ASX ANNOUNCEMENT

Starpharma Interim Report and Half-year Financial Results

Melbourne, Australia; 24 February 2014: Starpharma Holdings Limited (ASX:SPL, OTCQX:SPHRY) today released its interim report and financial results for the half-year ended 31 December 2013.

Financial Summary

- Reported loss of $5.6M (Dec 2012: $1.8M)
- R&D tax incentives of $2.6M reported in the half-year (Dec 2012: $6.8M)
- Cash position at 31 December 2013 of $27.8M
- R&D tax incentive receivables at 31 December 2013 of $7.3M

Operational Highlights

- DEP™ docetaxel eliminates neutropenia and completes preclinical development ahead of commencement of a Phase 1 clinical trial in January
- DEP™ oxaliplatin shows improved efficacy and reduced toxicity
- Agrochemical partnerships with Gowan and Isagro
- Received approval for an additional estimated A$2.3 million cash in R&D tax incentive for overseas R&D activities for its DEP™ docetaxel program
- Rob Thomas appointed to the Starpharma Board

The net loss after tax of $5.6 million (Dec 2012: $1.8 million) includes the expenses of the VivaGel® clinical program, together with development expenses in drug delivery and agrochemical programs.

Commenting on the results and outlook, Starpharma CEO Dr Jackie Fairley said:

"The Company is well placed to capitalise on important upcoming commercial milestones in 2014. Starpharma continues to make progress across its three portfolio areas, VivaGel®, drug delivery and agrochemicals.

Starpharma's DEP™ programs are demonstrating consistent benefits in terms of efficacy and the reduction of toxicities, whilst DEP™ docetaxel recently reached a strategically important milestone by moving into the clinic. The successful finding for R&D tax incentive relating to DEP™ docetaxel provides additional financial leverage for this and other DEP™ programs."

A contra research and development expense of $2.6 million (Dec 2012: $6.8 million) has been recorded for research and development activities eligible under the Australian Government's R&D Tax Incentive program. In the previous half-year to 31 December 2012, $4.1 million of the $6.8 million were recorded, relating to FY2012 R&D tax incentives which had not been previously recorded, due to uncertainty of eligibility.

Thereby, the increase in net loss for the December 2013 half-year over the corresponding period, is due to the "catch up" in recording the R&D tax incentives in the half-year to December 2012.

The cash balance at 31 December 2013 was $27.8 million, compared with $33.8 million at 30 June 2013. This balance excludes the anticipated $7.3 million receivable under the R&D Tax Incentive Program, of which $4.7 million will be received this financial year.

Clinical trial costs for both VivaGel and DEP™ docetaxel contributed to the net cash outflows from operations of $6.0 million (Dec 2012: $10.2 million). These include the recently commenced Phase 1 clinical trial of DEP™ docetaxel, and significant set up activities already undertaken for the Phase 3 prevention of bacterial vaginosis (BV) clinical program for VivaGel®.

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 uses. Starpharma has three core development programs: VivaGel® portfolio, drug delivery, and agrochemicals with the Company developing a number of products internally and others via commercial partnerships.

Starpharma's lead product is VivaGel® (SPL7013 Gel), a gel-based formulation of a proprietary dendrimer. VivaGel® is under clinical development for the treatment and prevention of bacterial vaginosis (BV). Starpharma has also signed separate licence agreements with Ansell Limited (ASX:ANN) and Okamoto Industries Inc (Tokyo Stock Exchange) to market a value-added, VivaGel®-coated condom. Ansell manufactures and sells leading condom brands worldwide, including Lifestyles®, ZERO® and SKYN®. Okamoto is the market leader for condoms sold in Japan, the world's second largest condom market.

In the wider pharmaceutical and life science fields, Starpharma has both partnered and internal programs in Drug Delivery. Drug Delivery partners include GSK, Lilly and AstraZeneca. A number of dendrimer-enhanced, or DEP™ versions of existing drugs are under development. The most advanced of these is DEP™ docetaxel, a dendrimer-enhanced version of docetaxel (Taxotere®) which is in clinical development. In preclinical studies DEP™ docetaxel has shown significant tumour-targeting and superior anti-cancer effects across a range of important cancer types including breast, prostate, lung and ovarian tumour, when compared to Taxotere® (docetaxel).

In agrochemicals Starpharma has a series of partnerships with leading industry players including Nufarm (ASX:NUF) and Makhteshim Agan as well as internal programs including an enhanced version of glyphosate (the active ingredient in Roundup®).

FOR FURTHER INFORMATION

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Forward Looking Statements

This document contains certain forward-looking statements, relating to Starpharma's business, which can be identified by the use of forward-looking terminology such as "promising", "plans", "anticipated", "will", "project", "believe", "forecast", "expected", "estimated", "targeting", "aiming", "set to", "potential", "seeking to", "goal", "could provide", "intends", "is being developed", "could be", "on track", or similar expressions, or by express or implied discussions regarding potential filings or marketing approvals, or potential future sales of product candidates. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to be materially different from any future results, performance or achievements expressed or implied by such statements. There can be no assurance that any existing or future regulatory filings will satisfy the FDA's and other authorities' requirements regarding any one or more product candidates nor can there be any assurance that such product candidates will be approved by any authorities for sale in any market or that they will reach any particular level of sales. In particular, management's expectations regarding the approval and commercialization of the product candidates could be affected by, among other things, unexpected trial results, including additional analysis of existing data, and new data; unexpected regulatory actions or delays, or government regulation generally; our ability to obtain or maintain patent or other proprietary intellectual property protection; competition in general; government, industry, and general public pricing pressures; and additional factors that involve significant risks and uncertainties about our products, product candidates, financial results and business prospects. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. Starpharma is providing this information as of the date of this document and does not assume any obligation to update any forward-looking statements contained in this document as a result of new information, future events or developments or otherwise.

Starpharma Holdings Limited

ABN 20 078 532 180

Interim Report – 31 December 2013

Lodged with the ASX under Listing Rule 4.2A

This information should be read in conjunction with the 30 June 2013 Annual Report and any public announcements made by Starpharma Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Contents

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Results for Announcement to the Market

Starpharma Holdings Limited ABN 20 078 532 180

Half-year ended 31 December 2013

Previous corresponding period: Half-year ended 31 December 2012

				$
Revenue from ordinary activities *(Appendix 4D item 2.1)*	Down	44%	to	$718,000
Loss from ordinary activities after tax attributable to members *(Appendix 4D item 2.2)*	Up (increased loss)	204%	to	$5,574,000
Net Loss for the period attributable to members *(Appendix 4D item 2.3)*	Up (increased loss)	204%	to	$5,574,000

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

Record date for determining entitlements to the dividend: Not Applicable

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

Explanation of revenue

(Appendix 4D item 2.6)

Revenue from ordinary activities includes royalty, licensing and research revenue from commercial partners of $154,000 (December 2012: $377,000) and interest income on cash invested in term deposits of $564,000 (December 2012: $895,000). See note 4 for additional information.

Explanation of net loss

(Appendix 4D item 2.6)

The consolidated loss after tax for the half-year to 31 December 2013 was $5,574,000 (December 2012: $1,832,000). All research and development expenditure, including patenting costs, were fully expensed in the current and previous corresponding period. Research and development expenses include the costs of the VivaGel® clinical program, drug delivery and agrochemical programs.

A contra research and development expense of $2,640,000 (December 2012: $6,828,000) has been recorded for research and development activities eligible under the Australian Government's R&D Tax Incentive program. In the corresponding period to 31 December 2012, $4,071,000 of the $6,828,000 related to FY2012 expenditure not previously booked due to the uncertainty of its eligibility. Starpharma has received advance findings from AusIndustry that covers certain overseas activities for the VivaGel® BV and drug delivery programs.

Net tangible assets

(Appendix 4D item 3)

	Half-year ended 31 December	
	2013	2012
Net tangible asset backing per ordinary share	**$0.11**	$0.14

Additional Appendix 4D disclosure requirements can be found in the Directors' Report and the 31 December 2013 half-year financial statements. This report is based on the consolidated 2013 half-year financial statements which have been reviewed by PricewaterhouseCoopers with the Independent Auditor's Review Report included in the 31 December 2013 half-year financial statements. The above NTA backing calculation is considered a non-IFRS value and has not been audited or reviewed in accordance with Australian Accounting Standards.

Directors' Report

Your directors have pleasure in presenting this report on the consolidated entity (referred to hereafter as the Group) consisting of Starpharma Holdings Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2013.

Directors

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

P T Bartels (Chairman)	P J Jenkins (Deputy Chairman)	J K Fairley (Chief Executive Officer)
R A Hazleton	Z Peach	P R Turvey

R B Thomas was appointed a director on 4 December 2013 and continues in office at the date of this report.

Principal activities

The principal activities of the group consist of research, development and commercialisation of dendrimer products for pharmaceutical, life-science and other applications. Activities within the group are directed towards the development of precisely defined nano-scale materials, with a particular focus on the development of its topical vaginal microbicide VivaGel® for the treatment and prevention of bacterial vaginosis, as a condom coating and for prevention of genital herpes and HIV, and the application of dendrimers to drug delivery and other life science applications. More broadly, through partners the group is exploring dendrimer opportunities in materials science with applications in areas such as cosmetics, agrochemicals, and coatings.

Business strategy, future developments and prospects

The Company aims to create value for shareholders through the commercial exploitation of proprietary products based on its dendrimer technology in pharmaceutical, life science and other applications. The Company's key focus is to advance and broaden its product development pipeline for VivaGel®, drug delivery and agrochemicals. It is intended to achieve this by continuing to utilise a combination of internally funded and partnered projects across the portfolio. The Company commercialises its development pipeline with corporate partners via licensing agreements at various stages in a product's development lifecycle; depending on the product, a partner's relative strength of product and market expertise, comparison of current and future potential returns, and the risks involved in advancing the product to the next value inflection point or milestone.

Starpharma remains well positioned to create value in the medium term, due to its deep expertise, strong intellectual property portfolio, diverse development portfolio, a culture and ability to innovate and adapt its technology platform to product opportunities, proven risk management practices, and a solid cash position. The Company will continue using its cash resources to invest in selected research and development activities to achieve its objectives.

Dividends

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

Review of operations

Key highlights and significant events during the half-year included:

- DEP™ docetaxel eliminates neutropenia, ahead of progression to Phase 1 clinical trial;
- DEP™ oxaliplatin shows improved anti-cancer efficacy and less toxicity;
- Agrochemical Priostar® partnership with Gowan, Isagro;
- Appointment of Rob Thomas to the Starpharma board; and
- Additional grant funding with collaborator, Monash Institute of Pharmaceutical Sciences, from the Australian Research Council and Cancer Australia for dendrimer-based drug research.

Drug Delivery Program

Key developments for Starpharma's internal drug delivery program during the half-year included finalising preparations for the first human clinical trial of a dendrimer-reformulated version of docetaxel (DEP™ docetaxel). Commencement of this Phase 1 clinical trial - a major milestone for Starpharma - was announced in January 2014. The trial will be conducted in Australia and involve approximately 25-30 cancer patients.
DEP™ docetaxel is an enhanced version of the blockbuster anti-cancer drug docetaxel (Taxotere®), which has reported annual sales of US$3.1 billion in 2010. Positive pre-clinical study results for Starpharma's proprietary DEP™ docetaxel were also received during the half-year. These demonstrated that DEP™ docetaxel did not cause neutropenia (reduced circulating neutrophil numbers) and other important bone marrow-related toxicities which occur in more than 75% of patients treated with Taxotere®. Bone marrow toxicities are the most important dose-limiting side effects of docetaxel. Earlier pre-clinical studies of DEP™ docetaxel have also demonstrated superior anti-cancer effectiveness compared to docetaxel across a range of important cancer types including breast, prostate, lung and ovarian cancer. The detergent Polysorbate 80 present in Taxotere®, is also not required for DEP™ docetaxel due to improved water solubility.

In the broader drug delivery program, Starpharma also released impressive pre-clinical results showing the superior performance of its DEP™ oxaliplatin compared to oxaliplatin (Eloxatin®). Oxaliplatin is a leading bowel cancer drug with reported sales of approximately US$2 billion in 2012. DEP™ oxaliplatin has been shown in animal models to have improved anti-tumour efficacy; reduced toxicity for bone marrow; and reduced toxicity for the nervous system (neurotoxicity). The neurotoxicity improvement of DEP™ oxaliplatin is particularly important as this is the major dose-

limiting toxicity, and causes the most debilitating side-effects, of oxaliplatin treatment. Around 85-95% of patients who undergo Eloxatin® therapy suffer irreversible nerve damage to the hands and feet.

Important progress was also made in the Company's confidential partnered drug delivery programs. Starpharma also announced, following submission to AusIndustry, it is eligible to receive an additional estimated $2.3 million cash in research and development (R&D) incentives over three years for the DEP™ docetaxel program. This is in addition to the 45% R&D incentives for eligible Australian expenditure.

VivaGel® Program
Preparations for pivotal Phase 3 clinical trials, to confirm VivaGel®'s ability to prevent recurrence of bacterial vaginosis (R-BV), were further advanced during the half-year. This included obtaining regulatory input on the trial protocol with, and selection of the trial sites and the appointment of a global Clinical Research Organisation. These trials will build on the positive results of a Phase 2 R-BV efficacy study, reported in 2013, which demonstrated both reduced overall risk of R-BV in patients using 1% VivaGel® and delayed time to first recurrence, compared with placebo. Bacterial vaginosis (BV) is the most common cause of vaginal infection worldwide and existing treatments for BV are considered suboptimal and recurrence is a major issue. There are currently no approved products to prevent R-BV, so VivaGel® has the potential to be a first in class therapeutic for prevention of R-BV.

In addition to the R-BV trials, Starpharma is pursuing symptomatic relief claims for VivaGel® in selected markets based on the efficacy and demonstrated excellent symptomatic relief shown in earlier VivaGel® Phase 3 clinical trials. The Company is also in discussions with potential commercial partners for this application of VivaGel®.

The VivaGel®-coated condom - with commercial rights licensed to Ansell and Okamoto - is currently undergoing regulatory review in number of markets and extensive pre-launch activities have been completed. Preparations included product positioning, packaging design and manufacturing validation. Consumer research was also undertaken, and this indicated strong demand for a VivaGel®-coated condom with 86% of participants rating it as "very interesting" and >90% saying they would buy the product.

Agrochemical Program
Industry interest and commercial agreements involving Starpharma's Priostar® dendrimers continued to expand, and the Company's partners now include a majority of the top 10 global agrochemical companies. The latest announced collaborations are Isagro which is examining dendrimer applications within its fungicides; and Gowan which is pursuing crop protection formulations in high value markets. Starpharma is also developing its own dendrimer-containing formulations involving selected generic actives, which studies have shown to have enhanced characteristics including enhanced solubility and stability of the active, and improved rain-fastness of agrochemicals. A number of programs including glyphosate (RoundUp®) are underway with glyphosate field trials ongoing.

Review of Financials

For the half-year ended 31 December 2013 the consolidated entity incurred an operating loss after income tax of $5,574,000 (December 2012: $1,832,000).

	Half-Year Ended 31 December	
Summary of consolidated results	**2013 $'000**	2012 $'000
Revenue from continuing operations	**718**	1,292
Other income, including grants	**3**	3
Research & development (net of R&D tax incentive)	**(4,223)**	(696)
Administration and finance costs	**(2,072)**	(2,431)
Loss attributable to members	**(5,574)**	(1,832)

Income statement
Revenue consists predominately of royalty, licensing and research revenue from commercial partners of $154,000 (December 2012: $377,000) and interest income on cash invested in term deposits of $564,000 (December 2012: $895,000).

The consolidated loss after tax for the half-year to 31 December 2013 was $5,574,000 (December 2012: $1,832,000). All research and development expenditure, including patenting costs, were fully expensed in the current and previous corresponding period. Research and development expenses include the costs of the VivaGel®, drug delivery and agrochemical programs.

A contra research and development expense of $2,640,000 (December 2012: $6,828,000) has been recorded for research and development activities eligible under the Australian Government's R&D Tax Incentive program. In the corresponding period to 31 December 2012, $4,071,000 of the $6,828,000 related to FY2012 expenditure not previously booked due to the uncertainty of its eligibility. Starpharma has received advance findings from AusIndustry that covers certain overseas activities for the VivaGel® BV and DEP™ docetaxel programs.

Balance sheet
At 31 December 2013 the Group's cash position was $27,832,000 (June 2013: $33,840,000). Trade and other receivables of $7,675,000 (June 2013: $5,492,000) includes $7,273,000 receivable from the Australian Government under the R&D Tax Incentive program, of which $4,701,000 is anticipated to be received this financial year.

Statement of cash flows
Net operating cash outflows for the half-year of $5,999,000 (December 2012: $10,241,000) included costs associated with the Company's VivaGel®, drug delivery and agrochemical programs. Net cash inflows from financing activities of $70,000 included proceeds on the issue of shares from the exercise of share options.

Earnings per share

	Half-year ended 31 December	
	2013 Cents	2012 Cents
Basic loss per share	**(1.96)**	(0.65)
Diluted loss per share	**(1.96)**	(0.65)

Matters subsequent to the end of the financial half-year

On 23 January 2014, Starpharma received the necessary approvals to commence a Phase 1 human clinical trial for its dendrimer-enhanced docetaxel (Taxotere®) chemotherapeutic product. The study will enrol approximately thirty patients with solid tumours. The primary objective of the study is to establish the maximum tolerated dose and dose limiting toxicities.

No other matters or circumstances have arisen since 31 December 2013 that have significantly affected, or may significantly affect:

(a) the consolidated entity's operations in future financial years, or
(b) the results of the operations in future financial years, or
(c) the consolidated entity's state of affairs in future financial years.

Rounding of amounts

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

Auditors' independence declaration

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

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

Peter T Bartels, *AO*
Director
Melbourne, 24 February 2014

Auditors' Independence Declaration

pwc

Auditor's Independence Declaration

As lead auditor for the review of Starpharma Holdings Limited for the half-year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Anton Linschoten
Partner
PricewaterhouseCoopers

Melbourne
24 February 2014

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Interim Financial Report

Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Starpharma Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Consolidated income statement

For the half-year ended 31 December 2013

		Half-year	
		2013	2012
	Notes	**$'000**	$'000
Revenue from continuing operations	4	**718**	1,292
Other income	4	**3**	3
Administration expense	5	**(2,068)**	(2,426)
Research and development expense	5	**(4,223)**	(696)
Finance costs		**(4)**	(5)
Loss before income tax		**(5,574)**	(1,832)
Income tax		**-**	-
Loss from continuing operations attributable to members of Starpharma Holdings Limited		**(5,574)**	(1,832)
Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company		**Cents**	Cents
Basic loss per share	9	**(1.96)**	(0.65)
Diluted loss per share	9	**(1.96)**	(0.65)

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

Consolidated statement of comprehensive income

For the half-year ended 31 December 2013

	Half-year	
	2013	2012
	$'000	$'000
Loss for the period	**(5,574)**	(1,832)
Other comprehensive income (loss), net of income tax		
Items that may be reclassified to profit or loss:		
Foreign currency translation differences on translating foreign subsidiaries	**285**	(145)
Other comprehensive income (loss) for the half-year, net of income tax	**285**	(145)
Total comprehensive loss for the half-year, net of income tax	**(5,289)**	(1,977)

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

Consolidated balance sheet

As at 31 December 2013

	Notes	31 December 2013 $'000	30 June 2013 $'000
Current assets			
Cash and cash equivalents		**27,832**	33,840
Trade and other receivables		**7,675**	5,492
Total current assets		**35,507**	39,332
Non-current assets			
Property, plant and equipment		**495**	411
Intangible assets		**8,619**	8,807
Total non-current assets		**9,114**	9,218
Total assets		**44,621**	48,550
Current liabilities			
Trade and other payables		**2,603**	1,696
Borrowings		**26**	25
Provisions (employee entitlements)		**491**	627
Deferred income		**59**	111
Total current liabilities		**3,179**	2,459
Non-current liabilities			
Borrowings		**62**	75
Provisions (employee entitlements)		**47**	48
Total non-current liabilities		**109**	123
Total liabilities		**3,288**	2,582
Net assets		**41,333**	45,968
Equity			
Contributed equity	6	**140,151**	140,081
Reserves		**4,371**	3,502
Accumulated losses		**(103,189)**	(97,615)
Total equity		**41,333**	45,968

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

Consolidated statements of changes in equity

For the half-year ended 31 December 2013

	Notes	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Half-year December 2013 Total equity $'000
Balance at 1 July 2013		140,081	3,502	(97,615)	45,968
Loss for the half-year		-	-	(5,574)	(5,574)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations		-	285	-	285
Total comprehensive income (loss) for the half-year		-	285	(5,574)	(5,289)
Transactions with owners, recorded directly in equity					
Contributions of equity, net of transaction costs	6	70	-	-	70
Employee share rights scheme		-	584	-	584
Total transactions with owners		70	584	-	654
Balance at 31 December 2013		140,151	4,371	(103,189)	41,333

For the half-year ended 31 December 2012

	Notes	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Half-year December 2012 Total equity $'000
Balance at 1 July 2012		139,171	1,866	(92,386)	48,651
Loss for the half-year		-	-	(1,832)	(1,832)
Other comprehensive income					
Foreign exchange differences on translation of foreign operations		-	(145)	-	(145)
Total comprehensive income (loss) for the half-year		-	(145)	(1,832)	(1,977)
Transactions with owners, recorded directly in equity					
Contributions of equity, net of transaction costs	6	822	-	-	822
Employee share rights scheme		-	393	-	393
Total transactions with owners		822	393	-	1,215
Balance at 31 December 2012		139,993	2,114	(94,218)	47,889

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

Consolidated statement of cash flows

For the half-year ended 31 December 2013

		Half-year	
		2013	2012
	Notes	**$'000**	$'000
Cash flow from operating activities			
Receipts from trade and other debtors		**330**	269
Grant income (inclusive of goods and services tax)		**3**	53
Payments to suppliers and employees (inclusive of goods and services tax)		**(7,234)**	(11,315)
Interest received		**906**	757
Interest paid		**(4)**	(5)
Net cash outflows from operating activities		**(5,999)**	(10,241)
Cash flow from investing activities			
Payments for property, plant and equipment		**(156)**	(109)
Net cash outflows from investing activities		**(156)**	(109)
Cash flow from financing activities			
Proceeds from issue of shares	6	**70**	822
Lease repayments		**(16)**	(34)
Net cash inflows from financing activities		**54**	788
Net decrease in cash and cash equivalents held		**(6,101)**	(9,562)
Cash and cash equivalents at the beginning of the half-year		**33,840**	42,812
Effects of exchange rate changes on cash and cash equivalents		**93**	(68)
Cash and cash equivalents at the end of the half-year		**27,832**	33,182

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

Notes to the consolidated financial statements

31 December 2013

Contents

1. Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Starpharma Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

2. Critical accounting estimates and judgments

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The group 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 program. For the half-year to 31 December 2013, the group has recorded a contra research and development expense of $2,640,000. Trade and other receivables include $7,273,000 receivable from the Australian Government under the R&D Tax Incentive program, of which $4,701,000 is anticipated to be received this financial year.

3. Segment information

The group has determined that on the basis of internal reporting and monitoring to the Chief Executive Officer, who is the chief operating decision maker, the Group operates in one business segment, being the discovery, development and commercialisation of dendrimers for pharmaceutical, life science and other applications. There has been a change to the presentation of segment disclosures from 31 December 2012 to better reflect the fact that the Group has only one operating segment.

4. Revenue and other income

Consolidated

	Half-year	
Revenue and other income	**2013 $'000**	2012 $'000
Royalty, customer & license revenue	**154**	377
Interest revenue	**564**	895
Other Revenue	**-**	20
Total revenue	**718**	1,292
Australian government grants	**3**	3
Total other income	**3**	3
Total revenue and other income	**721**	1,295

5. Expenses

Consolidated

	Half-year	
	2013 $'000	2012 $'000
Loss from continuing operations before income tax expense includes the following items:		
R&D Tax Incentive (contra expense)	**(2,640)**	(6,828)
Depreciation	**71**	87
Amortisation	**470**	443
Rental expense on operating leases	**216**	233
Defined contribution superannuation expense	**231**	183

6. Contributed equity

(a) Share capital

	Consolidated		Consolidated	
	December 2013 Shares	June 2013 Shares	**December 2013 $'000**	June 2013 $'000
Share Capital				
Ordinary shares – fully paid	**284,614,948**	283,814,948	**140,151**	140,081

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price	$'000
01 Jul 2011	Opening balance	247,743,578		105,399
14 Jul 2011	Share issue under Employee Performance Rights Plan	13,000	$ –	–
21 Nov 2011	Share placement	29,767,442	$1.075	32,000
14 Dec 2011	Share Purchase Plan	2,791,305	$1.075	3,000
	less transaction costs			(1,425)
Various	Issue on exercise of employee options	320,000	$0.38[1]	121
	Balance at 31 December 2011	280,635,325		139,095
24 Jan 2012	Employee share plan ($1,000) issue	22,126	$1.18	26
Various	Issue on exercise of employee options	125,000	$0.32[1]	40
Various	Issue on exercise of unlisted options	20,000	$0.29	6
	Balance at 30 June 2012	280,802,451		139,171
Various	Share issue under Employee Performance Rights Plan	842,800	$ –	–
Various	Issue on exercise of unlisted options	1,684,809	$0.43[1]	732
Various	Issue on exercise of employee options	310,000	$0.29[1]	90
	Balance at 31 December 2012	283,640,060		139,993
18 Jan 2013	Employee share plan ($1,000) issue	25,888	$1.24	32
19 Jun 2013	Issue on exercise of employee options	149,000	$0.37	56
	Balance at 30 June 2013	283,814,948		140,081
Various	Share issue under Employee Performance Rights Plan	610,000	$ –	–
Various	Issue on exercise of employee options	190,000	$0.37	70
	Balance at 31 December 2013	284,614,948		140,151

[1] Weighted average of options exercised.

(c) Ordinary shares

As at 31 December 2013 there were 284,614,948 issued ordinary shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. There is no current on-market share buy-back.

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

Shares issued under the Starpharma Holdings Limited Employee Share Plan ($1,000 Plan) to eligible staff are granted for no consideration and are escrowed for 3 years while participants are employed by the Company. An allocation of 39,732 shares was issued to eligible staff on 30 January 2014, subsequent to the reporting date.

(e) Employee Performance Rights Plan

There were 610,000 shares issued on the vesting on performance rights and 2,211,600 performance rights issued during the financial half year. Information relating to the Starpharma Holdings Limited Employee Performance Rights Plan, including shares under rights outstanding at the end of the financial half-year is set out in note 9.

(f) Options

There were 190,000 shares issued on the exercise of share options during the financial half year. Information relating to the Starpharma Holdings Limited Employee Share Option Plan, including options outstanding at the end of the financial half-year is set out in note 9.

(g) 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.

7. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in the 30 June 2013 annual report.

			Half-year	
Name of entity	Country of Incorporation	Class of Shares	**December 2013 Equity Holding %**	December 2012 Equity Holding %
Starpharma Pty Ltd	Australia	Ordinary	**100.00%**	100.00%
Angiostar Pty Ltd	Australia	Ordinary	**0.00%**	100.00%
Viralstar Pty Ltd	Australia	Ordinary	**0.00%**	100.00%
Dendritic Nanotechnologies Inc.	USA	Ordinary	**100.00%**	100.00%

Two non-operating subsidiaries, Angiostar Pty Ltd and Viralstar Pty Ltd, were deregistered with ASIC on date 20 November 2013, the deregistration had no impact to the financial statements.

8. Events occurring after the balance sheet date

On 23 January 2014, Starpharma received the necessary approvals to commence a Phase 1 human clinical trial for its dendrimer-enhanced docetaxel (Taxotere®) chemotherapeutic product. The study will enrol approximately thirty patients with solid tumours. The primary objective of the study is to establish the maximum tolerated dose and dose limiting toxicities.

There are no other significant events occurring since 31 December 2013 that have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the Group.

9. Earnings per share

	Half-year	
	2013	2012
Basic loss per share (cents)	**(1.96)**	(0.65)
Diluted loss per share (cents)	**(1.96)**	(0.65)
Net loss attributable to members of Starpharma Holdings Limited used as the numerator in calculating diluted and basic earnings per share ($'000)	**(5,574)**	(1,832)
Weighted average number of ordinary shares outstanding during the year used as the denominator in calculating diluted and basic earnings per share (shares)	**284,112,557**	282,897,700

As at 31 December 2013 the Company had on issue 445,000 (30 June 2013: 635,000) share options and 3,258,500 (30 June 2013: 1,970,900) performance rights that are not considered dilutive.

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

As at 31 December 2013 the Company had on issue the following share options:

Expiry date	Issue price of shares (Option exercise price)	Number under options
28 June 2014	$0.37	445,000

As at 31 December 2013 the Company had on issue the following Employee Performance Rights

Grant date	Vesting date	Holding Lock date	Number under rights
13 September 2012	19 September 2014	19 September 2015	520,900
30 November 2012#	30 November 2014	30 November 2015	200,000
30 November 2012#	30 November 2015	30 November 2016	360,000
16 September 2013	16 September 2015	16 September 2016	1,227,600
22 November 2013^	30 September 2014	30 September 2015	500,000
22 November 2013^	22 November 2015	22 November 2016	200,000
22 November 2013^	22 November 2016	22 November 2017	250,000

Approved by shareholders at the Annual General Meeting on 30 November 2012; securities allotted on 17 December 2012.
^ Approved by shareholders at the Annual General Meeting on 22 November 2013; securities allotted on 6 December 2013.

Directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 7 to 17 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with *Accounting Standards*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

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

Peter T Bartels, *AO*
Director
Melbourne, 24 February 2014

Independent auditor's review report to the members

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Starpharma Holdings Limited (the company), which comprises the consolidated balance sheet as at 31 December 2013, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Starpharma Holdings Limited group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Starpharma Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

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a) giving a true and fair view of the entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date;

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

PricewaterhouseCoopers

Anton Linschoten
Partner

Melbourne
24 February 2014