings were observed in the ongoing phase 2 DEP® docetaxel trial, and the company gained ethics committee and regulatory approvals for a combination study with gemcitabine. Both DEP® cabazitaxel and DEP® irinotecan were advanced to phase 2 following successful positive phase 1 results during the year. Encouraging efficacy signals were observed in each of the DEP® trials and will feed into commercial discussions, and new sites were opened in the UK and Australia.

Further studies were undertaken for DEP® irinotecan to explore its performance in combination separately with Lynparza and also with an immuno-oncology agent (anti PD-1 antibody) in human colorectal cancer models. In several preclinical colorectal studies, including refractory ones, DEP® irinotecan delivered impressive improvements in performance and these studies have resulted in significant interest from investigators and potential partners.

Starpharma continued to build its DEP® pipeline, advancing three new DEP® candidates: DEP® gemcitabine, DEP® lutetium and a novel HER-2 Targeted DEP® (ADC) conjugate, and presented positive results with each candidate in multiple preclinical studies.

With regard to partnered DEP® programs, the FDA approved an investigational new drug (IND) application for AstraZeneca's first DEP® product, AZD0466, and the phase 1 clinical trial commenced shortly after and is now recruiting at in multiple sites in the US including the internationally renowned MD Anderson Cancer Center. The first dose of AZD0466 administered to a patient triggered a milestone payment to Starpharma of US$3 million.

Starpharma signed a new research partnership with leading Chinese pharmaceutical company Tianjin Chase Sun Pharmaceutical Co., Ltd. in a new therapeutic area (anti-infectives). The company also progressed its other partnered programs during the year, including its Targeted DEP® partnerships with world leading antibody-drug conjugate companies. Starpharma signed up a new DEP® program with an existing partner in a novel area of cancer therapeutics and commenced work on the program. The company also progressed discussions with two further major pharmaceutical companies for several partnered DEP® drug delivery programs in both oncology and non-oncology areas.

Starpharma's DEP® platform was showcased in five posters presented at the 2020 American Association for Cancer Research ("AACR") Annual Meeting. Three posters featured AstraZeneca's first DEP® oncology product, AZD0466, and two posters showcased Starpharma's clinical-stage products - DEP® docetaxel, DEP® cabazitaxel and DEP® irinotecan.

The company underwent a detailed review and inspection process and as a result was successful in being granted a TGA licence to manufacture API in-house. This licence enables Starpharma to manufacture API for a range of DEP® products for human clinical trials, including late-stage phase 3 trials. This licence also allows Starpharma to accelerate the development of DEP® products both for internal and partnered programs through rapid manufacture and development of DEP® materials and also opens up new revenue potential in partnered programs.

COVID-19 pandemic

In recent months, Starpharma has employed a broad range of measures to protect the health and safety of staff and clinical trial patients. Starpharma's COVID-19 management response team continues to actively monitor the situation, and measures have been implemented and revised as appropriate. Regular reports are provided to the Board.

Disruptions to the company's laboratory and office operations and its supply chain continue to be minimal, although, in Starpharma's clinical trials, there was disruption to new patient recruitment associated with the impact of COVID-19 on UK hospitals. Recruitment has now resumed at the majority of sites for the DEP® clinical trials and as previously advised, a number of new sites have been opened.

As experienced by companies around the world, Starpharma's partners for VivaGel® BV have had some disruption to their sales and marketing activities, and the COVID-19 lockdowns have delayed some launches and may impact consumer demand.

As set out above, the company identified a product opportunity in response to the pandemic, and is currently developing a COVID-19 nasal spray.

Matters subsequent to the end of the financial year

No matters or circumstances have arisen since 30 June 2020 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

Starpharma aims to create value for its shareholders through the commercial development and 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 pipeline, including internal and partnered DEP® programs and to advance commercial opportunities for VivaGel®. Starpharma intends to achieve this by continuing to utilise a combination of internally funded and partnered programs across its dendrimer 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 commercial strategy and 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 develop 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.

Proceedings on behalf of the company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Review of Financials

Income statement	30 June 2020 $'000	30 June 2019 $'000
Revenue	6,556	2,708
Cost of goods sold	(890)	(251)
Other income	559	12
Research and product development expense	(14,808)	(10,454)
Commercial and regulatory operating expense	(3,426)	(3,774)
Corporate, administration and finance expense	(2,669)	(2,495)
Loss for the period	**(14,678)**	**(14,254)**

Income statement

The reported loss for the period was $14,678,000 (2019: $14,254,000).

Revenue for the year was $6,556,000 (2019: $2,708,000), comprising $6,033,000 (2019: $1,651,000) for product sales, royalty, licensing and research revenue from commercial partners, and interest income of $523,000 (2019: $1,057,000). Revenue from commercial partners includes $4,339,000 from AstraZeneca for a development milestone achieved on the first dose of AZD0466 administered in the phase 1 trial of its first DEP® product, and the remaining $1,694,000 is predominantly related to VivaGel® BV and VivaGel® condom product sales and royalties in the year.

Other income was $559,000 (2019: $12,000) and primarily relates to the Australian Government's COVID-19 stimulus measures including JobKeeper ($399,000) and Cash Flow Boost ($100,000) programs. Starpharma is eligible for the JobKeeper program from 30 March 2020 through to 27 September 2020. Starpharma has maintained its staff through COVID-19, with these receipts mitigating some of the increased expense associated with the management of clinical trials and other COVID-19 related costs.

Research and product development expense includes the costs of all internal DEP® drug delivery programs, and certain VivaGel® BV related expenditure. The increase in expenditure from the prior year reflects the expanded DEP® clinical programs, with ongoing expenditure on clinical trials for DEP® docetaxel, and DEP® cabazitaxel, the commencement of the DEP® irinotecan clinical trial, and preparations for a potential VivaGel® BV treatment clinical trial. A contra research and development expense of $5,669,000 (2019: $5,071,000) has been recorded for activities eligible under the Australian Government's Research and Development 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 decrease in the year reflects additional internal and external costs related to commercial licences and the launch of VivaGel® BV in the prior year.

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 current year.

Balance sheet

At 30 June 2020 the group's cash position was $30,054,000 (June 2019: $41,251,000). Trade and other receivables of $6,128,000 (June 2019: $6,159,000) includes $5,670,000 (June 2019: $4,898,000) receivable from the Australian Government under the R&D tax incentive program.

On the adoption of AASB 16 *Leases* from 1 July 2019, the group recognised lease liabilities and right-of-use assets in relation to leases which had previously been classified as 'operating leases' under AASB117 *Leases*. See Note 1(x) for further details.

Statement of cash flows

The net operating cash outflows for the year were $10,776,000 (2019: $10,344,000). During the financial year, $4,898,000 (2019: $4,019,000) was received from R&D tax incentives associated with eligible expenditure and activities from the prior financial year, and a US$3M milestone was received from AstraZeneca on the first human dose of AZD0466 being administered in the phase 1 trial of this highly novel DEP®-based cancer medicine.

Earnings Per Share

	2020	2019
Basic & diluted earnings/(loss) per share	($0.04)	($0.04)

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, such as pandemics. More specific material risks of the sector and the group include, but are not limited to:

- Scientific, technical and 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 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 and competitiveness – a developed product may not be considered by key opinion leaders (eg. doctors), reimbursement authorities (eg. Pharmaceutical Benefits Scheme 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 under other 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 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 OH&S 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.

Additional OH&S practices were implemented and monitored since the emergence of the COVID-19 pandemic, under the guidance of a specific COVID-19 management response team.

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 2020 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 2020, 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	6 of 6
Z Peach	9 of 9	N/A	6 of 6
R B Thomas	9 of 9	2 of 2	6 of 6
P R Turvey	8 of 9	2 of 2	N/A
D J McIntyre	2 of 2	0 of 0	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 2020 sets out remuneration information for non-executive directors, executive directors and other key management personnel of the group.

The remuneration report is presented under the following sections:

1. Introduction, including impact of COVID-19 on remuneration
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 FY20
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 (<50) so endeavours to keep its remuneration relatively straightforward. Our staff are required to have specialist knowledge and experience allowing them to develop products over the medium to long-term. The fact that Starpharma operates in a global pharmaceutical industry environment also influences its remuneration strategy.

The structure of remuneration comprises fixed remuneration, short-term incentives ("STI") in both cash and equity, and equity based long-term incentives ("LTI"). Starpharma's remuneration structure is transparent and based on Key Performance Indicators ("KPIs") which are designed to align with the interests of shareholders and to reward performance across multi-year timeframes related to product development value-adding milestones. In some cases, the Board may exercise discretion to take account of events and circumstances not envisaged.

Impact of COVID-19 on remuneration
Given the ongoing global uncertainty and evolving situation related to the COVID-19 pandemic, the Board has determined that there will be no increase in fixed remuneration for KMP executives from 1 July 2020 despite significant additional activities related to COVID-19, the COVID-19 nasal spray and additional safety measures, with a review to be undertaken in December. In assessing KMP STI performance for FY20, the Board has utilised existing KPIs and in some cases, a small adjustment has been made (where applicable) to recognise the significant effort involved in developing the SPL7013 COVID-19 nasal spray which was not previously contemplated. Additionally, the Board will exercise its discretion to issue performance rights with a vesting date of 30 June 2021 (subject to continued employment) in lieu of cash bonuses for FY20. While this initiative will result in higher share-based payments in FY21 due to the delayed vesting, the Board believes it will conserve cash, act as a retention incentive and further align executive and shareholder outcomes. The conversion of cash bonuses to equity will also have a one-off impact on the KMP executive target remuneration mix for FY21.

There is no increase in non-executive director base fees or committee fees for FY21, other than a $5,000 increase to the Deputy Chairman with a commensurate decrease in the Chairman's fee.

The impacts of COVID-19 on the business are detailed further in the operating and financial report. COVID-19 government incentives, including JobKeeper, totalled $499,000. Starpharma has maintained its staff through COVID-19, with these receipts mitigating some of the increased expense associated with the management of clinical trials and other COVID-19 related costs.

Key management personnel
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 2020. The individuals were KMP for the entire financial year, except for D J McIntyre who was appointed non-executive director on 1 March 2020. There were no changes in KMP from the reporting date up to the date of this report. 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
P R Turvey	Non-executive Director (Deputy Chairman)
R A Hazleton	Non-executive Director
Z Peach	Non-executive Director
D J McIntyre	Non-executive Director, appointed 1 March 2020

(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

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 pharmaceutical industry environment;
- Drive sustainable growth and returns to shareholders, as executives are set both short-term and long-term performance targets which are linked to the core activities necessary to build competitive advantages and shareholder value;
- Motivate and reward superior performance by the executive team whilst aligning performance elements/KPIs to the interests of shareholders; and
- Create a respectful culture based on superior 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.

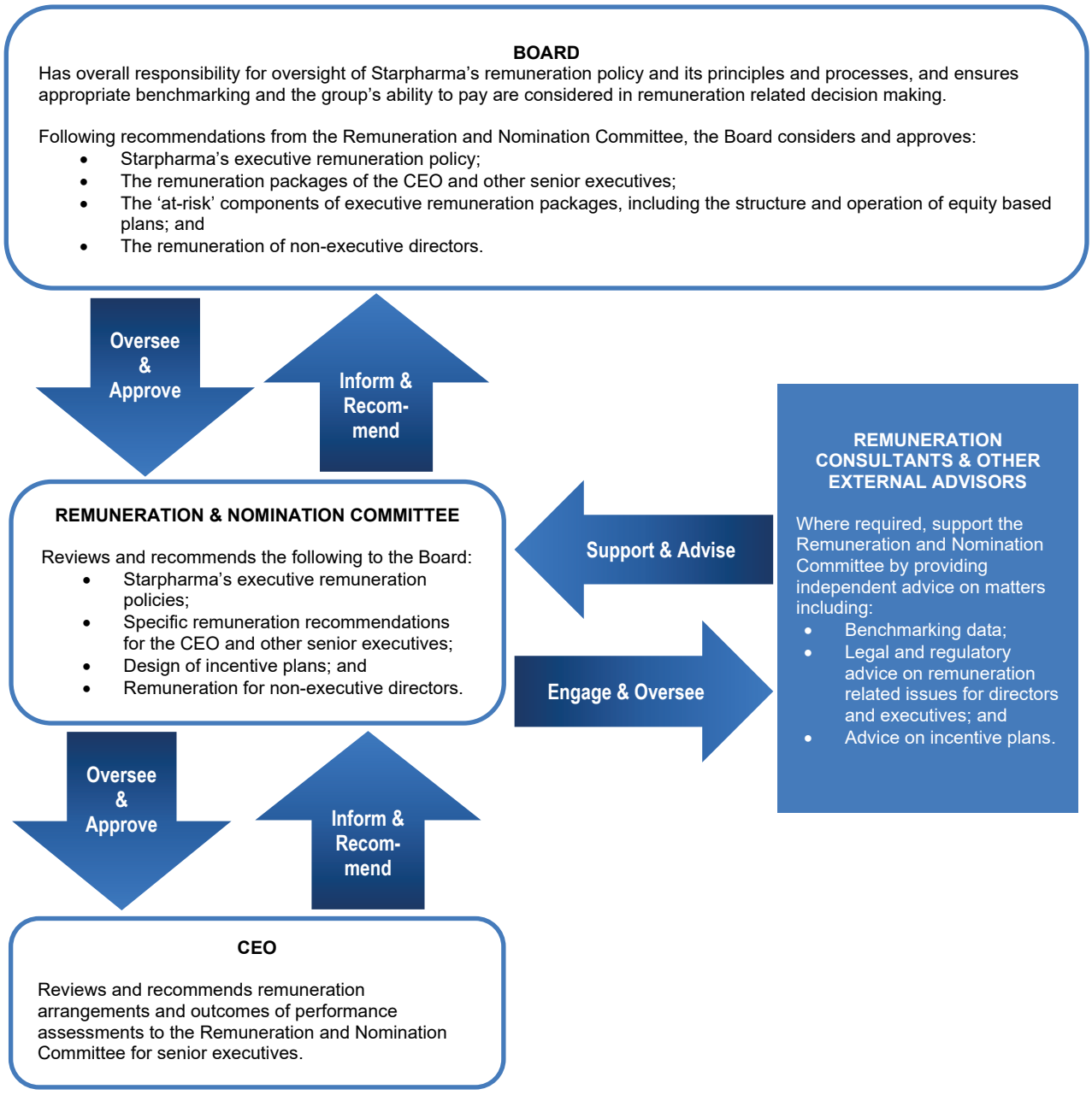
Performance reviews
At the beginning of a performance period all staff have KPIs set, specific to their role. At the conclusion of the performance period a performance review against these KPIs is conducted and this feeds into the annual salary review process. The performance reviews consider behavioural 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 this assessment determines, 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 2019 Annual General Meeting (AGM)
Of the votes cast on the company's remuneration report for the 2019 financial year, over 93% 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 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 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 2020 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. From 1 July 2020, the Deputy Chair base fee will be $73,000 to further recognise the additional responsibility, time and commitment of the position, and in FY21, to ensure the applicable board fees do not increase in the year, the Chair reduced his base fee by $5,000.

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 FY20
The aggregate amount paid to non-executive directors for the year ended 30 June 2020 was $392,167 (2019: $355,500) reflecting the appointment of an additional non-executive director from 1 March 2020 as part of Board renewal and transition. The details of remuneration for each non-executive director for the years ended 30 June 2020 and 30 June 2019 are outlined in the tables in section 6.

Proposed fee adjustments for FY21
There is no increase in base non-executive director fees or committee fees for FY21. Following the appointment of Peter Turvey as Deputy Chairman, from 1 July 2020, there will be a rebalance between the Chairman and Deputy Chair fees, whereby the Chairman's fee will be reduced by $5,000, with a commensurate increase to non-executive director fees for the Deputy Chairman. The proposed fees, compared to the FY20 levels, are outlined in the table below.

Annual Non-Executive Directors' Fees		Proposed Fees from 1 July 2020	Actual Fees to 30 June 2020
Board fees		**$**	**$**
Chair (no additional fees for serving on Board committees)		129,000	134,000
Deputy Chair		73,000	–
Base fee for other non-executive directors		68,000	68,000
Committee fees			
Audit and Risk Committee	Chair	10,500	10,500
	Member	4,500	4,500
Remuneration and Nomination Committee	Chair	10,500	10,500
	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, together with the Board, actively reviews the group's remuneration structure, and benchmarks the overall package and 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 the 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 Remuneration and Nomination Committee.

As in prior years, remuneration benchmarking was undertaken for FY20 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 FY20, from within the pharma/biotechnology sector. These peer companies included Bionomics, Clinuvel, Immutep, Impedimed, Imugene, Mayne Pharma, Medical Developments International, Mesoblast, Monash IVF, Nanosonics, Neuren, Pharmaxis, Polynovo, Opthea, Osprey, Reva Medical, Telix, and Virtus Health. 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.

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 FY20, 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.

The CEO has a maximum cash bonus entitlement as a component of STI, which for FY20 was $249,775, representing a target of 15% of total remuneration. Due to the uncertain impact of COVID-19 on the business and economy more broadly, it has been agreed between the CEO and the Board that the CEO will waive the right to a cash bonus for FY20. This policy has also been adopted for Other KMP executives. The Board has determined that additional STI equity rights will be offered in lieu of the value that would otherwise be awarded as a cash bonus following the assessment of performance. This approach aligns with the policy of prudently managing cash reserves, despite key achievements by KMP executives during the year.

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 pharmaceutical industry, 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

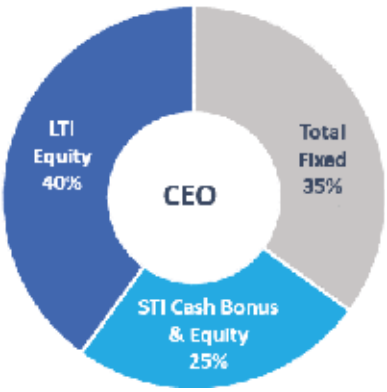
Attract, motivate and retain high performing individuals

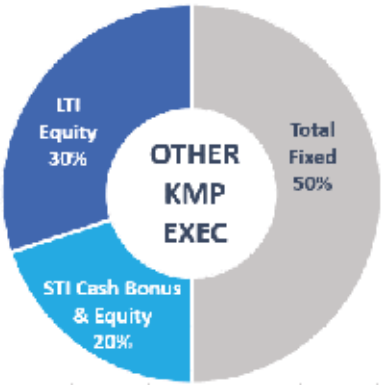
- The remuneration offering is competitive for companies of similar size and complexity within the industry through benchmarking
- The mix of short and longer-term remuneration encourages retention and performance across multiple years as appropriate for the lifecycle of the group

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 recent years, to increase the proportion of remuneration directed to LTIs to achieve the desired target mix to ensure management remain focused on long term outcomes. The transition was conducted in a thoughtful and deliberate manner to take into account the impact in motivating and retaining executives.

Target Remuneration Mix

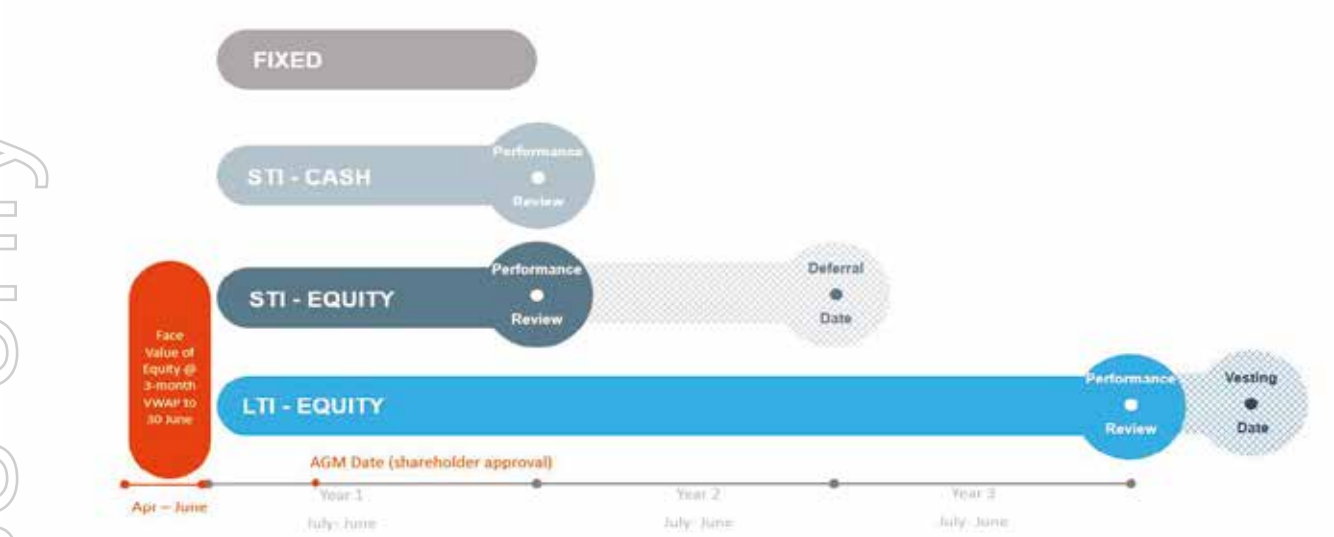




The STI and LTI components of remuneration are variable and are linked to pre-determined performance conditions, such as KPIs, that are designed to reward executives based on the company's performance, the performance of the relevant business unit and demonstrated individual superior performance. The details are outlined on pages 26 to 29 of this report.

4. Executive remuneration policy (continued)

To achieve the target remuneration mix, the below performance pay structure was adopted in FY20 and is consistent with the prior year.



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 FY20 the CEO and executives were awarded STI equity with a 1 year performance period (1 July 2019 to 30 June 2020), with a deferred vesting date of 30 June 2021 dependent on continued employment to the vesting date.
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 CEO STI opportunity for FY20 was equal to the 25% target, comprising of a cash component (~60%) and an equity component (~40%). The cash opportunity component was equivalent to 45% of total fixed remuneration. As outlined above, due to the uncertainties of the impact of COVID-19 on the company and the economy more broadly, no cash bonuses were awarded to KMP executives for the performance period 1 July 2019 to 30 June 2020, however new STI equity will be awarded in lieu of cash bonuses. This is despite KMP executives achieving important milestones in their pre-determined KPIs, which are described in more detail in section 6. KMP executives were awarded STI equity for the 1 July 2019 to 30 June 2020 performance period based on the achievement of their pre-determined KPIs. The result of these decisions in FY20 is that the CEO was awarded STI of 17% (target 25%) of total remuneration and other KMP executives achieved an average of 15% (target 20%) of total remuneration, all of which was STI equity.

What are the STI performance conditions for FY20?

Actual STI payments awarded to each executive depend on the extent to which they meet specific 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 FY20, 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 proportion of performance measures applicable in determining STI awards for the CEO and other executives are noted in the table below:

	Corporate KPIs	Business Units KPIs
STI cash bonus	CEO 100%	Other executives 100%
STI performance rights	CEO 100% Other executives 30%	Other executives 70%

Details regarding LTI performance conditions are contained on page 28.

How is performance assessed?

At the end of each performance period (typically annually), after consideration of actual performance against KPIs, the Remuneration and Nomination Committee recommends for Board approval of 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. See page 31 for details of the special circumstances that apply for FY20.

What happens if an executive leaves?

If an employee ceases employment, all unvested rights lapse except for certain circumstances relating to a "good leaver". 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.

4. Executive remuneration policy (continued)

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 FY20 have 3 year performance periods for all executives.
What is the LTI opportunity?	The CEO's LTI opportunity for FY20 was 41% of total remuneration. For other KMP executives, the LTI opportunity for FY20 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 FY20?	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 2020 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 total shareholder return ("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, 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 S&P/ASX 200 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 achieve 10% per annum (or 30% over 3 years) above the Index, which is considered a realistic stretch 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 stretch target for all relative TSR rights to vest.

The performance measures applicable in determining LTI awards for the CEO and other executives and the relative proportions 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 actual 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.

4. Executive remuneration policy (continued)

d) Grant of equity incentives to KMP executives in FY20

In FY20, 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 25.

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 volume weighted average price ("VWAP") of the company's shares traded on the ASX over the 3 month period to 30 June 2019, 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 $1.2664.

The below tables summarise the equity incentives granted in FY20:

		Deferred STI equity	LTI equity
	Performance Period	1 July 2019 to 30 June 2020	1 July 2019 to 30 June 2022
	Deferral Period	12 months from end of performance period	Not applicable
	Vesting Date	30 June 2021	30 September 2022
	Face Value per Right	Based on 3 month VWAP to 30 June 2019 of $1.2664	
	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	$169,950	$679,800
	Number of Rights	134,199	536,797
	Fair value per AASB2[#]	$172,886	$620,788
	Performance Conditions	100% Corporate KPIs	70% Corporate KPIs 30% relative TSR performance
J Paull (Other KMP executives)	Face Value of grant	$53,442	$213,768
	Number of Rights	42,200	168,800
	Fair value per AASB2[†]	$48,530	$182,855
	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	$48,883	$195,532
	Number of Rights	38,600	154,400
	Fair value per AASB2[†]	$44,390	$167,256
	Performance Conditions	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 approved the grant of the rights.
[†] The grant date to calculate the fair value of the award under AASB2 is the date when the performance rights were offered.

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. Details of share price, earnings and the impact of share price performance on the vesting of certain performance rights over the last 5 years is detailed in the table below.

	FY20	FY19	FY18	FY17	FY16
Closing share price 30 June	$1.13	$1.36	$1.17	$0.73	$0.645
Share price high	$1.43	$1.66	$1.67	$0.88	$0.98
Share price low	$0.62	$0.87	$0.71	$0.59	$0.54
Profit/(Loss) for the year ($M)	(14.7)	(14.3)	(10.3)	8.2	(22.7)
Number of performance rights forfeited by CEO based on share price performance for the period ending 30 June (or otherwise in the FY).	-	-	-	244,500	430,000
% of performance rights forfeited by CEO based on share price performance (as a percentage of total performance rights) period ending 30 June, or otherwise in the FY).	0%	0%	0%	13%	50%

Fixed remuneration:
The average increase in KMP executive fixed remuneration for FY20 was 3.2% (FY19: 3.2%). There was no increase above 3.3% 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.

For FY21, the Board has determined that there will be no increase in fixed remuneration for KMP executives from 1 July 2020, with a review to be undertaken in December.

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 33 to 35.

Short-term incentives (STI):

Summary of performance pay related to FY20 for the CEO

	STI cash[#] ($)	STI equity (# of rights)
Maximum Available	$249,775	134,199
STI Awarded	$ -	101,320
% Awarded	-%	75.5%

[#] See below on allocation of additional STI equity rights in lieu of STI cash.

The Remuneration and Nomination Committee and the Board determined that the CEO had achieved a performance assessment of 75.5% of STI awards for the performance period 1 July 2019 to 30 June 2020, based on the annual review of actual performance against KPIs. 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. STI equity awards for the CEO in FY20 were based on the scorecard measures and weightings as disclosed below.

There was no STI cash awarded for FY20 due to the uncertainties of the impact of COVID-19 on the company and the economy more broadly. However, based on the CEO's performance achievement, the Board has determined an allocation of new STI equity rights will be awarded equivalent to the STI cash amount. The number of new STI equity rights to the CEO to be approved at the 2020 AGM will be 176,755 rights, based on the face value of $1.0669, being the VWAP for the 3 month period to 30 June 2020. The face value has been determined to be the appropriate basis for allocation as it represents the market value at the end of the performance period of 30 June 2020 and is consistent with the allocation method for awards of equity more generally. These STI equity rights will vest on 30 June 2021 based on satisfying the continued employment condition to this date. As the number of allocated rights is based on the assessed performance against the CEO's predetermined KPIs for FY20, no further performance conditions beyond the service condition will be required.

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

Summary of performance pay related to FY20 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 strong 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 85.1% of STI awards (between 80% and 89%) for the performance period 1 July 2019 to 30 June 2020. STI equity awards to Other KMP executives for FY20 were consistent with their performance assessment.

There was no STI cash awarded for FY20 due to the uncertainties of the impact of COVID-19 on the company and the economy more broadly. Like the CEO, based on the Other KMP executive's performance achievement, the Board has determined an allocation of new STI equity rights will be awarded equivalent to the STI cash amount, based on the $1.0669 face value per right. The number of STI equity rights to be awarded to Other KMP executives in lieu of STI cash for the performance period 1 July 2019 to 30 June 2020 is between 65,610 and 74,983 rights for each Other KMP executive. These new STI equity rights will vest on 30 June 2021 based on satisfying the continued employment condition to this date. As the number of allocated rights is based on the assessed performance against the predetermined KPIs for FY20, no further performance conditions beyond the service condition will be attached to the grant of these rights.

Long-term incentives (LTI):

Summary of performance pay for the CEO for the three years ended 30 June 2020

	LTI equity (# of Rights)	% Achieved
Maximum Available	**895,879**	
LTI Achieved		
KPIs for 3 years to 30 June 2020	376,602	70.3%
Relative TSR for 3 years to 30 June 2020	360,063	100.0%
Total LTI Achieved	736,665	
% Achieved	82.2**%**	

Performance assessment of relative TSR for the three years ended 30 June 2020

The company's TSR was tested against the performance of the S&P/ASX300 Index for the three-year performance period ended 30 June 2020. The company's TSR over the period was 49.4% compared with an Index TSR over the period of only 3.3%. The company's annualised TSR for the period was 14.3% compared to the S&P/ASX300 Index annualised TSR of 1.1% 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 2020	3 years to 30 June 2019
Starpharma annualised TSR	14.3%	22.1%
Index annualised TSR	1.1%	8.1%
Starpharma outperformance of Index (annualised over 3 years)	13.2%	14.0%
% of relative TSR awarded	100%	100%

Summary of performance pay for other KMP executives for the three years ended 30 June 2020

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 85.7% and 91.3% (average 87.7%) for business unit KPIs for the performance period 1 July 2017 to 30 June 2020 for determining LTI awards.

STI Performance Assessment		Performance period 1 July 2019 to 30 June 2020	
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	Facilitate partners to launch VivaGel® BV in the UK and in multiple countries in Europe and Asia; pursue partnerships for remaining unlicensed countries; whilst optimising returns	15%	Met
Other VivaGel® products	Progress with regulatory and commercialisation activities for product opportunities with SPL7013 (VivaGel® active) with priority given to major market opportunities	5%	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	25%	Partially Met
Preclinical DEP® candidate(s)	Advance preclinical studies on another DEP® candidate, in preparation for clinical trials; and develop the DEP® internal pipeline with further DEP® product candidates	12.5%	Partially Met
Partnered-DEP® programs	Progress with existing partnered-DEP® programs and/or expanded field/products and/or progress with new partnering deals	17.5%	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	10%	Met
		100%	

In making this STI assessment, the Remuneration and Nomination Committee and the Board considered the following factors (other commercially sensitive matters were also taken into account. As KPIs were established in 2019 before the pandemic occurred, a COVID-19 product was not included in the KPIs, but given the effort undertaken and potential market opportunity, this was included in the assessment):

- Significant VivaGel® BV regulatory activities, including:
  - Starpharma obtained regulatory approvals for numerous countries, including first approvals in Asia.
  - Starpharma facilitated the submission of numerous regulatory applications in multiple regions as quickly as practicable including in Asia, the Middle East and Africa.
  - Publishing VivaGel® BV publications which provided critical support for marketing activities by Mundipharma.
  - Continued to aggressively pursue FDA approval for VivaGel® BV, working with a team of expert consultants, lawyers, statisticians and ex-FDA advisers, to progress a formal review, including detailed submissions, as well as preparations for a possible further clinical trial. COVID-19 necessitated that plans for the trial were put on hold.
- VivaGel® BV was launched in the UK, South East Asia, Central and Eastern Europe, and New Zealand during the year. Starpharma actively supported both partners, Aspen Pharmacare (Fleurstat BVgel) and Mundipharma (Betadine®), to launch products as rapidly as possible.
- Extensive support to Mundipharma to achieve multiple launches as rapidly as possible, including critical and comprehensive input for the training of representatives, marketing materials, regulatory matters, product labelling, finalisation of product claims, manufacturing, packaging and other elements of supply.
- Obtaining regulatory approval of the VivaGel® condom in Europe, and regulatory progress in China and other markets.
- Upon emergence of the pandemic, Starpharma rapidly initiated antiviral screening and development of SPL7013 for COVID-19 with an initial focus on a preventative nasal/oral spray. The company confirmed classification with regulators and has undertaken an accelerated development program. Starpharma has engaged contract manufacturing organisations, contract research organisations, multiple specialist viral laboratories and consultants to conduct necessary testing to support registration of the product. Starpharma also undertook activities to source program funding in addition to partnering discussions.
- Progress with clinical-stage DEP® assets, including:
  - DEP® docetaxel, DEP® cabazitaxel and DEP® irinotecan trials progressed well with encouraging efficacy signals observed in each trial and multiple new sites opened, including the Kinghorn Cancer Centre in Sydney. All three DEP® trials experienced a period of paused new patient recruitment, with a greater impact on DEP® docetaxel due to its trial site locations. Despite this impact, DEP® irinotecan phase 1 trial was completed ahead of schedule.
  - DEP® docetaxel + gemcitabine clinical combination study initiated.
  - DEP® cabazitaxel phase 1 met its objective of identifying a Recommended Phase 2 Dose ("RP2D") and generating early safety and efficacy data and transitioned to phase 2 ahead of schedule.
  - DEP® irinotecan phase 1 / 2 trial commenced and met its phase 1 objective of identifying a RP2D and generating early safety and efficacy data and transitioned to phase 2 ahead of schedule.
  - Conducted multiple preclinical studies with DEP® irinotecan to explore value-adding combinations, including with Lynparza® and an immuno-oncology agent – with impressive performance achieved in both studies. Data will contribute to the selection of potential clinical combinations for the phase 2 DEP® irinotecan trial and will also support commercial discussions.
- Advanced the preclinical DEP® pipeline, including development of:
  - New candidate, DEP® gemcitabine – which demonstrated significantly enhanced anti-tumour activity compared with Gemzar® (gemcitabine) in a human pancreatic cancer model.
  - New candidate, a novel HER-2 Targeted DEP® (ADC) – which demonstrated significant tumour regression and 100% survival in a preclinical human ovarian cancer model.
  - New radiotherapy candidate, DEP® lutetium – which showed statistically significant and durable anti-cancer activity in a human prostate cancer model.

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

- Progressed partnered DEP® programs, including:
  - Commencement of AstraZeneca's phase 1 trial for its first DEP® product, AZD0466. The successful dosing of the first patient triggered a US$3 million milestone payment to Starpharma.
  - Progress with other AstraZeneca DEP® programs, including the development of a DEP® version of one of their major oncology medicines.
  - Advanced arrangements with potential partners of new Targeted (ADC) and non-ADC DEP® programs.
  - Signed up a new DEP® program with an existing partner in a novel area of cancer therapeutics and separately progressed an agreement for a DEP® program in a new therapeutic area (anti-infectives) with a new commercial partner.
  - Progressed commercial discussions with two further major pharmaceutical companies for several partnered DEP® drug delivery programs in oncology and non-oncology areas.
- Five posters featuring products based on Starpharma's DEP® platform were presented at the 2020 American Association for Cancer Research ("AACR") Annual Meeting.
- The company was granted a TGA licence to manufacture API in-house, enabling Starpharma to prepare API for a range of DEP® products for the conduct of human clinical trials, including late-stage phase 3 trials. This allows Starpharma to accelerate the development of DEP® products for internal and partnered programs through rapid manufacture and development of DEP® materials.
- Prudent management of Starpharma's cash reserves during the COVID-19 pandemic and preserved Starpharma's stable, highly dedicated and skilled work-force.

In the assessment of STI KPIs, the Board took account of the significant achievements attained over the performance period and the effort and dedication required to accomplish these milestones, particularly during the COVID-19 pandemic which posed challenges for trial recruitment and supply chain continuity. These achievements include the successful launch of VivaGel® BV in the UK, Asia, Central and Eastern Europe and New Zealand, obtaining regulatory approval in Europe for the VivaGel® condom and development of a new product category, a SPL7013 nasal/oral spray for COVID-19. In addition, the company achieved several DEP® milestones, across both the internal and external portfolio including positive interim clinical trial results for three internal DEP® assets and the commencement of phase 1 for AstraZeneca's first DEP® product, as well as the advancement of three new internal DEP® candidates and progressing new agreements with new partners.

LTI Performance Assessment		**Performance period 1 July 2017 to 30 June 2020**	
Performance category	**Metric**	**Weighting**	**Satisfied**
VivaGel® BV and Drug Delivery	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.	40%	Partially Met
DEP® Platform	Development of new DEP® candidates and the commercialisation of DEP® 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® and Drug Delivery***:
  - 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 the UK, Europe, Eastern Europe, Asia, Australia and New Zealand.
  - Successfully licensed VivaGel® BV to ITF Pharma, Inc. for the US market for US$101M in milestones plus royalties.
  - Signed licensing deals for VivaGel® BV with Mundipharma covering: Europe, Russia, CIS, Asia, Middle East, Africa, Latin America.
  - Okamoto added 11 more Asian countries to its VivaGel® condom licence.
  - Onset of revenue receipts from Aspen, Mundipharma and Okamoto.
  - Achieved regulatory approvals for VivaGel® BV in several further regions including for countries in Asia and in the Middle East, Australia and New Zealand. Achieved European approval for a second BV indication, for the prevention of recurrent BV.
  - VivaGel® condom was approved in Japan and Europe and launched in Japan.
  - VivaGel® BV NDA prepared, submitted, and subsequently accepted for filing.
  - Supported the IND preparation, scale-up and final preclinical work to enable progression of AZD0466 into first human clinical trial in the US.
  - Installed and commissioned in-house DEP® scale-up facilities and achieved TGA approval/GMP certification allowing manufacture of DEP® products for clinical trials. This facility accelerates the development of both internal and partnered 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, with a phase 2 trial commencing immediately after.
  - Commenced and successfully completed DEP® cabazitaxel phase 1 trial, with a phase 2 trial commencing immediately after.
  - Commenced and successfully completed DEP® irinotecan phase 1 trial, with a phase 2 trial commencing immediately after.
  - Partnering discussions underway for internal DEP® candidates with licences to be sought at the most appropriate time to maximise commercial value.
  - Other preclinical DEP® candidates have been developed and advanced into preclinical development.
  - Development of DEP® radiopharmaceutical candidates and targeted DEP® candidates, both currently undergoing preclinical testing.
  - Progressed several agreements with existing and new DEP® research partners.
- ***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 2020. The company's annualised TSR for this period was 14.3% compared to the S&P/ASX300 Index annualised TSR of 1.1%, 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 28.

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.

2020	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	122,374	–	–	11,626	–	–	134,000
R A Hazleton	77,000	–	–	–	–	–	77,000
Z Peach	71,689	–	–	6,811	–	–	78,500
P R Turvey	71,689	–	–	6,811	–	–	78,500
D J McIntyre	24,167	–	–	–	–	–	24,167
Executive director							
J K Fairley	519,499	–	24,397	21,003	14,254	868,418	1,447,571
Other KMP executives							
N J Baade	223,091	–	36,664	21,003	2,320	232,505	515,583
A Eglezos	253,842	–	6,547	21,003	13,199	227,712	522,303
D J Owen	240,458	–	22,210	21,003	2,170	226,581	512,422
J R Paull	227,887	–	42,495	21,003	8,012	259,653	559,050
Totals	1,831,696	–	132,313	130,263	39,955	1,814,869	3,949,096

† Increases in overall total fixed remuneration packages for KMP executives were under 3.3% in FY20. Executives may elect to salary sacrifice part of their total fixed remuneration package. Cash salary & fees represent gross salary earned less any salary sacrifice amounts. The two forms of salary sacrifice in FY20 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 and cash bonuses and performance rights granted, are determined to be an 'at risk' component of total remuneration.

6. Details of remuneration (continued)

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 KMP executives							
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.

The relative proportions of remuneration for FY20 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	40%	-%	17%	17%	43%
Other KMP executives	Target	50%			20%	30%
N J Baade	Actual	55%	-%	15%	15%	30%
A Eglezos	Actual	56%	-%	15%	15%	29%
D J Owen	Actual	56%	-%	15%	15%	29%
J R Paull	Actual	54%	-%	15%	15%	31%

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

The actual remuneration mix for the CEO and other KMP executives for FY20 has deviated from the target ranges due to the STI cash bonus not being awarded and the additional STI equity rights to be allocated in lieu of cash bonuses.

Non-statutory Executive Remuneration
The non-statutory executive remuneration is the remuneration earned by KMP executives in FY20 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 FY20. For LTI equity, the reported value reflects the KMP executive performance over three years including the impact of the increase in the share price over the three 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 not ultimately vest into ordinary shares.

2020

Name	Fixed remuneration (1) ($)	STI cash paid in FY20 (2) ($)	STI equity vested in FY20 based on face value (3) ($)	STI equity vested in FY20 based on share price at vesting date (4) ($)	LTI equity vested in FY20 based on face value (3) ($)	LTI equity vested in FY20 based on share price at vesting date (4) ($)	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	564,899	202,488	131,305	131,305	543,659	977,455	1,442,261	1,876,146	1,447,571
N J Baade	280,758	76,000	38,966	38,966	116,387	231,176	512,111	626,899	515,583
A Eglezos	281,392	80,000	38,966	38,966	116,690	231,769	517,048	632,127	522,303
D J Owen	283,671	70,000	38,021	38,021	117,904	229,397	509,595	621,089	512,422
J R Paull	291,385	80,000	43,288	43,288	146,216	261,894	560,889	676,267	559,050

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

[2] STI cash paid during the financial year. The amount disclosed for FY20 reflects the FY19 STI paid in October 2019 following the release of the FY19 results.

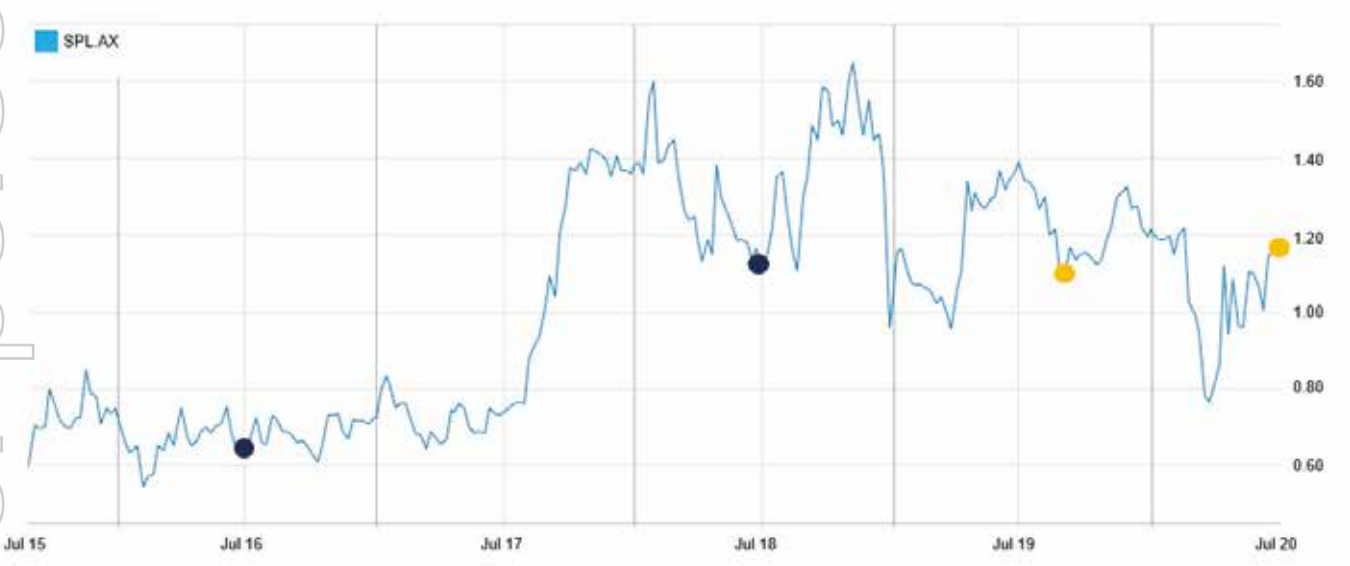
[3] Value of equity rights that vested during the year, based on the face value of the performance rights based on the 3 month VWAP prior to the start of the relevant performance period (1 July). Vested rights will remain as rights in subsequent periods until exercised. The STI equity was granted in FY19 and the LTI equity was granted in FY17.

[4] Value of equity rights that vested during the year, based on the opening price on the date of vesting. Vested rights will remain as rights in subsequent periods until exercised. The STI equity was granted in FY19 and the LTI equity was granted in FY17.

[5] In accordance with statutory obligations and accounting standards in section 6 of this report, which includes expensing of rights over their entire vesting period, and rights that may not ultimately vest into ordinary shares.

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 FY20. As illustrated in the graph below, this reflects the strong share price performance over the relevant periods of up to a 1.8x fold increase in share price compared with the face value of those rights at the time of allocation. The 3 year LTI rights are predominately driving the higher reported value at the vesting date. Alternatively, if the share price were to have significantly decreased, the value of these equity awards would have reduced accordingly. Furthermore, despite being reported in non-statutory remuneration the STI and LTI rights do not automatically convert to shares, and no executives have exercised rights, so these values have not yet been realised.



Face value of equity awards granted (based on 3 month VWAP to 30 June)

Equity awards vested (based on share price on vesting date)

6. Details of remuneration (continued)

Details of remuneration: cash bonuses, shares, and performance rights
For each cash bonus and grant of equity included in the tables on pages 35 to 40, 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 awarded 0% of her maximum cash bonus entitlement of $249,775 in FY20, with the total cash amount forfeited as described above in the report. In addition, no other KMP executives were awarded cash bonuses in FY20. 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 2020[1,2]	Year granted	Vested	Forfeited	Financial years in which rights may vest	Maximum fair value yet to vest
	$		%	%		$
J K Fairley	793,684	2020	-	25%	30/06/2021	130,531
		2020	-	-	30/06/2023	572,680
		2019	83%	17%	30/06/2020	-
		2019	-	-	30/06/2022	285,171
		2018	-	18%	30/06/2021	71,801
		2017	96%	4%	30/06/2020	-
N J Baade	211,646	2020	-	17%	30/06/2021	18,466
		2020	-	-	30/06/2023	115,825
		2019	87%	13%	30/06/2020	-
		2019	-	-	30/06/2022	71,296
		2018	-	13%	30/06/2021	12,580
		2017	91%	9%	30/06/2020	-
A Eglezos	211,646	2020	-	21%	30/06/2021	17,456
		2020	-	-	30/06/2023	115,825
		2019	87%	13%	30/06/2020	-
		2019	-	-	30/06/2022	71,296
		2018	-	14%	30/06/2021	12,526
		2017	91%	9%	30/06/2020	-
D J Owen	211,646	2020	-	18%	30/06/2021	18,233
		2020	-	-	30/06/2023	115,825
		2019	85%	15%	30/06/2020	-
		2019	-	-	30/06/2022	71,296
		2018	-	14%	30/06/2021	12,419
		2017	90%	10%	30/06/2020	-
J R Paull	231,385	2020	-	15%	30/06/2021	20,613
		2020	-	-	30/06/2023	126,628
		2019	88%	12%	30/06/2020	-
		2019	-	-	30/06/2022	77,945
		2018	-	11%	30/06/2021	14,248
		2017	94%	6%	30/06/2020	-

[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 2020 of $561,680, to be reviewed annually by the Remuneration and Nomination Committee.
- A cash bonus up to $249,775 for the year to 30 June 2020 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

There are no loans to the CEO or Other KMP executives.

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.

2020 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					
R B Thomas	825,000	–	–	–	825,000
J K Fairley	3,905,434	–	–	–	3,905,434
R A Hazleton	208,466	–	–	–	208,466
Z Peach	48,975	–	–	–	48,975
P R Turvey	179,821	–	–	–	179,821
D J McIntyre#	16,240	–	–	–	16,240
Other KMP executives					
N J Baade	600,291	–	–	(106,212)	494,079
A Eglezos	331,003	–	–	(8,461)	322,542
D J Owen	637,482	–	–	(57,680)	579,802
J R Paull	291,106	–	–	(60,000)	231,103

* Other changes relate to market transactions
# Appointed as a non-executive director on 1 March 2020, balance at the start of the year reflects his shareholding as at 1 March 2020.

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 executives, including their close family members and entities related to them, are set out below. No non-executive director held performance rights in FY20 or the prior year.

2020 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							
J K Fairley	3,835,087	670,996	-	(52,969)	**4,453,114**	2,346,318	2,106,796
Other KMP executives							
N J Baade	993,492	193,000	-	(25,001)	**1,161,491**	558,091	603,400
A Eglezos	994,658	193,000	-	(24,487)	**1,163,171**	559,771	603,400
D J Owen	997,575	193,000	-	(27,352)	**1,163,223**	559,823	603,400
J R Paull	1,127,478	211,000	-	(18,295)	**1,320,183**	660,383	659,800

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 2020 was $2,222,235 (2019: $3,667,459). 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 2020 there were 14,780,525 performance rights on issue, representing 4.0% of the 372,562,687 shares on issue (SOI) at 30 June 2020. There were 9,261,182 rights which were held by KMP, representing 2.5% of SOI, of which 4,453,114 (1.2% of SOI) were approved by shareholders.

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
13 October 2016	30 September 2019	765,000	Achievement of KPIs	$0.68	90
13 October 2016	30 September 2019	135,000	TSR	$0.43	100
29 November 2016	30 September 2019	537,191	Achievement of KPIs	$0.68	94
29 November 2016	30 September 2019	339,787	TSR	$0.41	100
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 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	87
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	83
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
17 October 2019	30 June 2021	158,000	Achievement of KPIs	$1.15	Nil
17 October 2019	30 September 2022	537,200	Achievement of KPIs	$1.15	Nil
17 October 2019	30 September 2022	94,800	TSR	$0.71	Nil
21 November 2019	30 June 2021	134,199	Achievement of KPIs	$1.29	Nil
21 November 2019	30 September 2022	375,758	Achievement of KPIs	$1.29	Nil
21 November 2019	30 September 2022	161,039	TSR	$0.85	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 28 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	1,115,794
11 Nov 2015	30 Jun 2017	519,200	251,625
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	281,314
13 Oct 2016	30 Sep 2019	2,377,800	1,528,234
29 Nov 2016	30 Jun 2018	223,022	172,842
29 Nov 2016	30 Sep 2019	876,978	846,281
10 Aug 2017	30 Jun 2019	694,120	434,260
10 Aug 2017	30 Sep 2020	2,776,480	2,451,673
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	170,356
16 Aug 2018	30 Sep 2021	814,000	814,000
2 Nov 2018	30 Jun 2020	259,147	210,827
2 Nov 2018	30 Sep 2021	1,036,587	833,409
29 Nov 2018	30 Jun 2020	134,980	112,708
29 Nov 2018	30 Sep 2021	539,921	539,921
17 Oct 2019	30 Jun 2021	459,767	448,344
17 Oct 2019	30 Sep 2022	1,839,067	1,787,575
21 Nov 2019	30 Jun 2021	134,199	134,199
21 Nov 2019	30 Sep 2022	536,797	536,797

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

Shares issued on the exercise of vested rights

The following ordinary shares of Starpharma Holdings Limited were issued during the year to the date of this report on the exercise of vested 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
11 Nov 2015	$ -	296,461
13 Oct 2016	$ -	377,269
10 Aug 2017	$ -	161,690

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	2020 $	2019 $
Audit or review of financial reports of the entity or any entity in the group under the *Corporations Act 2001*	146,462	137,537

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 43.

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.

Robert B Thomas *AO*
Chairman
Melbourne, 27 August 2020

Auditor's Independence Declaration

As lead auditor for the audit of Starpharma Holdings Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Brad Peake
Partner
PricewaterhouseCoopers

Melbourne
27 August 2020

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 2020. 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. This report is current as at 27 August 2020 and was approved by the Board on that date.

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;
- company values and code of conduct;
- satisfying itself regarding the risk management framework and setting risk appetite;
- overseeing the process for timely and balanced disclosure of material information; 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 other 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.

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
D J McIntyre	N/A appointed by the Board in 2020, standing for election at 2020 AGM

* 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. Mr Hazleton will retire at the 2020 AGM.

David McIntyre was appointed to the Board on 1 March 2020, and will stand for election at the 2020 AGM.

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.

Corporate Governance Statement

The Board last revised its Diversity Policy in March 2020, 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

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 2020 financial year, and progress against these objectives is set out below:

Objective	Measurement	FY20 Performance
Female participation/talent pipeline	Achieve greater than 40% female participation for direct reports to the CEO or senior executives (CEO minus 2).	50% 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 FY20, 58 professional development programs including conferences were attended by female employees across all levels of the organisation. The company also continues to support participation of all female staff in a biotech industry networking initiative, which included presentations by industry role models, however in FY20 this event was impacted by COVID-19 and was postponed.
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 FY20. 57% of the positions advertised and filled externally were filled with female candidates.
	Consistent and merit-based selection criteria and recruitment processes used when choosing successful candidates in all cases.	100% of successful candidates were selected on merit-based criteria after taking part in Starpharma's selection process.
Remuneration parity	Ensure no significant remuneration 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, unrelated to the COVID-19 restrictions.
	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 FY20.
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 FY20. Three employees went on primary care parental leave during this period.

Just under half (49%) 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 below sets out the proportion of female employees in the whole organisation, in leadership/management roles, in senior executive positions and on the Board as at July 2020.

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 45% of all employees born outside Australia in 15 different countries.

% Female	2020	2019
Whole organisation (staff and Board)	**49%** (24/49)	**50%** (24/48)
Leadership/management roles	**50%** (9/18)	**60%** (12/20)
Senior executive (CEO & direct reports)	**43%** (3/7)	**43%** (3/7)
Board	**33%** (2/6)	**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 and discussed by the Board. This performance evaluation took place in FY20.

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 21 of this report.

As part of the Board discussion on executive performance, directors give consideration to succession planning and development to ensure continuity and a smooth leadership transition in the event of senior executive movements. Separate succession planning discussions are also held as appropriate during the year.

Principle 2: Structure the Board to add value

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

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

Each committee's charter sets out its role, responsibilities, composition and structure. The committee charters are reviewed annually and were last reviewed in March 2020. 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 B 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 19.

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;
- Provision and oversight of induction and training development opportunities for directors;and
- Minimum shareholding requirements for non-executive directors (if any).

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 four independent non-executive directors. At the date of this report the committee consisted of the following:

Mr P Turvey (Chairman)
Mr R B Thomas
Mr R Hazleton
Mr D McIntyre

Details of these directors' qualifications and attendance at committee meetings are set out in the directors' report on pages 13 to 19.

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 chief financial officer, financial controller, director of finance, chief accounting officer, head of risk management and Chairman of Corporate Risk Management Committee, and broker/analyst roles. Mr McIntyre is a CPA, and Mr Thomas is 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, which are currently optimal.

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 and review and recommendations on certain material exposure;
- All aspects related to the external auditor;
- Related party transactions;
- Material incidents; 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. 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 regard to the current and future activities of the company, the Board considers that collectively it has the appropriate skills and experience in each area.

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 five 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.

Prior to David McIntyre's appointment, the Remuneration and Nomination Committee and Board considered David's executive and non-executive roles. There was no question as to the commitment that he would provide to the role and his impressive skills and industry experience which would provide significant benefit to Starpharma.

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 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.

Corporate Governance Statement

Principle 3: Act ethically and responsibly

3.1 Code of conduct
The directors are committed to the principles underpinning best practice in corporate governance, with a commitment to the highest standards of legislative compliance and financial and ethical behaviour. The company has established a code of conduct reflecting the core values of the company and setting out the standards of ethical behaviour expected of directors, officers and employees in all dealings and relationships including with shareholders, contractors, customers and suppliers, and with the company. The code of conduct is provided to new starters as part of their induction and behaviour is continually monitored to ensure compliance.

The code of conduct is reviewed periodically and was last updated in March 2020. The code of conduct covers employment practices, equal opportunity, harassment and bullying, conflicts of interest, use of company assets and disclosure of confidential information. During the year, aspects related to whistleblowing and anti-bribery and corruption were separated from the code of conduct and embodied in separate specific policies. The code of conduct is available at www.starpharma.com/corporate_governance.

Principle 4: Safeguard integrity in financial reporting

4.1 Audit and Risk Committee
The company has established an Audit and Risk Committee consisting of four independent non-executive directors. Details regarding composition, meetings and charter are set out in sections 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 2020 half year financial statements and the 2020 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, with a new audit engagement partner for FY20. An analysis of fees paid to the external auditor 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 accurate, balanced and comply with legal and ASX requirements, and are expressed in a clear and objective manner that allows an investor or its professional advisers to understand its ramifications and to assess its impact on the price or value of Starpharma securities.

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 prior to lodgement with ASX.

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.

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 addressed in the Chairman's address, CEO's presentation or 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 four 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 18 to 19 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 Environmental, Social and Governance ("ESG") section on page 12 of the annual report, as well as in the ESG Report available on Starpharma's website, 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 20 to 41.

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 39).

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

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

Its registered office and principal place of business is:

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

A description of the nature of the group's operations and its principal activities is included in the CEO's Report on pages 3 to 11 and in the operating and financial review in the directors' report on pages 16 to 19, which are not part of this financial report.

The financial statements were authorised for issue by the directors on 27 August 2020. 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 2020

	Notes	30 June 2020 $'000	30 June 2019 $'000
Continuing operations			
Revenue	5	6,556	2,708
Cost of goods sold		(890)	(251)
Other income	5	559	12
Research and product development expense (net of R&D tax incentive)	6	(14,808)	(10,454)
Commercial and regulatory operating expense	6	(3,426)	(3,774)
Corporate, administration and finance expense	6	(2,669)	(2,495)
Loss before income tax		**(14,678)**	**(14,254)**
Income tax expense	7	-	-
Loss from continuing operations attributable to equity holders of the company		**(14,678)**	**(14,254)**
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company		**$**	**$**
Basic loss per share	25	($0.04)	($0.04)
Diluted loss per share	25	($0.04)	($0.04)

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 2020

	Notes	30 June 2020 $'000	30 June 2019 $'000
Loss for the period		**(14,678)**	**(14,254)**
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		**(14,678)**	**(14,254)**

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

Consolidated Balance Sheet as at 30 June 2020

	Notes	30 June 2020 $'000	30 June 2019 $'000
Current Assets			
Cash and cash equivalents	8	30,054	41,251
Trade and other receivables	9	6,128	6,159
Inventories	10	494	399
Total Current Assets		**36,676**	**47,809**
Non-Current Assets			
Property, plant and equipment	11	877	1,050
Right-of-use assets	13	1,525	-
Total Non-Current Assets		**2,402**	**1,050**
Total Assets		**39,078**	**48,859**
Current Liabilities			
Trade and other payables	12	4,472	4,917
Lease liabilities	13	604	26
Provision for employee benefits	14	1,184	1,056
Deferred income	5	437	427
Total Current Liabilities		**6,697**	**6,426**
Non-Current Liabilities			
Lease liabilities	13	970	-
Provision for employee benefits	14	85	38
Total Non-Current Liabilities		**1,055**	**38**
Total Liabilities		**7,752**	**6,464**
Net Assets		**31,326**	**42,395**
Equity			
Contributed capital	15	193,661	193,621
Reserves	16	20,340	16,775
Accumulated losses	17	(182,675)	(168,001)
Total Equity		**31,326**	**42,395**

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 2020

	Notes	Contributed capital $'000	Reserves $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 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**
Application of AASB 16 *Leases*		-	-	4	4
Restated total equity at 1 July 2019		**193,621**	**16,775**	**(167,997)**	**42,399**
Loss for the year		-	-	(14,678)	(14,678)
Other comprehensive income (loss)		-	-	-	-
Total comprehensive income (loss) for the year		**-**	**-**	**(14,678)**	**(14,678)**
Transactions with owners, recorded directly in equity					
Employee share plans	15	40	-	-	40
Employee performance rights plan	16	-	3,565	-	3,565
Total transactions with owners		**40**	**3,565**	**-**	**3,605**
Balance at 30 June 2020		**193,661**	**20,340**	**(182,675)**	**31,326**

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 2020

	Notes	30 June 2020 $'000	30 June 2019 $'000
Cash Flows from Operating Activities			
Receipts from trade and other debtors (inclusive of GST)		7,229	2,807
Grant income and R&D tax incentives (inclusive of GST)		5,261	4,019
Payments to suppliers and employees (inclusive of GST)		(23,749)	(18,244)
Interest received		562	1,076
Interest paid		(79)	(2)
Net cash outflows from operating activities	24	**(10,776)**	**(10,344)**
Cash Flow from Investing Activities			
Payments for property, plant and equipment		(125)	(314)
Proceeds from sale of available-for-sale financial assets		-	8
Net cash outflows from investing activities		**(125)**	**(306)**
Cash Flow from Financing Activities			
Lease repayments	1(x)	(584)	(26)
Net cash outflows from financing activities		**(584)**	**(26)**
Net increase (decrease) in cash and cash equivalents held		**(11,485)**	**(10,676)**
Cash and cash equivalents at the beginning of the year		41,251	51,319
Effects of exchange rate changes on cash and cash equivalents		288	608
Cash and cash equivalents at the end of the year		**30,054**	**41,251**

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 2019:

- AASB 16 *Leases*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement*
- Interpretation 23 *Uncertainty over Income Tax Treatments*.

The group had to change its accounting policies as a result of adopting AASB 16. The group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 July 2019. This is disclosed in note 1(x). The other amendments listed above did not have any impact on the amounts recognised in the current or prior periods and are not expected to significantly affect the 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 2019.

(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 2020, the consolidated entity has incurred losses from continuing operations of $14,678,000 (2019: $14,254,000) and experienced net cash outflows of $10,776,000 from operations (2019: $10,344,000), 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 2021. 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 2020 and the results of all subsidiaries for the year then ended. Starpharma Holdings Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

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

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

1. Significant Accounting Policies (continued)

(e) Revenue Recognition

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 income statement over the period necessary to match them with the costs that they are intended to compensate. All Government Grants, with the exception of the R&D Tax Incentive (note 3(ii)), are recorded in the income statement within Other Income (note 5).

(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

As explained in note 1(a) above, the group has changed its accounting policy for leases where the group is the lessee. The new policy is described in note 13 and the impact of the change in note 1(x).

Until 30 June 2019 leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership were classified as finance leases (note 11). Finance leases were 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, were included in short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was 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 was 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 were not transferred to the group as lessee were classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) were 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. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in profit or loss within administration expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(l) 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 2.5 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) 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.

(r) 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.

1. Significant Accounting Policies (continued)

(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.

For non-cash incentives where equity is granted, please refer to note 26 and the remuneration report under the directors' report.

(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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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.

(x) Changes in accounting policies

(i) AASB 16 *Leases*

AASB 16 results in 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 corresponding financial liability to pay rentals are recognised on the balance sheet. An exception applies for short-term and low-value leases under the standard.

The group has adopted AASB 16 from 1 July 2019 using the simplified (cumulative effect) approach and therefore has not restated comparative amounts for the 2019 reporting period.

On adoption of AASB 16, lease liabilities were measured at the present value of the remaining lease payments, discounted using either the interest rate implicit in the lease or the incremental borrowing rate as of 1 July 2019. The group's weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.4%, being the rate the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

	1 July 2019 $'000
Operating lease commitments as at 30 June 2019	2,315
Discounted using group's incremental borrowing rate at date of initial application	2,151
Add: finance lease recognised as at 30 June 2019	26
Less: low-value leases recognised on straight-line basis as expense	(16)
Lease liability recognised as at 1 July 2019	2,160

The associated right-of-use assets for leases were initially measured at the amount equal to the lease liability, and relate to the following types of assets:

	30 June 2020 $'000	1 July 2019 $'000
Premises	1,525	2,134
Plant and equipment	-	26
Total right-of-use assets	**1,525**	**2,160**

The net impact on retained earnings at 1 July 2019 on the adoption of AASB 16 was a decrease of $4,000.

The adoption of AASB 16 removes the lease rental repayments from the income statement. Instead, the income statement reflects straight-line depreciation expense on the right-of-use asset, and an interest expense on the lease liability. Reported expenses have increased by $51,000 for the 2020 financial year, due to the interest component calculated on the lease liability under the new standard. Also operating cash outflows have decreased, and financing cash outflows have increased by $561,000 for the 2020 financial year, as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The group has chosen not to revalue right-of-use premises assets held by the group.

Subsequent to initial measurement, the lease liability is reduced for payments made and increased for interest incurred. The liability is remeasured to reflect any reassessment or modification, or if there are changes to insubstance fixed payments. When the lease liability is remeasured, a corresponding adjustment is made to the value of the right-of-use asset.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise of IT equipment.

(ii) 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 parent entity 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 2020 for US$ of $0.6863 and for £ of $0.5586 was as follows:

	30 June 2020 US$ $'000	30 June 2019 US$ $'000	30 June 2020 £ £'000	30 June 2019 £ £'000
Cash and cash equivalents	6,317	5,405	1,518	2,438
Trade and other receivables	17	671	-	-
Trade and other payables	331	542	1,426	1,266

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 2020 $'000	30 June 2019 $'000	30 June 2020 £'000	30 June 2019 £'000
Impact on profit / (loss) on a movement of	**US$**	**US$**	**£**	**£**
Australian dollar strengthens (increases) against the foreign currency by 10%	(795)	(717)	(15)	(192)
Australian dollar weakens (decreases) against the foreign currency by 10%	972	877	18	235

(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 2020 $'000	30 June 2019 $'000
Term Deposits and deposits at call	25,984	38,306

Group Sensitivity

At 30 June 2020, 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 $131,000 higher or lower (2019 - change of 50 bps: $193,000 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 grants, tax incentives and taxes receivable, third party receivables largely consist customer 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 2020 the group has recorded a contra research and development expense of $5,669,000 (2019: $5,071,000). The total R&D Tax Incentive receivable recorded at 30 June 2020 is $5,670,000 (2019: $4,898,000)

In December 2019, the Treasury Laws Amendment (R&D Tax Incentive) Bill 2019 was introduced into Parliament and contains proposed amendments to the R&D Tax Incentive. Under the proposed amendments, the refundable tax offset rate for companies with an aggregated turnover of less than $20 million will be 41% (based on a 13.5% permanent benefit added to the relevant corporate tax rate) and the maximum rebate will be capped at $4 million (excluding costs related to clinical trial activities), effective from 1 July 2019.

In accordance with AASB 112, tax assets should be measured at the amount expected to be recovered from the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. Substantive enactment occurs when any future steps in the enactment process will not change the outcome. Management does not consider the R&D Tax Offset rate reduction to be substantially enacted at the end of the reporting period due the continued legislative debate in the parliament. The group has therefore calculated the R&D tax incentive by applying the currently legislated R&D Tax Offset rate of 43.5% to eligible expenditure.

If the Bill is passed, the $4 million refundable tax offset cap is not expected to have any impact on the amount of Starpharma's FY20 refundable tax offset due to the level of exempted clinical trials expenditure during the period.

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 2020 $'000	30 June 2019 $'000
Revenue from contracts with customers	6,033	1,651
Interest revenue	523	1,057
Total revenue from continuing operations	**6,556**	**2,708**
Other income	559	12
Total revenue and other income from continuing operations	**7,115**	**2,720**

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

Total revenue from contracts with customers for the year was $6,033,000 (2019: $1,651,000) and includes $4,339,000 on AstraZeneca triggering a milestone for the first dose of AZD0466 administered in the phase 1 clinical trial of its first DEP® product. The remaining $1,694,000 is predominately product sales, milestones and royalties on VivaGel® BV and VivaGel® condom products.

5. Revenue and Other Income (continued)

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 2020 $'000	30 June 2019 $'000
Trade and other receivables	40	1,009
Contract Liabilities - deferred income	(437)	(427)

Trade and other receivables as at 30 June 2020 are $40,000. The higher trade and other receivables in the prior year reflected the Mundipharma VivaGel® BV European launch milestone and VivaGel® BV product sales.

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.

Other income
Other income of $559,000 (2019: $12,000) primarily relates to the Australian Government's COVID-19 stimulus measures including JobKeeper Payment ($399,000) and Cash Flow Boost ($100,000) programs. There are no unfulfilled conditions or other contingencies attaching to these grants.

6. Expenses

Loss from continuing operations before income tax expense includes the following items:	30 June 2020 $'000	30 June 2019 $'000
R&D tax incentive (contra expense)[1]	(5,669)	(5,071)
Employee benefits expenses (including share-based payments)	10,275	10,548
Depreciation of property, plant and equipment	275	298
Depreciation of right-of-use assets[2]	636	-
Rental expense on operating leases[2]	-	586

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

[2] The adoption of AASB 16 *Leases* eliminates the lease rental expense from the income statement, rather depreciation is expensed on the right-of-use asset, and an interest expense on the lease liability. Refer to Note 1(x) for further information

7. Income Tax Expense

	30 June 2020 $'000	30 June 2019 $'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	(14,678)	(14,254)
Tax at the Australian tax rate of 30% (2019: 30%)	(4,403)	(4,276)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Eligible expenses claimed under R&D tax incentive	2,209	1,857
Share-based payments	1,081	1,012
Unearned income	-	1
Sundry items	(287)	(101)
Future income tax benefits not brought to account	1,400	1,506
Income tax expense	**–**	**–**
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised (as recovery is currently not probable)	119,974	115,313
Potential tax benefit	**35,992**	**34,594**
(d) Unrecognised temporary differences		
Temporary differences for which no deferred tax asset has been recognised as recoverability is not probable	3,439	4,133
Unrecognised deferred tax relating to the temporary differences	**1,032**	**1,240**
(e) Deferred tax liabilities		
Deferred tax liabilities comprise temporary differences attributable to:		
Lease right-of-use assets	457	-
Sundry items	5	3
Total deferred tax liabilities	**462**	**3**
Set-off of deferred tax assets pursuant to set-off provisions	(462)	(3)
Net deferred tax liabilities	**–**	**–**

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 are mainly attributable to unused tax losses. Potential future income tax benefits attributable to tax losses carried forward have not been brought to account at 30 June 2020 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 2020 which it believes will be satisfied.

8. Current Assets – Cash and Cash Equivalents

	30 June 2020 $'000	30 June 2019 $'000
Cash at bank and on hand	4,070	2,945
Term Deposits and deposits at call	25,984	38,306
	30,054	**41,251**

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 $558,000 (2019: $548,000) of term deposits not available for use due to 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 2020	Notes	Floating Interest rate $'000	Fixed interest maturing: 1 year or less $'000	Fixed interest maturing: 1 to 2 years $'000	Fixed interest maturing: 2 to 3 years $'000	Non-interest bearing $'000	Total $'000	Contractual cash flows
Financial Assets								
Cash & deposits	8	4,571	21,655	–	–	3,828	30,054	N/A
Receivables	9	–	–	–	–	6,128	6,128	6,128
		4,571	**21,655**	**–**	**–**	**9,956**	**36,182**	**6,128**
Weighted average interest rate		*0.8%*	*0.7%*	*–%*	*–%*	*–%*		
Financial Liabilities								
Payables	12	–	–	–	–	4,472	4,472	4,472
Lease liabilities	13	–	604	649	321	–	1,574	1,574
		–	**604**	**649**	**321**	**4,472**	**6,046**	**6,046**
Weighted average interest rate		*–%*	*4.4%*	*4.4%*	*4.4%*	*–%*		

30 June 2019	Notes	Floating Interest rate $'000	Fixed interest maturing: 1 year or less $'000	Fixed interest maturing: 1 to 2 years $'000	Fixed interest maturing: 2 to 3 years $'000	Non-interest bearing $'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
Lease liabilities	13	–	26	–	–	–	26	26
		–	**26**	–	–	**4,917**	**4,943**	**4,943**
Weighted average interest rate		*–%*	*5.8%*	*–%*	*–%*	*–%*		

9. Current Assets – Trade and Other Receivables

	30 June 2020 $'000	30 June 2019 $'000
Trade and grant receivables	5,905	5,857
Interest receivables	10	49
Prepayments	41	79
Other receivables	172	174
	6,128	**6,159**

Trade and grant receivables
Trade and grant receivables primarily comprise of $5,670,000 (2019: $4,898,000) of expenditure reimbursable under the Australian Government's R&D tax incentive scheme, with the balance related to other government grants receivable, and customer receivables from VivaGel® partners. 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 2020, there were no material trade and grant receivables that were past due (2019: nil). No receivables are considered impaired at 30 June 2020 (2019: nil).

10. Inventories

Current Assets	30 June 2020 $'000	30 June 2019 $'000
Raw materials	494	248
Finished goods	-	151
	494	**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 detail on the group's accounting policy for inventories.

Amounts recognised in profit or loss
Inventories recognised as an expense during the year ended 30 June 2020 amounted to $890,000 (2019: $251,000). 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 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**
Year ended 30 June 2020			
Opening net book amount	879	171	1,050
Adjustment for change in accounting policy, see note 1(x)	(22)	-	(22)
Restated opening net book amount	**856**	**171**	**1,028**
Additions	126	-	126
Disposals	(1)	-	(1)
Depreciation	(225)	(50)	(275)
Closing net book amount	**756**	**121**	**877**
At 30 June 2020			
Cost	3,671	656	4,327
Accumulated depreciation	(2,915)	(535)	(3,450)
Net book amount	**756**	**121**	**877**

As at 30 June 2019, plant and equipment included the following amounts where the group is a lessee under a finance lease (refer to note 13 for further details):

Leased equipment	30 June 2020 $'000	30 June 2019 $'000
Cost	-	72
Accumulated depreciation	-	(50)
Net book amount	**-**	**22**

From 1 July 2019 leased assets are presented as a separate line item in the balance sheet, see note 13. Refer to note 1(x) for details about the changes in accounting policy.

12. Current Liabilities – Trade and Other Payables

	30 June 2020 $'000	30 June 2019 $'000
Trade payables and accruals	4,394	4,098
Other payables	78	819
	4,472	**4,917**

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 Assets/Liabilities – Leases

The balance sheet shows the following amounts relating to leases:

Right-of-use assets	30 June 2020 $'000	1 July 2019* $'000
Premises	1,525	2,134
Plant and equipment	-	26
	1,525	**2,160**
Lease liabilities		
Current	604	586
Non-current	970	1,574
	1,574	**2,160**

* In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of AASB 16 Leases on 1 July 2019, please refer to note 1(x).

The group leases premises (laboratory and offices space) until 19 December 2022, with an extension option. Payments associated with the option period are not included in the initial measurement of lease assets and liabilities as they are uncertain.

The group also leases scientific equipment generally over a three to five year term.

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use assets	30 June 2020 $'000	30 June 2019 $'000
Premises	610	-
Plant and equipment	26	-
Depreciation charge of right-of-use assets	**636**	**-**
Interest expense on lease liabilities	79	-
Expense relating to leases of low-value assets	8	-
Expense relating to variable lease payments not included in lease liabilities	68	-
Total cash outflow for leases	664	-

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

Leave obligations	30 June 2020 $'000	30 June 2019 $'000
Current	1,184	1,056
Non-current	85	38
	1,269	**1,094**

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 $843,000 (2019: $747,000).

Refer to note 1(r) for further information.

15. Contributed Equity

(a) Share capital

	2020 Shares	2019 Shares	2020 $'000	2019 $'000
Share Capital				
Ordinary shares – fully paid	372,562,687	371,694,347	193,661	193,621

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price	$'000
1 Jul 2019		371,694,347		193,621
29 Jul 2019	Employee performance rights plan share issue	26,196	$ –	–
1 Oct 2019	Employee performance rights plan share issue	233,730	$ –	–
17 Oct 2019	Employee performance rights plan share issue	33,600	$ –	–
4 Dec 2019	Employee performance rights plan share issue	495,895	$ –	–
24 Jan 2020	Employee share plan ($1,000) issue	32,920	$1.22	40
24 Jan 2020	Employee performance rights plan share issue	25,600	$ –	–
20 Mar 2020	Employee performance rights plan share issue	20,399	$ –	–
	Balance at 30 June 2020	**372,562,687**		**193,661**

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**

(c) Ordinary shares

As at 30 June 2020 there were 372,562,687 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 2020 $'000	30 June 2019 $'000
Share-based payments reserve	20,340	16,775
	20,340	**16,775**

(b) Movement in reserves

Share-based payments reserve	30 June 2020 $'000	30 June 2019 $'000
Balance at 1 July	16,775	13,440
Performance right expense	3,565	3,334
Balance at 30 June	**20,340**	**16,775**

(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 2019 $'000
Accumulated losses balance at 1 July	(168,001)	(153,746)
Application of AASB 16 Leases, refer to note 1(x)	4	-
Net loss for the year	(14,678)	(14,254)
Accumulated losses balance at 30 June	**(182,675)**	**(168,001)**

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 2020 $	30 June 2019 $
Short-term employee benefits	1,964,009	2,385,559
Post-employment benefits	130,263	127,034
Other long-term benefits	39,955	27,966
Share-based payments	1,814,869	1,819,581
	3,949,096	**4,360,140**

Detailed remuneration disclosures are provided in the remuneration report on pages 20 to 41.

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 2020 $	30 June 2019 $
Statutory audit services		
Audit or review of financial reports of the entity or any entity in the consolidated entity		
PricewaterhouseCoopers	146,462	137,537
Total remuneration for statutory audit services	**146,462**	**137,537**

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 2020 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 (2019: nil).

(b) Operating Lease Commitments

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. From 1 July 2020, the group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 13 and note 1(x) for further information.

	30 June 2020 $'000	30 June 2019 $'000
Commitments for minimum lease payments in relation operating leases are payable as follows:		
Not later than one year	-	649
Later than one year and not later than five years	-	1,666
Later than five years	-	-
Representing non-cancellable operating leases	**-**	**2,315**

(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 (2019: US$1.35M).

The company has no contingent assets at 30 June 2020 (2019: nil).

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	2020 %	2019 %
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 2020 $'000	30 June 2019 $'000
Operating profit/(loss) after tax	(14,678)	(14,254)
Depreciation and amortisation	911	298
Foreign exchange (gain)/loss	(288)	(608)
Non-cash employee benefits: share-based payments	3,605	3,372
Net gain/(loss) on sale of property, plant and equipment	(1)	-
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	31	(23)
(Increase)/decrease in inventories	(95)	(399)
Increase/(decrease) increase in trade creditors	(445)	1,140
Increase in employee provisions	175	117
Increase/(decrease) in deferred income	9	21
Net cash outflows from operating activities	**(10,776)**	**(10,344)**

25. Earnings Per Share

	30 June 2020	30 June 2019
Basic earnings/(loss) per share / Diluted earnings/(loss) per share		
Total earnings/(loss) per share attributable to the ordinary equity holders of the company ($)	(0.04)	(0.04)
Reconciliations of earnings/(loss) used in calculating earnings per share		
Profit/(loss) attributable to the ordinary equity holders of the company used in calculating basic earnings/(loss) per share: ($'000)	(14,678)	(14,254)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	372,231,992	371,293,413

As at 30 June 2020 the company had on issue 14,780,525 (30 June 2019: 13,183,915) 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 2020 was $1.14 per right (2019: $1.33). There were 2,969,830 performance rights granted in the current year (2019: 2,988,135).

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:

2020

Grant Date	Vesting 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
11 Nov 2015	30 Jun 2017[1]	299,325	–	47,700	–	251,625
11 Nov 2015	30 Sep 2018[1]	1,364,555	–	248,761	–	1,115,794
19 Nov 2015	30 Jun 2017[1]	181,001	–	–	–	181,001
19 Nov 2015	30 Sep 2018[1]	836,260	–	–	–	836,260
13 Oct 2016	30 Jun 2018[1]	351,084	–	69,770	–	281,314
13 Oct 2016	30 Sep 2019[1]	1,990,600	–	307,499	154,867	1,528,234
29 Nov 2016	30 Jun 2018[1]	172,842	–	–	–	172,842
29 Nov 2016	30 Sep 2019[1]	876,978	–	–	30,697	846,281
10 Aug 2017	30 Jun 2019[1]	595,950	–	161,690	–	434,260
10 Aug 2017	30 Sep 2020	2,546,080	–	–	94,407	2,451,673
29 Nov 2017	30 Jun 2019[1]	197,226	–	–	–	197,226
29 Nov 2017	30 Sep 2020	895,879	–	–	–	895,879
16 Aug 2018	30 Jun 2020[1]	203,500	–	–	33,144	170,356
16 Aug 2018	30 Sep 2021	814,000	–	–	–	814,000
2 Nov 2018	30 Jun 2020[1]	236,747	–	–	25,920	210,827
2 Nov 2018	30 Sep 2021	946,987	–	–	113,578	833,409
29 Nov 2018	30 Jun 2020[1]	134,980	–	–	22,272	112,708
29 Nov 2018	30 Sep 2021	539,921	–	–	–	539,921
17 Oct 2019	30 Jun 2021	–	459,767	–	11,423	448,344
17 Oct 2019	30 Sep 2022	–	1,839,067	–	51,492	1,787,575
21 Nov 2019	30 Jun 2021	–	134,199	–	–	134,199
21 Nov 2019	30 Sep 2022	–	536,797	–	–	536,797
Total		**13,183,915**	**2,969,830**	**835,420**	**537,800**	**14,780,525**

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

2019

Grant Date	Vesting 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.

26. Share-Based Payments (continued)

Information used in assessing the fair value of performance rights granted during the year ended 30 June 2020 is as follows:

Right grant date	17 October 2019	17 October 2019	17 October 2019
Number of rights granted	459,767	1,716,967	122,100
Vesting date	30 June 2021	30 September 2022	30 September 2022
Performance Measure	KPIs	KPIs	TSR
Expected price volatility of the company's shares	50%	50%	50%
Risk-free interest rate	0.61%	0.75%	0.75%
Expected dividend yield	–	–	–
Share price at grant date	$1.15	$1.15	$1.15
Assessed fair value	$1.15	$1.15	$0.71

Right grant date	21 November 2019	21 November 2019	21 November 2019
Number of rights granted	134,199	375,758	161,039
Vesting date	30 June 2021	30 September 2022	30 September 2022
Performance Measure	KPIs	KPIs	TSR
Expected price volatility of the company's shares	50%	50%	50%
Risk-free interest rate	0.57%	0.70%	0.70%
Expected dividend yield	–	–	–
Share price at grant date	$1.29	$1.29	$1.29
Assessed fair value	$1.29	$1.29	$0.85

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

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 2020 was $1.22 (2019: $1.10 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 2020 is as follows:

Share grant date	24 January 2020
Number of shares granted	32,920
Share price at grant date	$1.22
Assessed fair value	$1.22

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

Expenses arising from share-based payment transactions

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

	30 June 2020 $'000	30 June 2019 $'000
Employee shares issued	40	38
Employee performance rights	3,565	3,334
	3,605	**3,372**

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 2020 $'000	30 June 2019 $'000
Balance Sheet		
Current assets	25,514	37,897
Total assets	25,514	37,897
Current liabilities	691	630
Total liabilities	691	630
Shareholders' equity		
Contributed equity	193,661	193,621
Reserves	19,433	16,266
Accumulated losses	(188,270)	(172,619)
Loss for the year	(15,651)	(12,935)
Total comprehensive income	(15,651)	(12,935)

(b) Contingencies of the parent entity

The parent entity has no contingent assets or liabilities at 30 June 2020 (2019: nil).

Directors' Declaration for the year ended 30 June 2020

In the directors' opinion:

(a) the financial statements and notes set out on pages 50 to 78 are in accordance with the *Corporations Act 2001*, including:

(i) complying with *Accounting Standards*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; an
(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2020 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 *Corporat Act 2001*.

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

Robert B Thomas *AO*
Chairman
Melbourne, 27 August 2020

Independent auditor's report

To the members of Starpharma Holdings Limited

Report on the audit of the financial report

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

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

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Our audit approach

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

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

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

Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall Group materiality of $714,000, 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 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 financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

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 2020 was $5.67 million and $5.67 million was recognised as contra R&D expense in the income statement for the period ended 30 June 2020. This is a key audit matter due to: • the significance of the amount receivable as at 30 June 2020; 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 2020: • compared the estimate recorded in the financial statements as at 30 June 2019 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; • assessed the treatment of the JobKeeper receipts within the eligible R&D expenditure calculation; • 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, product sales, royalty and research revenues from arrangements with commercial partners. The Group has recognised $6.03 million of revenue from contracts with customers for the period ended 30 June 2020. This is a key audit matter due to the nature of the Group's contractual arrangements and complexity of applying the accounting standard to those contractual arrangements.	We have performed the following procedures to assess the Group's revenue recognition for the period ended 30 June 2020: • 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; • tested a selection of transactions to the underlying supporting documentation; • 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 2020, but does not include the financial report and our auditor's report thereon.

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

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

If, based on the work we have performed 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 financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 20 to 41 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Starpharma Holdings Limited for the year ended 30 June 2020 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

Brad Peake
Partner

Melbourne
27 August 2020

Shareholder Information

The shareholder information set out below was applicable as at 19 August 2020.

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	1,671	–
1,001–5,000	2,423	–
5,001–10,000	1,075	–
10,001–100,000	1,493	20
100,001 and over	253	22
Total	**6,915**	**42**

There were 586 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	121,436,040	32.59
2.	JP Morgan Nominees Australia Pty Limited	49,959,725	13.41
3.	Citicorp Nominees Pty Limited	20,348,290	5.46
4.	BNP Paribas Noms Pty Ltd <DRP>	9,579,940	2.57
5.	National Nominees Limited	8,387,362	2.25
6.	T & N Argyrides Investments P/L <T & N Argyrides Pension A/C>	5,000,000	1.34
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 Kingsley Bryan Bartholomew	3,067,072	0.82
11.	Mr Peter Murray Jackson	3,000,000	0.81
12	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	2,956,271	0.79
13.	HSBC Custody Nominees (Australia) Limited - A/C 2	2,487,616	0.67
14.	Dollar Coin Investments Pty Ltd <Cousins Discretionary A/C>	1,990,030	0.53
15.	Merrill Lynch (Australia) Nominees Pty Limited	1,622,100	0.44
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	1,395,684	0.37
19.	Mr Richard Grant Oliver	1,345,267	0.36
20.	Applecross Secretarial Services Pty Ltd	1,118,588	0.30
		247,176,190	**66.34**

	Unquoted equity securities over ordinary shares	
Name	Number on issue	Number of holders
Employee Performance Rights	14,750,525	42

C. Substantial Holders

Substantial shareholders with a shareholding greater than 5% as shown in substantial shareholder notices received by the company as at 19 August 2020:

	Ordinary shares	
Name	Number held	Percentage of issue shares
Allan Gray Australia Pty Ltd	53,431,698	14.37
M&G Investment Funds	45,186,512	12.15
UIL Limited	19,046,000	5.12
Allianz SE	18,648,131	5.01
FIL Limited	18,632,740	5.00

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 150 granted patents and more than 30 patent applications pending.

This year Starpharma also filed new provisional patents covering our SPL7013 COVID-19 nasal spray, DEP® radiotherapeutic products, DEP® HER-2 Targeted ADC's and DEP® gemcitabine.

Key patents within the Starpharma portfolio as at 31 July 2020:

Title	Priority Date & Publication Number	Patents Granted	Applications Pending
VivaGel® Patent Portfolio			
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	
Method of Treatment or Prophylaxis of Bacterial Vaginosis	16 May 2011 WO2012/000891	Australia, Canada, China, Europe, Israel, Japan, Mexico, Russia, South Korea, USA	Brazil, China, Hong Kong, India
Method of Treatment or Prophylaxis of Infection of the Eye	13 September 2012 WO2014/043576	China, Europe, Hong Kong, Japan, USA	Canada, China, India, Japan, 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, Hong Kong, India, Japan, USA	Europe
Targeted Polylysine Dendrimer Therapeutic Agent	11 August 2006 WO2008/017125	China, India, USA	Europe
Macromolecules (Drug linkers)	6 June 2011 WO2012/167309	Australia, China, Japan, South Korea, USA	Brazil, Canada, China, Europe, Hong Kong, India, USA
Dendrimer Drug Conjugates (Insulin/GLP1)	6 June 2014 WO 2015/184510	Europe	India, USA
Therapeutic Dendrimer (Cabazitaxel)	19 July 2018 WO2020/014750		International Patent Cooperation Treaty (PCT) application
Dendrimer for Therapy and Imaging	29 November 2018 WO2020/107078		International Patent Cooperation Treaty (PCT) application
Therapeutic Dendrimer (Irinotecan)	20 November 2018 WO2020/102852		International Patent Cooperation Treaty (PCT) application

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 – *Deputy Chairman*
R A Hazleton
Z Peach
D J McIntyre

Company Secretary

Nigel Baade

Registered office

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Postal address

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Share register

Computershare Investor Services Pty Limited
452 Johnston Street, Abbotsford VIC 3067

GPO Box 2975
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

DLA Piper
21/140 William 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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