

State Development Fund Limited

A.C.N. 093 639 064

FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

STATE DEVELOPMENT FUND LIMITED
ACN 093 639 064
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

The Board of Directors of State Development Fund Limited have pleasure in submitting the financial report of the Consolidated Entity for the half year ended 31 December 2005 and report as follows:

DIRECTORS

The names and particulars of the Directors of the Company in office at any time during or since the end of the period:

Legh Davis	Appointed 30 July 2002
Michael McDonald	Appointed 5 July 2000
John Nissen	Appointed 5 July 2000
Peter King	Appointed 5 July 2000
Dr Andrew Ludekens	Appointed 8 December 2003

Directors have been in office since the start of the financial period to the date of this report.

RESULTS FROM OPERATIONS

The consolidated loss of the economic entity for the financial year after providing for income tax and eliminating outside equity interests amounted to \$171,067 compared with a profit of \$127,056 in the previous corresponding period. The profit in the previous period was due primarily to the sale of 14% of Auspep Holdings Limited by SDF.

REVIEW OF OPERATIONS

The net assets of the economic entity have increased by \$512,484 from 31 December 2004 to \$8,592,352 ending 31 December 2005. This increase is largely due to a revaluation of the Burnie Wynyard Airport carried out in June 2005 pursuant to the Valuation of Land Act of Tasmania. This has resulted in an appreciation of the consolidated entities net assets with a net movement in the value of Burnie Airport Corporation (BAC) equity accounted investments from \$2,864,349 on 31 December 2004 to \$4,100,509 ending 31 December 2005.

Australian Regional Airports Pty Ltd ("ARA")

For the 6 months ended 31 December 2005, BAC recorded total revenues of \$662,003, 10.4% in advance of last years' revenue due to sale of residential land blocks. Passenger fees were, however, down by 8.8% to \$488,142 as a result of new low cost carrier routes into Launceston by Jetstar and Virgin Airways. There was also a decline in Tasmanian tourism in December 2005. This is reflected also in the passenger numbers (44,671), which declined 6.8% over the same period last year.

Revenue of BAC is generated from passenger and freight levies, landing charges and property management and development. The Burnie Wynyard Airport comprises approximately 223 hectares of land, all of which was rezoned for industrial use as an outcome of the Waratah-Wynyard planning scheme review. BAC has designated 64.61 hectares of this land for immediate industrial development and 7.2 hectares for residential development subject to Council planning permission.

STATE DEVELOPMENT FUND LIMITED
ACN 093 639 064
DIRECTORS' REPORT (CONT)
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Industrial development continues on the rezoned land. The first industrial developer Vestas Wind Systems (Vestas), a major Danish manufacturer of wind turbines, has constructed a \$15 million assembly plant on approximately 5 hectares of airport land provided by BAC. Other spin off businesses and opportunities for the industrial park are currently being contemplated

The main drivers of regional airport revenues are passenger numbers and aircraft movements. The numbers of passengers passing through these gateway airports determines retail revenues. On the other hand, revenue from regulated aeronautical services is derived from aircraft movements, which is defined by the type and number of aircraft landing.

Auspep Holdings Limited ("Auspep")

SDF owns 76% of the share capital in Auspep. Auspep recorded sales revenue of \$1,564,913 and a net loss from ordinary activities after tax of \$23,723 in the six months ending 31 December 2005.

In the period ending 31 December 2004, 19% of revenue was derived from exports. In the current reporting period, Auspep Pty Ltd and Auspep Clinical Peptides Pty Ltd, the operating entities 100% owned by Auspep, and responsible for the manufacture and distribution of synthetic peptides, achieved 16.9% in export revenue and EBITDA of \$121,284 based on revenue of \$1,564,913. Maintaining export sales to major clients in a period where Auspep is transferring its operations to its new facility in Tullamarine has been a positive result for the company.

The company lodged its application for Therapeutic Goods Administration TGA (Australia) certification for its manufacturing process in the reporting period and intends subsequently to apply for CE (Europe) followed by FDA (USA) approvals. GMP approved peptides are a key driver of Auspep's growth as they enable peptides to be supplied for human clinical trials. The market for GMP quality peptides is growing and offers higher revenue opportunities when compared to non-GMP catalogue and custom peptides.

The TGA approval for the new GMP facility at Tullamarine will occur by the end of April 2006.

**STATE DEVELOPMENT FUND LIMITED
ACN 093 639 064
DIRECTORS' REPORT (CONT'D)
FOR THE HALF YEAR ENDED 31 DECEMBER 2005**

**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001**

The Lead Auditor's independence Declaration is set out page 5 and forms part of the Directors Report for the half - year ended 31 December 2005.

Signed in accordance with a resolution of Directors

A handwritten signature in black ink, reading "Legh Davis". The signature is written in a cursive, flowing style.

.....
Legh Davis
Chairman and Director

16th March 2005
Melbourne



Chartered Accountants
& Business Advisers

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The Directors
State Development Fund Limited
Suite 712
530 Little Collins Street
MELBOURNE VIC 3000

Dear Sirs

As lead engagement partner for the review of State Development Fund Limited for the half year ended 31 December 2005, 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 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink that reads "PKF".

PKF
Chartered Accountants

A handwritten signature in black ink, appearing to read "R A Dean".

R A Dean
Partner

16 March 2006
Melbourne

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF STATE DEVELOPMENT FUND LIMITED**

Scope

We have reviewed the accompanying half-year financial report of State Development Fund Limited, which comprises the condensed consolidated balance sheet as at 31 December 2005, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year then ended, summary of significant accounting policies and other selected explanatory notes and the directors' declaration. The financial report includes the consolidated financial statements of the entity and the entities it controlled at the end of the half-year or from time to time during the half-year.

The directors of State Development Fund Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Accounting Standards in Australia and the Corporations Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

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 State Development Fund Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



PKF
Chartered Accountants

16 March 2006
Melbourne



R A Dean
Partner

STATE DEVELOPMENT FUND LIMITED
ACN 093 639 064
DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

In the opinion of the Directors of State Development Fund Limited:

- a) the accompanying financial statements and notes are in accordance with the Corporations Act 2001, comply with the Accounting Standards and give a true and fair view of the Consolidated Entity's financial position as at 31 December 2005, and of its performance for the half year ended on that date; and
- b) at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with the resolution of the directors



.....
Legh Davis
Chairman and Director

16th March 2005
Melbourne

STATE DEVELOPMENT FUND LIMITED
CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Note	31 December 2005 \$	31 December 2004 \$
Revenue	2	1,561,153	1,763,443
Interest		13,411	2,441
Cost of Sales		(1,060,624)	(910,541)
Administrative Expenses		(390,615)	(380,360)
Marketing Expense		(208,583)	(310,052)
Occupancy Expense		(139,636)	(82,283)
Borrowing Costs		(1,270)	(11,547)
Share of Net Profit of associate accounted for using the equity method		90,477	76,900
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		(135,687)	148,001
Income tax expense		-	-
PROFIT/(LOSS) AFTER INCOME TAX		(135,687)	148,001
Net profit attributable to minority interest		(35,379)	(20,945)
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF STATE DEVELOPMENT FUND LIMITED		(171,067)	127,056
Basic earnings per share (cents per share)		(0.52) cents	0.39 cents
Diluted earnings per share (cents per share)		(0.52) cents	0.39 cents

The condensed consolidated income statement above is to be read in conjunction with the attached notes.

STATE DEVELOPMENT FUND LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Note	31 December 2005 \$	31 December 2004 \$
SHARE CAPITAL			
32,634,000 (2004: 32,534,000) ordinary shares fully paid			
Balance at beginning of the period		6,600,557	6,575,557
Shares issued during the period		-	-
Balance at the end of the period		<u>6,600,557</u>	<u>6,575,557</u>
ASSET REVALUATION RESERVE			
Balance at beginning of year		2,227,516	370,822
Share of increase in reserves of associate		-	665,503
Balance at end of year		<u>2,227,516</u>	<u>1,036,325</u>
ACCUMULATED LOSSES			
Balance at beginning of year		(1,346,491)	(1,283,537)
Net profit/(loss) attributable to members of State Development Fund Limited		(171,067)	127,056
Balance at end of year		<u>(1,517,558)</u>	<u>(1,156,481)</u>
TOTAL EQUITY		<u>7,310,515</u>	<u>6,899,540</u>

The condensed consolidated Statement of changes in Equity is to be read in conjunction with the attached notes.

STATE DEVELOPMENT FUND LIMITED
CONDENSED CONSOLIDATED BALANCE SHEET
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	31 December 2005 \$	30 June 2005 \$
CURRENT ASSETS		
Cash and cash equivalents	362,278	914,475
Trade and Receivables	401,165	387,752
Inventories	161,748	153,663
TOTAL CURRENT ASSETS	925,191	1,455,890
NON-CURRENT ASSETS		
Investments accounted for using the equity method	4,100,509	4,013,792
Property, plant and equipment	1,147,091	868,010
Intangible assets	4,095,546	4,095,546
Deferred tax assets	51,617	51,617
TOTAL NON-CURRENT ASSETS	9,394,763	9,028,965
TOTAL ASSETS	10,319,954	10,484,855
CURRENT LIABILITIES		
Trade and Other Payables	534,282	508,523
Interest bearing liabilities	24,120	77,931
Provisions	150,757	127,740
Tax liabilities	24,445	24,445
TOTAL CURRENT LIABILITIES	733,604	738,639
NON-CURRENT LIABILITIES		
Deferred tax liabilities	968,485	968,485
Interest bearing liabilities	25,513	25,513
Provisions	-	24,178
TOTAL NON-CURRENT LIABILITIES	993,998	1,018,176
TOTAL LIABILITIES	1,727,602	1,756,815
NET ASSETS	8,592,352	8,728,040
SHAREHOLDERS EQUITY		
Share Capital	6,600,557	6,600,557
Asset revaluation reserves	1,559,261	1,559,261
Accumulated losses	(1,517,558)	(1,346,491)
TOTAL PARENT ENTITY INTEREST	6,642,260	6,813,327
TOTAL MINORITY INTEREST	1,950,092	1,914,713
TOTAL SHAREHOLDERS EQUITY	8,592,352	8,728,040

The condensed consolidated Balance Sheet is to be read in conjunction with the attached notes

STATE DEVELOPMENT FUND LIMITED
CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	31 December 2005 \$	31 December 2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,547,740	1,454,381
Payments to suppliers and employees	(1,722,829)	(1,630,696)
Interest received	13,411	2,853
Interest paid	(1,270)	(11,346)
Distributions Received	139,848	89,326
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(23,100)	(95,482)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of investments	-	888,950
Proceeds from sale of plant and equipment	-	22,800
Payments for Investments	(139,848)	-
Payments for property, plant and equipment	(335,437)	(180,548)
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(475,285)	731,202
CASH FLOWS FROM FINANCING ACTIVITIES		
Lease principal repayments	(8,620)	(27,937)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(8,620)	(27,937)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(507,005)	607,783
Cash and cash equivalents at beginning of period	854,454	595,860
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	347,449	1,203,643

The condensed consolidated cash flow statement above is to be read in conjunction with the attached notes.

STATE DEVELOPMENT FUND LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

Basis of Preparation

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'. The half year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report, together with any public announcements made by State Development Fund Ltd during the half year ended 31st December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The company changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards. The transition to A-IFRS is accounted for in accordance with the Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the company's financial position, financial performance and cash flows is discussed in note 6.

The accounting policies set out below have been applied in preparing the financial statements for the half year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 6), the company's date of transition.

(a) Principles of Consolidation

The consolidated financial statements combine the financial statements of State Development Fund Limited (parent) and all of its subsidiaries.

The effects of all transactions between entities in the economic entity have been eliminated in full and the consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Minority interest is that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

(b) Investments in Subsidiaries

In the separate financial statements of the parent investments in subsidiaries that are not classified as held for sale or included in a disposal group classified as held for sale are accounted for at cost.

(c) Investments in Associates

An associate is an entity over which the economic entity has significant influence.

In the consolidated financial statements investments in associates are accounted for using the equity method except when the investment is classified as held for sale, in which case it is measured at the lower of its carrying amount and fair value less costs to sell.

STATE DEVELOPMENT FUND LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONT'D)

(d) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

The depreciation rates used for each class of depreciable asset are:

Class of fixed asset	Depreciation rates	Depreciation basis
Motor Vehicle	22.5%	Straight Line
Plant and Equipment	20-33 %	Straight Line
Laboratory Equipment	10-15 %	Straight Line
Furniture and Fittings	7.5-33%	Straight Line

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(e) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

STATE DEVELOPMENT FUND LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONT'D)

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(f) Employee Benefits

Provision is made for the economic entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with benefits arising from wages and salaries, annual leave and sick leave, which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

(g) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

(h) Revenue

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Interest revenue is recognised using the effective interest method.

Other revenue is recognised when the right to receive the revenue has been established. All revenue is stated net of the amount of goods and services tax (GST).

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

(j) Borrowing Costs

Borrowing costs are recognised as an expense in the year in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case the borrowing costs are capitalised as part of the cost of the asset.

(k) Leases

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property, without transferring the legal ownership, and operating leases under which the lessor effectively retains substantially all the risks and benefits.

STATE DEVELOPMENT FUND LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONT)

Where assets are acquired by means of finance leases, the present value of minimum lease payments is established as an asset at the beginning of the lease term and amortised on a straight line basis over the expected economic life. A corresponding liability is also established and each lease payment is allocated between such liability and interest expense.

Operating lease payments are charged to expense on a basis, which is representative of the pattern of benefits derived from the leased property.

(l) Income Taxes

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- the tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- a deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset;
- deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled.

(m) Foreign Currency Translation and Balances

(i) Translation of Foreign Currency Transactions

Transactions in foreign currencies on initial recognition in the functional currency are recorded by applying to the foreign currency amount the spot exchange rate at the date of the transaction.

At each balance sheet date:

- (a) foreign currency monetary items are reported using the closing rate;
- (b) non-monetary items which are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- (c) non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially translated during the period, or in previous financial statements, are recognised in profit or loss in the period in which they arise, with the exception of exchange differences arising on a monetary item that forms part of the net investment in a foreign operation which are recognised initially in a separate component of equity and recognised in profit or loss on disposal of the net investment.

STATE DEVELOPMENT FUND LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

NOTE 1: SUMMARY OF ACCOUNTING POLICIES (CONT)

(ii) Translation of the Financial Statements of Foreign Operations

The following procedures are used in translating the results and financial position of the entity from its functional currency to the presentation currency:

- (a) assets and liabilities at the closing rate at the balance sheet date.
- (b) income and expense items at exchange rates at the dates of the transactions; and
- (c) all resulting exchange differences recognised as a separate component of equity.

(n) Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and provisions for doubtful accounts.

(o) Payables

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

(p) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate share of variable and fixed overhead expenses. Fixed costs have been allocated on the basis of normal operating capacity.

31 December	31 December
2005	2004
\$	\$

NOTE 2 REVENUE

REVENUES

Sales Revenue	1,514,879	1,432,989
Profit on Disposal of Investments	-	282,012
Other Revenue	46,274	48,442
	<u>1,561,153</u>	<u>1,763,443</u>

STATE DEVELOPMENT FUND LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

NOTE 3 SEGMENT INFORMATION

31 December 2005

	PDF Activities	Airport Management	Peptide Manufacturing	Eliminations	Total
	\$	\$	\$	\$	\$
Revenue	12,618	139,923	1,565,630	(53,130)	1,665,041
Results	(190,167)	136,203	(28,593)	(53,130)	(135,687)

31 December 2004

	PDF Activities	Airport Management	Peptide Manufacturing	Eliminations	Total
	\$	\$	\$	\$	\$
Revenue	282,012	102,555	1,468,200	(9,983)	1,842,784
Results	196,568	(31,015)	(28,869)	11,317	148,001

NOTE 4 SIGNIFICANT AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial period which have significantly affected or may significantly affect the operations of the consolidated entity, the results of the operations, or the state of affairs of the consolidated entity in future financial periods.

NOTE 5 CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or contingent liabilities.

NOTE 6 IMPACTS OF THE ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (A-IFRS)

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS'). The transition to A-IFRS accounted for in accordance with Accounting Standard AASB-1 'First time Adoption of Australian Equivalents to International Financial Reporting Standards' with July 1 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entities financial position, financial statement and cash flows is set out in the following tables and the noted that accompany the tables.

STATE DEVELOPMENT FUND LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Effect of A-IFRS on the Balance Sheet as at 1st July 2004	Superseded Policies	Effect of transition to A-IFRS	A-IFRS
Note	\$	\$	\$
<i>Current Assets</i>			
Cash and cash equivalents	595,860	-	595,860
Trade and other receivables	589,851	-	589,851
Inventories	179,114	-	179,114
Prepayments	11,627	-	11,627
<i>Total Current Assets</i>	<u>1,376,452</u>	<u>-</u>	<u>1,376,452</u>
<i>Non Current Assets</i>			
Investments Accounted for using the equity method	1,185,349	-	1,185,349
Plant and Equipment	533,802	-	533,802
Intangible Assets	4,158,254	-	4,158,254
Deferred Tax Assets	51,250	-	51,250
<i>Total Non Current Assets</i>	<u>5,928,655</u>	<u>-</u>	<u>5,928,655</u>
<i>Total Assets</i>	<u>7,305,107</u>	<u>-</u>	<u>7,305,107</u>
<i>Current Liabilities</i>			
Trade and other payables	672,695	-	672,695
Interest bearing liabilities	18,005	-	18,005
Provisions	114,279	-	114,279
Tax Liabilities	11,118	-	11,118
<i>Total Current Liabilities</i>	<u>816,097</u>	<u>-</u>	<u>816,097</u>
<i>Non Current Liabilities</i>			
Deferred tax liabilities	(a) -	161,227	161,227
Interest bearing liabilities	36,980	-	36,980
Provisions	27,106	-	27,106
<i>Total Non Current Liabilities</i>	<u>64,086</u>	<u>161,227</u>	<u>225,313</u>
<i>Total Liabilities</i>	<u>880,183</u>	<u>161,227</u>	<u>1,041,410</u>
<i>Net Assets</i>	<u>6,424,924</u>	<u>(161,227)</u>	<u>6,263,697</u>
<i>Equity</i>			
Share Capital	6,575,557	-	6,575,557
Asset Revaluation Reserve	(a) 370,822	(111,247)	259,575
Accumulated Losses	(1,283,537)	-	(1,283,537)
<i>Total Parent Entity Interest</i>	<u>5,662,842</u>	<u>(111,247)</u>	<u>5,551,595</u>
<i>Total Minority Interest</i>	(a) 762,082	(49,980)	712,102
<i>Total Equity</i>	<u>6,424,924</u>	<u>(161,227)</u>	<u>6,263,697</u>

STATE DEVELOPMENT FUND LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

**Effect of A-IFRS on the income statement as at 31st
December 2004**

		Superseded Policies	Effect of transition to A-IFRS	A-IFRS
	Note	\$	\$	\$
Revenue	(c)	2,372,822	(606,938)	1,765,884
Cost of sales		(910,541)		(910,541)
Gross Profit		1,462,281	(606,938)	855,343
Administration expenses	(b)	(485,934)	105,574	(380,360)
Borrowing Costs		(11,547)		(11,547)
Marketing expenses		(310,052)		(310,052)
Occupancy expenses		(82,283)		(82,283)
Carrying Value of Investments Sold	(c)	(606,938)	606,938	-
Share of Net Profit of associate accounted for using the equity method		76,900		76,900
(Profit)/Loss before income tax expense		42,427	105,574	148,001
Income tax expense		-	-	-
		42,427	105,574	148,001
Net (profit)/loss attributable to minority interest		(2,365)	(18,580)	(20,945)
Net Loss attributable to the members of State Development Fund Limited		40,062	86,994	127,056

**Effect of A-IFRS on the income statement as at 30th
June 2005**

		Superseded Policies	Effect of transition to A-IFRS	A-IFRS
	Note	\$	\$	\$
Revenue	(c)	3,994,288	(696,750)	3,297,538
Cost of sales		(1,738,428)	-	(1,738,428)
Gross Profit		2,255,860	(696,750)	1,559,110
Administration expenses	(b)	(1,244,038)	213,443	(1,030,595)
Borrowing Costs		(9,861)	-	(9,861)
Marketing expenses		(569,460)	-	(569,460)
Occupancy expenses		(119,332)	-	(119,332)
Carrying Value of Investments Sold	(c)	(696,750)	696,750	-
Share of Net Profit of associate accounted for using the equity method		143,608	-	143,608
Loss before income tax expense		(239,973)	213,443	(26,530)
Income tax expense		(12,960)	-	(12,960)
		(252,933)	213,443	(39,490)
Net (profit)/loss attributable to minority interest		15,894	(39,357)	(23,463)
Net Loss attributable to the members of State Development Fund Limited		(237,039)	174,086	(62,953)

STATE DEVELOPMENT FUND LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Effect of A-IFRS on the Balance Sheet as at 31st December 2004	Superseded Policies	Effect of transition to A-IFRS	A-IFRS
Note	\$	\$	\$
<i>Current Assets</i>			
Cash and cash equivalents	1,203,643	-	1,203,643
Trade and other receivables	392,917	-	392,917
Inventories	196,960	-	196,960
<i>Total Current Assets</i>	<i>1,793,520</i>	<i>-</i>	<i>1,793,520</i>
<i>Non Current Assets</i>			
Investments Accounted for using the equity method	2,864,399	-	2,864,399
Plant and Equipment	682,511	-	682,511
Intangible Assets (b)	3,995,536	105,574	4,101,110
Deferred Tax Assets	51,250	-	51,250
<i>Total Non Current Assets</i>	<i>7,593,696</i>	<i>105,574</i>	<i>7,699,270</i>
<i>Total Assets</i>	<i>9,387,216</i>	<i>105,574</i>	<i>9,492,790</i>
<i>Current Liabilities</i>			
Trade and other payables	581,090	-	581,090
Interest bearing liabilities	16,896	-	16,896
Provisions	106,584	-	106,584
Tax Liabilities	11,118	-	11,118
<i>Total Current Liabilities</i>	<i>715,688</i>	<i>-</i>	<i>715,688</i>
<i>Non Current Liabilities</i>			
Deferred tax liability (a)	-	643,680	643,680
Interest bearing liabilities	34,804	-	34,804
Provisions	18,750	-	18,750
<i>Total Non Current Liabilities</i>	<i>53,554</i>	<i>643,680</i>	<i>697,234</i>
<i>Total Liabilities</i>	<i>769,242</i>	<i>643,680</i>	<i>1,412,922</i>
<i>Net Assets</i>	<i>8,617,974</i>	<i>(538,106)</i>	<i>8,079,868</i>
<i>Equity</i>			
Share Capital	6,575,557	-	6,575,557
Asset Revaluation Reserve (a)	1,480,464	(444,139)	1,036,325
Accumulated Losses	(1,243,475)	86,994	(1,156,481)
<i>Total Parent Entity Interest</i>	<i>6,812,546</i>	<i>(375,145)</i>	<i>6,455,401</i>
<i>Total Minority Interest</i>	<i>1,805,428</i>	<i>(180,961)</i>	<i>1,624,467</i>
<i>Total Equity</i>	<i>8,617,974</i>	<i>(538,106)</i>	<i>8,079,868</i>

STATE DEVELOPMENT FUND LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Effect of A-IFRS on the Balance Sheet as at 30 June 2005	Note	Superseded Policies Actual \$	Effect of transition to A-IFRS \$	A-IFRS Pro-Forma \$
<i>Current Assets</i>				
Cash and cash equivalents		914,475	-	914,475
Trade and other receivables		387,752	-	387,752
Inventories		153,663	-	153,663
<i>Total Current Assets</i>		<i>1,455,890</i>	<i>-</i>	<i>1,455,890</i>
<i>Non Current Assets</i>				
Investments Accounted for using the equity method		4,013,792	-	4,013,792
Plant and Equipment		868,010	-	868,010
Intangible Assets	(b)	3,882,103	213,443	4,095,546
Deferred Tax Assets		51,617	-	51,617
<i>Total Non Current Assets</i>		<i>8,815,522</i>	<i>213,443</i>	<i>9,028,968</i>
<i>Total Assets</i>		<i>10,271,412</i>	<i>213,443</i>	<i>10,484,855</i>
<i>Current Liabilities</i>				
Trade and other payables	(a)	508,523	-	508,523
Interest bearing liabilities		77,931	-	77,931
Provisions		127,740	-	127,740
Tax Liabilities		24,445	-	24,445
<i>Total Current Liabilities</i>		<i>738,639</i>	<i>-</i>	<i>738,639</i>
<i>Non Current Liabilities</i>				
Deferred tax liabilities		-	968,485	968,485
Interest bearing liabilities		25,513	-	25,513
Provisions		24,178	-	24,178
<i>Total Non Current Liabilities</i>		<i>49,691</i>	<i>-</i>	<i>1,018,176</i>
<i>Total Liabilities</i>		<i>788,330</i>	<i>968,485</i>	<i>1,756,815</i>
<i>Net Assets</i>		<i>9,483,082</i>	<i>(755,042)</i>	<i>8,728,040</i>
<i>Equity</i>				
Share Capital		6,600,557	-	6,600,557
Asset Revaluation Reserve	(a)	2,227,516	(668,255)	1,559,261
Accumulated Losses		(1,520,577)	174,086	(1,346,491)
<i>Total Parent Entity Interest</i>		<i>7,307,496</i>	<i>(494,399)</i>	<i>6,813,327</i>
<i>Total Minority Interest</i>	(a) (b)	<i>2,175,586</i>	<i>(260,873)</i>	<i>1,914,713</i>
<i>Total Equity</i>		<i>9,483,082</i>	<i>(755,042)</i>	<i>8,728,040</i>

STATE DEVELOPMENT FUND LIMITED
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

Effect of A-IFRS on the Cash Flow Statement

There are no material differences between the cash flow statement presented under the A-IFRS and the cash flow statement presented under the superseded policies.

Notes

a) Income Tax

Adjustment on adoption of balance sheet liability method of income tax. Recognition of deferred tax liability on share of revalued assets held by equity accounted investment

b) Intangibles and Amortisation

Under A-IFRS, goodwill is not subject to amortisation, but must be tested annually for impairment and whenever there is an indication that goodwill may be impaired. As a result, amortisation expense recognised subsequent to the transition date has been adjusted

c) Revenue Recognition

Under superseded policies, the consolidated entity recognised the gain or loss on disposal of non current assets on a gross basis by recognizing the proceeds from sale as revenue, and the carrying amount of the asset disposed as an expense. Under A-IFRS, the gain or loss on disposal is recognised on a net basis and is classified as income, rather than revenue. Accordingly, the gross amounts have been reclassified within the income statement for A-IFRS reporting purposes.