



16 March 2007

Company Announcement Office  
Bendigo Stock Exchange  
PO Box 191  
Flinders Lane, Melbourne  
Vic 8009

By email; [announcements@bsx.com.au](mailto:announcements@bsx.com.au)

RE: Announcement by State Development Fund Limited

Please find attached an announcement by State Development Fund Limited to be released to the market including the Financial Report for the half year ended 31 December 2006 and Annexure 3A.

By order of the Board of Directors

Peter J.Kral  
Company Secretary



16 March 2007

## **HALF YEAR RESULTS TO 31 DECEMBER 2006**

State Development Fund (SDF) reported a profit of \$139,224 for the half year ended 31 December 2006 compared with a loss of \$167,582 for the previous corresponding period.

This improved result reflected in particular the improved contribution from Auspep in which SDF has a 76% holding together with reduced administrative costs.

- Auspep, having received GMP accreditation for its new facility at Tullamarine, is now in a position to supply clinical grade peptides to pharmaceutical companies and research and development institutions. The company also continues to operate out of its original premises in West Melbourne. There are obvious benefits in consolidating Auspep's operations at Tullamarine and also upgrading equipment to take full advantage of the new opportunities created by the GMP facility.
- SDF also has an effective 33.81% stake in the Burnie Airport Corporation(BAC) which owns the business and assets of the Burnie-Wynyard Airport. After Qantas unexpectedly withdrew its services to Burnie-Wynyard in June 2006 BAC negotiated with Regional Express (REX) to increase its existing service to cover the withdrawal of Qantas. The result has been most satisfactory and with a more flexible timetable now on offer passenger numbers are tracking at an annualized rate consistent with the last four years and for the first time are in excess of neighboring Devonport. An upgrade of the airport terminal costing approximately \$650,000 has recently been completed on time and on budget.

For further information please contact Mr. Legh Davis  
Mobile 0419 806142



## Annexure 3A

### BSX Listing Rules

### Half yearly/Yearly Disclosure

#### References

Version 1, Operative 23/8/2000

#### Chapter 3, BSX Listing Rules

STATE DEVELOPMENT FUND LIMITED
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Name of entity

093 639 064	Half yearly (tick)	<input checked="" type="checkbox"/>	31/12/2006
ABN, ACN or ARBN	Annual (tick)	<input type="checkbox"/>	Half year/financial year ended ('Current period')

#### Summary

					\$A,000
Sales revenue or operating revenue	up/down	7%	to	1,687	
Profit (loss) before abnormal items and after tax		N/A%	to	189	
Abnormal items before tax					
					—
Profit (loss) after tax but before outside equity interests		N/A%	to	189	
Extraordinary items after tax attributable to members					
					—
Profit (loss) for the period attributable to members		N/A%	to	139	

Dividends (distributions)	Franking rate applicable	—
Current period	Final	—¢
	Interim	—¢
Previous corresponding period	Final	—¢
	Interim	—¢
Record date for determining entitlements to the dividend, (in the case of a trust distribution)		N/A

**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

Short details of any bonus or cash issue or other items(s) of importance not previously released to BSX:

N/A
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**Consolidated profit and loss account**

	Current period \$A'000	Previous corresponding period \$A'000
Sales revenue or operating revenue	1,687	1,575
Expenses from ordinary activities	(1,451)	(1,797)
Borrowing costs	(10)	(1)
Share of net profit (loss) of associates and joint venture entities	52	90
Profit (loss) from ordinary activities before tax	278	(133)
Income tax on ordinary activities	(89)	—
Profit (loss) from ordinary activities after tax	189	(133)
Outside equity interests	(50)	(35)
Profit (loss) from ordinary activities after tax attributable to members	139	(168)
Profit (loss) from extraordinary activities after tax attributable to members	—	—
Profit (loss) for the period attributable to members	139	(168)
Retained profits (accumulated losses) at the beginning of the financial period	(1,722)	(1,350)
Net transfers to and from reserves	—	—
Net effect of changes in accounting policies	—	—
Dividends paid or payable	—	—
Retained profits (accumulated losses) at end of financial period	(1,583)	(1,518)

**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

**Profit restated to exclude amortisation of goodwill**

	Current period \$A'000	Previous corresponding period \$A'000
Profit (loss) from ordinary activities after tax before outside equity interests and amortisation of goodwill	189	(133)
Less (plus) outside equity interests	(50)	(35)
Profit (loss) from ordinary activities after tax (before amortisation of goodwill) attributable to members	139	(168)

**Revenue and expenses from operating activities**

	Current period \$A'000	Previous corresponding period \$A'000
Details of Revenue and Expenses		
Sales Revenue	1,687	1,575
Cost of Sales	(859)	(1,061)
Administrative Expenses	(449)	(388)
Marketing Expenses	(57)	(208)
Occupancy Expenses	(86)	(140)
Borrowing Costs	(10)	(1)
Share of Net Profit of Associate	52	90
Net Value of Investments disposed of	-	-

**Intangible and extraordinary items**

	Consolidated - current period		
	Before tax \$A'000	Related tax \$A'000	After tax \$A'000
Amortisation of goodwill	-	-	-
Amortisation of other intangibles	-	-	-
<b>Total amortisation of intangibles</b>	-	-	-
Extraordinary items (details)	-	-	-
<b>Total extraordinary items</b>	-	-	-

**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

**Comparison of half year profits**

(Annual statement only)

	Current year - \$A'000	Previous year - \$A'000
Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the 1st half year	—	—
Consolidated profit (loss) from ordinary activities after tax attributable to members for the 2nd half year	—	—

**Consolidated balance sheet**

	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly statement \$A'000
<b>Current assets</b>			
Cash	419	253	362
Receivable	553	225	401
Investments	—	—	—
Inventories	261	220	162
Other (provide details if material)	—	—	—
<b>Total current assets</b>	1,233	698	925
<b>Non-current assets</b>			
Receivables	—	—	—
Investments	4,066	4,014	4,100
Inventories	—	—	—
Other property, plant and equipment (net)	974	1,084	1,147
Intangibles (net)	4,092	4,092	4,095
Other (provide details if material)	75	61	52
<b>Total non-current assets</b>	9,207	9,251	9,394
<b>Total assets</b>	10,440	9,949	10,319
<b>Current liabilities</b>			
Accounts payable	549	362	534
Borrowings	10	21	24
Provisions	209	93	150
Other (provide details if material)	119	16	25
<b>Total current liabilities</b>	887	492	733

**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

<b>Non-current liabilities</b>			
Accounts payable	—	—	—
Borrowings	41	39	26
Provisions	—	94	—
Other (provide details if material)	968	968	968
<b>Total non-current liabilities</b>	<b>1009</b>	<b>1,101</b>	<b>994</b>
<b>Total liabilities</b>	<b>1,896</b>	<b>1,593</b>	<b>1,727</b>
<b>Net assets</b>	<b>8,544</b>	<b>8,356</b>	<b>8,592</b>
<b>Equity</b>			
Capital	6,601	6,601	6,601
Reserves	1,559	1,559	1,559
Retained profits (accumulated losses)	(1,583)	(1,722)	(1,518)
Equity attributable to members of the parent entity	6,576	6,438	6,642
Outside equity interests in controlled entities	1,967	1,918	1,950
<b>Total equity</b>	<b>8,544</b>	<b>8,356</b>	<b>8,592</b>
Preference capital and related premium included	—	—	—

**Consolidated statement of cash flows**

<b>Cash flows related to operating activities</b>	Current period \$A'000	Previous corresponding period \$A'000
Receipts from customers	1,532	1,548
Payments to suppliers and employees	(1,369)	(1,723)
Dividends received	—	140
Interest and other items of similar nature received	26	13
Interest and other costs of finance paid	(8)	(1)
Income taxes paid	—	—
Other (provide details if material)	—	—
<b>Net operating cash flows</b>	<b>181</b>	<b>(23)</b>
<b>Cash flows related to investing activities</b>		
Payments for purchases of property, plant and equipment	(4)	(335)

**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

Proceeds from sale of property, plant and equipment	—	—
Payment for purchases of equity investments	—	(140)
Proceeds from sale of equity investments	—	—
Loans to other entities	—	—
Loans repaid by other entities	—	—
Other (provide details if material)	—	—
<b>Net investing cash flows</b>	<b>(4)</b>	<b>(475)</b>
<b>Cash flows related to financing activities</b>		
Proceeds from issues of securities (shares, options, etc.)	—	—
Proceeds from borrowings	—	—
Repayment of borrowings	(11)	(9)
Dividends paid	—	—
Other (provide details if material)	—	—
<b>Net financing cash flows</b>	<b>(11)</b>	<b>(9)</b>
<b>Net increase (decrease) in cash held</b>	<b>166</b>	<b>(507)</b>
Cash at beginning of period (see Reconciliation of cash)	253	854
Exchange rate adjustments	—	—
<b>Cash at end of period</b> (see Reconciliation of cash)	<b>419</b>	<b>347</b>

**Non-cash financing and investing activities**

*Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.*

None



**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

**Reconciliation of cash**

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current period \$A'000	Previous corresponding period \$A'000
Cash on hand and at bank	419	362
Deposits at call	—	—
Bank overdraft	—	(15)
Other (provide details)	—	—
Total cash at end of period	419	347

**Ratios**

	Current period	Previous corresponding period
<b>Profit before tax/sales</b>		
Consolidated profit (loss) from ordinary activities before tax as a percentage of sales revenue	16.5%	(8.4%)
<b>Profit after tax/equity interests</b>		
Consolidated profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	2.1%	(2.5%)

**Earnings per security (EPS)**

	Current period	Previous corresponding period
Calculation of basic, and fully diluted, EPS in accordance with AASB 1027: Earnings per Share		
(a) Basic EPS	.43 cents	(0.51) cents
(b) Diluted EPS (if materially different from (a))	.43 cents	(0.51) cents

**NTA backing**

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	13.6cents	13.8 cents

**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

**Details of specific receipts/outlays, revenues/expenses**

	Current period A\$'000	Previous corresponding period \$A'000
Interest revenue included	26	13
Interest revenue included but not yet received (if material)	—	—
Interest costs excluded from borrowing costs capitalised in asset values	—	—
Outlays (excepts those arising from the acquisition of an existing business) capitalised in intangibles (if material)	—	—
Depreciation (excluding amortisation of intangibles)	113	97
Other specific relevant items		—

**Control gained over entities having material effect**

Name of entity	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity since the date in the current period on which control was acquired	N/A
Date from which such profit has been calculated	N/A
Profit (loss) from ordinary activities and extraordinary items after tax of the entity for the whole of the previous corresponding period	N/A

**Loss of control of entities having material effect**

Name of entity	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity for the current period to the date of loss of control	N/A
Date from which the profit (loss) has been calculated	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the entity while controlled during the whole of the previous corresponding period	N/A
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	N/A

**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

**Reports for industry and geographical segments**

**Segments**

**31 December 2006**

	<b>PDF Activities</b>	<b>Airport Management</b>	<b>Peptide Manufacturing</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenue</b>	44,837	9,000	1,673,671	(40,000)	1,687,508
<b>Results</b>	(72,669)	(5,835)	215,248	52,191	188,935

**31 December 2005**

	<b>PDF Activities</b>	<b>Airport Management</b>	<b>Peptide Manufacturing</b>	<b>Eliminations</b>	<b>Total</b>
<b>Revenue</b>	12,618	139,923	1,565,630	(143,607)	1,574,564
<b>Results</b>	(190,167)	136,203	(28,593)	(49,646)	(132,203)

**Dividends**

Date the dividend is payable

N/A

Record date to determine entitlements to the dividend (ie. on the basis of registrable transfers received up to 5.00 pm)

N/A

**Amount per security**

		<i>Franking rate applicable</i>	%	%	%
<i>(annual report only)</i>					
<b>Final dividend:</b>	Current year	N/A¢	N/A¢	N/A¢	N/A¢
	Previous year	N/A¢	N/A¢	N/A¢	N/A¢
<i>(Half yearly and annual statements)</i>					
<b>Interim dividend:</b>	Current year	N/A¢	N/A¢	N/A¢	N/A¢
	Previous year	N/A¢	N/A¢	N/A¢	N/A¢

**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

**Total annual dividend (distribution) per security**

(Annual statement only)

	Current year	Previous year
Ordinary securities	N/A¢	N/A¢
Preference securities	N/A¢	N/A¢

**Total dividend (distribution)**

	Current period \$A'000	Previous corresponding period - \$A'000
Ordinary securities	\$ N/A	\$ N/A
Preference securities	\$ N/A	\$ N/A
<b>Total</b>	\$ N/A	\$ N/A

**Half yearly report – interim dividend (distribution) on all securities or Annual report – final dividend (distribution) on all securities**

	Current period \$A'000	Previous corresponding period - \$A'000
Ordinary securities	\$ N/A	\$ N/A
Preference securities	\$ N/A	\$ N/A
<b>Total</b>	\$ N/A	\$ N/A

The dividend or distribution plans shown below are in operation.

N/A
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The last date(s) for receipt of election notices to the dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions)

N/A
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**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

**Equity accounted associated entities and other material interests**

*Equity accounting information attributable to the economic entity's share of investments in associated entities must be disclosed in a separate notice. See AASB 1016: Disclosure of Information about Investments in Associated Companies.*

Entities share of:	Current period A\$'000	Previous corresponding period A\$'000
Profit (loss) from ordinary activities before tax.	52	(90)
Income tax	—	—
Profit (loss) from ordinary activities after tax	52	(90)
Extraordinary items net of tax	—	—
Net profit (loss)	52	(90)
Outside equity interests	(20)	28
Net profit (loss) attributable to members	32	(62)

**Material interests in entities which are not controlled entities**

*The entity has an interest (that is material to it) in the following entities.*

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to profit (loss) from ordinary activities and extraordinary items after tax	
Equity accounted associates and joint venture entities	Current period	Previous corresponding period	Current period \$A'000	Previous corresponding period \$A'000
Burnie Airport Corporation Pty Ltd as trustee for the Burnie Airport Corporation Unit Trust.	49%	49%	52	90
<b>Total</b>			52	90
<b>Other material interests</b>				

**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

	N/A	N/A	N/A	N/A
<b>Total</b>	N/A	N/A	N/A	N/A

**Issued and listed securities**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

**Category of securities**

	Number issued	Number listed	Issue Price (cents)	Paid-up value (cents)
<b>Preference securities</b> <i>(description)</i>	N/A	N/A	N/A	N/A
Changes during current period	N/A	N/A	N/A	N/A
<b>Ordinary securities</b>	32,634,000	32,634,000	10 cents 20 cents 25 cents	Fully Paid
Changes during current period	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
<b>Convertible debt securities</b> <i>(description and conversion factor)</i>	N/A	N/A	N/A	N/A
Changes during current period	N/A	N/A	N/A	N/A

			Exercise price	Expiry date
<b>Options</b> <i>(description and conversion factor)</i>	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
Changes during current period	N/A	N/A	N/A	N/A

**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

Exercised during current period	N/A	N/A	N/A	N/A
Expired during current period	N/A	N/A	N/A	N/A
<b>Debentures</b>	N/A	N/A		
<b>Unsecured Notes</b>	N/A	N/A		

**Discontinuing Operations**

**Consolidated profit and loss account**

	Continuing operations		Discontinuing operations		Total entity	
	Current period - \$A'000	Previous corresponding period - \$A'000	Current period - \$A'000	Previous corresponding period - \$A'000	Current period - \$A'000	Previous corresponding period - \$A'000
Sales revenue or operation revenue	N/A	N/A	N/A	N/A	N/A	N/A
Other revenue	N/A	N/A	N/A	N/A	N/A	N/A
Expenses from ordinary activities	N/A	N/A	N/A	N/A	N/A	N/A
Profit (loss) before tax	N/A	N/A	N/A	N/A	N/A	N/A
Less tax	N/A	N/A	N/A	N/A	N/A	N/A
Profit (loss) from ordinary activities after tax	N/A	N/A	N/A	N/A	N/A	N/A

**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

**Consolidated statement of cash flows**

	Continuing operations		Discontinuing operations		Total entity	
	Current period - \$A'000	Previous corresponding period - \$A'000	Current period - \$A'000	Previous corresponding period - \$A'000	Current period - \$A'000	Previous corresponding period - \$A'000
Net operating cash flows	N/A	N/A	N/A	N/A	N/A	N/A
Net investing cash flows	N/A	N/A	N/A	N/A	N/A	N/A
Net financing cash flows	N/A	N/A	N/A	N/A	N/A	N/A

**Other disclosures**

	Current period A\$'000	Previous corresponding period A\$'000
Carrying amount of items to be disposed of:		
- total assets	N/A	N/A
- total liabilities	N/A	N/A
Profit (loss) on disposal of assets or settlement of liabilities	N/A	N/A
Related tax		
Net profit (loss) on discontinuance	N/A	N/A

**Description of disposals**

None
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**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

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**Comments by directors**

**Basis of accounts preparation**

*If this statement is a half yearly statement it should be read in conjunction with the last annual report and any announcements to the market made by the entity during the period.*

Material factors affecting the revenues and expenses of the entity for the current period including seasonal or cyclical factors

None

A description of each event since the end of the current period, which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

None

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

None

Changes in accounting policies since the last annual report and estimates of amounts reported in prior years are disclosed as follows.

None

Changes in the amounts of contingent liabilities or assets since the last annual report are disclosed as follows.

None

**Annexure 3A**  
**Half Yearly/Yearly Disclosure**

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**Additional disclosure for trusts**

Number of units held by the management company or responsible entity to their related parties.

N/A

A statement of the fees and commissions payable to the management company or responsible entity.

N/A

Identify:

- Initial service charges
- Management fees
- Other fees

**Annual meeting**

*(Annual statement only)*

The annual meeting will be held as follows:

Place

N/A

Date

Time

Approximate date the annual report will be available

**Compliance statement**

- 1 This statement has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Law.
- 2 This statement, and the financial statements under the Corporations Law (if separate), use the same accounting policies.
- 3 In the case of a half-yearly report the same accounting standards and methods of computation are/are not\* (*delete one*) followed as compared with the most recent annual accounts.
- 4 This statement does/does not\* (*delete one*) give a true and fair view of the matters disclosed.

5 This statement is based on financial statements to which one of the following applies:

(Tick one)

- ☐ The financial statements have been audited.
- ☒ The financial statements have been subject to review by a registered auditor (or overseas equivalent).
- ☐ The financial statements are in the process of being audited or subject to review.
- ☐ The financial statements have *not* yet been audited or reviewed.

6 If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available\* (*delete one*).

7 The entity ~~has~~/does not have\* (*delete one*) a formally constituted audit committee.

Sign here:



Legh Davis

Chairman and Director

Dated: 14<sup>th</sup> March 2007

#### Notes

**True and fair view** If this statement does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.

**Income tax** If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts.

**Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement.

**STATE DEVELOPMENT FUND LIMITED  
AND CONTROLLED ENTITIES  
ABN 093 639 064**

**FINANCIAL REPORT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

**STATE DEVELOPMENT FUND LIMITED  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

Your directors present their report on the company and its controlled entities for the half year ended 31 December 2006.

**Directors**

The names of directors in office at any time during or since the end of the half year are:

Legh Hewitson Davis (appointed 30/07/02), Chairman since 30/6/2005  
John Andreas Nissen (appointed 5/07/00)  
Peter King (appointed 5/07/00)  
Michael David McDonald (appointed 5/07/00)  
Dr Andrew Ludekens (appointed 8/12/03)

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

**Principal Activities**

The principal activities of the economic entity during the half year were:

Acting as a PDF providing financial and management support for investee companies of SDF.

The following significant changes in the nature of the principal activities occurred during the financial year:

State Development Fund (SDF) reported a profit of \$139,224 for the half year ended 31 December 2006 compared with a loss of \$167,582 for the previous corresponding period.

This improved result reflected in particular the improved contribution from Auspep in which SDF has a 76% holding together with reduced administrative costs.

- Auspep, having received GMP accreditation for its new facility at Tullamarine, is now in a position to supply clinical grade peptides to pharmaceutical companies and research and development institutions. The company also continues to operate out of its original premises in West Melbourne. There are obvious benefits in consolidating Auspep's operations at Tullamarine and also upgrading equipment to take full advantage of the new opportunities created by the GMP facility.
- SDF also has an effective 33.81% stake in the Burnie Airport Corporation(BAC) which owns the business and assets of the Burnie-Wynyard Airport. After Qantas unexpectedly withdrew its services to Burnie-Wynyard in June 2006 BAC negotiated with Regional Express (REX) to increase its existing service to cover the withdrawal of Qantas. The result has been most satisfactory and with a more flexible timetable now on offer passenger numbers are tracking at an annualized rate consistent with the last four years and for the first time are in excess of neighbouring Devonport. An upgrade of the airport terminal costing approximately \$650,000 has recently been completed on time and on budget.

**Results from Operations**

The consolidated profit of the economic entity for the half year after providing for income tax and eliminating minority equity interests amounted to \$139,224 (2005: Loss \$167,582).

**Review of Operations**

A review of the operations of the entity during the half year and the results of those operations found that during the half year, the economic entity continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

**STATE DEVELOPMENT FUND LIMITED  
AND CONTROLLED ENTITIES**

**Auspep Holdings Limited (AHL)**

Auspep Pty Ltd, a wholly owned subsidiary of Auspep Holdings Ltd, caters to the rapidly emerging market for synthetic biologically active peptides used in research and commercial drug development. Today, this Australian owned company is an active participant in the custom peptide synthesis industry in Australia and is exploring larger opportunities for value added GMP grade product here and overseas.

Synthetic peptides are important to the rapidly growing biotechnology industry. They are in high demand for use in both research and commercial drug development, including testing as potential pharmaceuticals in human clinical trials and testing new hormones and vaccines for use with animals. Where peptides show therapeutic benefits, they can be developed into drugs.

Potential applications of therapeutic peptides include the treatment of cancer, diabetes, osteoporosis and more rapid repair of human wounds and tissues. Peptides are promising drug candidates because they are potent, specific and have low toxicity.

SDF owns 76% of the share capital in Auspep Holdings Ltd. Mr John Nissen is a director and shareholder of both Auspep Holdings Ltd and SDF and holds 10% of Auspep Holdings Ltd's shares through a related entity.

In April 2006 Auspep was granted approval from the Therapeutic Goods Administration to produce human-grade peptides in a new GMP (Good Manufacturing Practice) facility at Auspep's Tullamarine headquarters. The board of Auspep intends to fully exploit the significant opportunity opened up by granting of this GMP accreditation, as the market for GMP quality peptides is growing and offers higher revenue opportunities when compared to non-GMP catalogue and custom peptides. A significant global pharmaceutical company has already placed a large order with Auspep, where historically Auspep would not have tendered for the business, and the peptides would have been imported by the client. In 2007 the company will seek CE Mark approval in order to gain access to the lucrative European market.

**Australian Regional Airports Pty Ltd (ARA)**

SDF's ownership of ARA is 69%, ARA in turn owns 49% of the Burnie Airport Corporation (BAC) Unit Trust, the 100% owner of the business and assets of the Burnie-Wynyard Airport. This means SDF has an effective 33.81% interest in BAC. Through their respective related entities, Mr Michael McDonald and Mr Rodney Sullivan, are substantial shareholders in ARA. Mr McDonald is also a director and shareholder of SDF.

BAC acquired the business and assets of the Burnie-Wynyard Airport on 1 February 2002 for \$2.5 million. An official valuation undertaken by the Rawlinsons in October 2004, on behalf of BAC, valued the airport activities of BAC at between \$5.6 - \$5.8 million. This valuation did not include a premium for the value of the industrial and residential land owned by BAC. A second valuation of the Burnie Airport carried out by the Tasmanian Government in June 2005 valued all the property owned by BAC at \$3.4 Million. After taking into account debt, the net value of BAC assets is \$8.2 million. SDF's 33.81% interest in this net value is \$2.77 million.

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. The following are major developments:

**Lead Auditor's Independence Declaration Under Section 307C Of The Corporations Act 2001**

The Lead Auditor's Independence Declaration is set out on page 3 and forms part of the Directors Report for the half year ended 31 December 2006.

Signed in accordance with a resolution of the Board of Directors.



**Leigh Davis**  
Chairman and Director

**Dated this 14<sup>th</sup> day of March 2007**

14 March 2007

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 2006, 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.

Yours faithfully  
**PKF**



**R A Dean**  
Partner

**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF STATE DEVELOPMENT FUND LIMITED  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**



Chartered Accountants  
& Business Advisers

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of State Development Fund Limited which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement or description of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising State Development Fund Limited and the entities it controlled at 31 December 2006 or at time to time during the half year ended on that date.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of State Development Fund Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting 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.

*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 Auditing Standard on Review Engagements ASRE 2410 Review of an Interim 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 State Development Fund Limited's financial position as at 31 December 2006 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 State Development Fund 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 State Development Fund Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entities' financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**PKF**  
Chartered Accountants

14 March 2007  
Melbourne

**R A Dean**  
Partner

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**STATE DEVELOPMENT FUND LIMITED**  
**ACN 093 639 064**  
**DIRECTORS' DECLARATION**  
**FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

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 2006, 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

14<sup>th</sup> March 2007  
Melbourne

**STATE DEVELOPMENT FUND LIMITED  
AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Note	31 December 2006 \$	31 December 2005 \$
<b>Revenue</b>	2	1,687,508	1,574,564
Expenses		(1,338,584)	(1,699,089)
Depreciation and amortisation expenses		(113,276)	(96,885)
Finance costs		(9,987)	(1,270)
Share of Net Profit of associate accounted for using the equity method		52,191	90,477
<b>Profit/(Loss) before income tax expense</b>		<u>277,852</u>	<u>(132,203)</u>
Income tax expense		(88,917)	-
<b>Profit/(Loss) after income tax expense</b>		<u>188,935</u>	<u>(132,203)</u>
Net (profit)/loss attributable to outside equity interest		<u>(49,711)</u>	<u>(35,379)</u>
<b>Net profit/(loss) for the period attributable to Members of State Development Fund Ltd</b>		<u>139,224</u>	<u>(167,582)</u>
Basic and diluted earning per share – cents		.43	(.52)

The condensed consolidated Income Statement above is to be read in conjunction with the attached notes.

**STATE DEVELOPMENT FUND LIMITED  
AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED BALANCE SHEET  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	31 December 2006 \$	30 June 2006 \$
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	419,281	253,310
Trade and other receivables	552,489	224,832
Inventories	261,072	220,073
<b>TOTAL CURRENT ASSETS</b>	<u>1,232,842</u>	<u>698,215</u>
<b>NON-CURRENT ASSETS</b>		
Investments accounted for using the equity method	4,065,983	4,013,792
Property, plant and equipment	974,480	1,084,350
Intangibles	4,092,063	4,092,063
Deferred tax assets	74,843	61,569
<b>TOTAL NON-CURRENT ASSETS</b>	<u>9,207,369</u>	<u>9,251,774</u>
<b>TOTAL ASSETS</b>	<u>10,440,211</u>	<u>9,949,989</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	548,682	362,313
Financial liabilities	10,247	21,334
Provisions	209,328	92,676
Tax Liabilities	118,505	16,314
<b>TOTAL CURRENT LIABILITIES</b>	<u>886,762</u>	<u>492,637</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	968,485	968,485
Financial liabilities	40,788	39,492
Provisions	-	94,135
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>1,009,273</u>	<u>1,102,112</u>
<b>TOTAL LIABILITIES</b>	<u>1,896,035</u>	<u>1,594,749</u>
<b>NET ASSETS</b>	<u>8,544,176</u>	<u>8,355,240</u>
<b>SHAREHOLDERS EQUITY</b>		
Share Capital	6,600,557	6,600,557
Asset revaluation reserves	1,559,261	1,559,261
Accumulated losses	(1,583,208)	(1,722,433)
<b>TOTAL PARENT ENTITY INTEREST</b>	<u>6,576,610</u>	<u>6,437,385</u>
<b>TOTAL MINORITY INTEREST</b>	<u>1,967,566</u>	<u>1,917,855</u>
<b>TOTAL EQUITY</b>	<u>8,544,176</u>	<u>8,355,240</u>

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

**STATE DEVELOPMENT FUND LIMITED  
AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	Attributable to Equity Holders of the Parent				Minority Interest \$	Total Equity \$
	Contributed Equity \$	Accumulated Losses \$	Asset Revaluation Reserve \$	Total \$		
Balance as at 30 June 2005	6,600,557	(1,349,976)	1,559,261	6,809,842	1,914,713	8,724,555
Profit/(Loss) for the period	-	(167,582)	-	(167,582)	35,379	(132,203)
Balance as at 31 December 2005	6,600,557	(1,517,558)	1,559,261	6,642,260	1,950,092	8,592,352
Balance as at 30 June 2006	6,600,557	(1,722,433)	1,559,261	6,437,385	1,917,856	8,355,241
Profit/(Loss) for the period	-	139,224	-	139,224	49,711	188,935
Balance as at 31 December 2006	6,600,557	(1,583,209)	1,559,261	6,576,609	1,967,567	8,544,176

The condensed consolidated Cash Flow Statement above is to be read in conjunction with the attached notes.

**STATE DEVELOPMENT FUND LIMITED  
AND CONTROLLED ENTITIES**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2006**

	31 December 2006 \$	31 December 2005 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Receipts from customers and others	1,532,418	1,547,740
Payments to suppliers and employees	(1,369,307)	(1,722,829)
Interest received	26,043	13,411
Borrowing costs	(8,629)	(1,270)
Distribution received	-	139,848
Net cash used in operating activities	<u>180,525</u>	<u>(23,100)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payment for property, plant and equipment	(3,406)	(335,437)
Payment for investments	-	(139,848)
Net cash (used in)/provided by investing activities	<u>(3,406)</u>	<u>(475,285)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of borrowings	(11,148)	(8,620)
Net cash used in financing activities	<u>(11,148)</u>	<u>(8,620)</u>
Net increase/(decrease) in cash held	165,971	(507,005)
Cash at the beginning of the financial year	<u>253,310</u>	<u>854,454</u>
Cash at the end of the financial year	<u><u>419,281</u></u>	<u><u>347,449</u></u>

The condensed consolidated Cash Flow Statement above is to be read in conjunction with the attached notes.

**STATE DEVELOPMENT FUND LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 30 DECEMBER 2006**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity**

State Development Fund Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity") and the consolidated entity's interests in associates and jointly controlled entities.

The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006 is available upon request from the Company's registered office at Suite122D, 530 Little Collins Street, Melbourne, Victoria.

**Statement of compliance**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006.

This consolidated interim financial report was approved by the Board of Directors on the date shown on the Declaration by the Board of Directors attached to the Financial Statements.

**Significant accounting policies**

The accounting policies applied by the consolidated entity are the same as those applied in the consolidated financial report as at and for the year ended 30 June 2006.

**STATE DEVELOPMENT FUND LIMITED  
AND CONTROLLED ENTITIES**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	<b>Economic Entity</b>	
	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 2: REVENUE</b>		
- Sales Revenue	1,658,438	1,514,879
- Interest	26,043	13,411
- Other revenue	3,027	46,274
	<u>1,687,508</u>	<u>1,574,564</u>

**NOTE 3 SEGMENT INFORMATION**

	PDF Activities	Airport Management	Peptide Manufacturing	Eliminations	Total
31 December 2006					
Revenue	44,837	9,000	1,673,671	(40,000)	1,687,508
Results	(72,669)	(5,835)	215,248	52,191	188,935
31 December 2005					
Revenue	12,618	139,923	1,565,630	(143,607)	1,574,564
Results	(190,167)	136,203	(28,593)	(49,646)	(132,203)

**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.