



FACSIMILE TRANSMITTAL SHEET

TO: GEORGE WYATT	FROM: ROBERT PAYNE
COMPANY: BENDIGO STOCK EXCHANGE	DATE: 1/10/2003
FAX NUMBER: 03 5444 0033	TOTAL NO. OF PAGES INCLUDING COVER: 31
PHONE NUMBER: 03 5444 0055	SENDER'S REFERENCE NUMBER:
RE: SDF Financial Accounts	YOUR REFERENCE NUMBER:

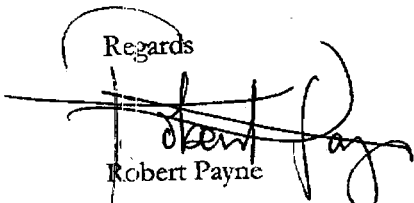
☐ URGENT ☒ FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

NOTES/COMMENTS:

Dear Mr Wyatt

Please find enclosed the Statutory Accounts of State Development Fund Limited and Controlled Entities for the year ended 30 June 2003-09-30

Regards


Robert Payne

Chief Executive Officer

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A.C.N. 093 639 064

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STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2003

A Member Firm of PKF International



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& Business Advisers

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**INDEPENDENT AUDIT REPORT
TO MEMBERS OF STATE DEVELOPMENT FUND LIMITED**

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both State Development Fund Limited and its controlled entities (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We have performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as

represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- (a) examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- (b) assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

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

Audit Opinion

In our opinion, the financial report of State Development Fund Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the State Development Fund Limited's and consolidated entity's financial position as at 30 June 2003, and of their performance for the year ended on that date, and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

PKF
Chartered Accountants

30 September 2003
Melbourne

A Victorian Partnership

G P Andreola
Partner

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

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

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2003.

Directors

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

Sir Laurence McDonald Muir (Appointed 30/7/2002)

Michael McDonald

John Nissen

Peter King

Legh Davis (Appointed 30/7/2002)

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

Sir Laurence Muir, VRD, LLB, FSIA, FAIM – Chairman

Age – 78

Sir Laurence was a senior partner of Potter Partners, now UBS Warburg, before retiring after a 30-year career in the capital markets. Since retirement from Potter Partners, Sir Laurence has served on many corporate boards including the ANZ Banking Group Limited, The Herald and Weekly Times Limited, Alcoa of Australia Limited, National Commercial Union Limited, Australian Consolidated Industries Limited, Air Liquide Limited and Hudson Conway Limited. Sir Laurence is currently a member of the Boards of Publishing and Broadcasting Limited and Focus Publishing Pty Ltd. He is Patron of the Baker Medical Research Institute, the Microsurgery Research Foundation and the Earthwatch Institute.

Legh Hewitson Davis, LLB, B.EC, FCPA, FSIA – Deputy Chairman

Age – 62

Mr Davis was elected to represent the Liberal Party in the Legislative Council in 1979 and retired at the South Australian State Election held in February 2002. During his term in Parliament he was Deputy Leader of the Opposition in the Legislative Council and was party spokesman in a number of portfolio areas. Mr Davis specialised in economic and financial issues and also small business. In this time, Mr Davis was the Presiding Member of the Statutory Authorities Review Committee.

After completing four years as a lecturer in Law and Economics at the South Australian Institute of Technology, Mr Davis became an Investment Advisor with AC Goode and Co. and was appointed State Manager in 1978. He remained there until 1990, when he became a consultant to Todd Partners, now a part of the ABN Amro Morgans national network. Mr Davis is currently Chairman of ABN-AMRO Morgans in South Australia. Mr Davis is a former State President of the Securities Institute of Australia.

Peter King, LL.B

Age – 65

Mr King was a partner with the Melbourne law firm, Home Wilkinson and Lowry, over a legal career spanning 25 years. His field of legal expertise was commercial, industrial, technology and international entertainment law. In 1985 he left the law to pursue business interests.

Mr King is an Executive Chairman of Rhys Capital Pty Ltd, a director and major shareholder of Rhys Securities Pty Ltd, Chairman of Poltech International Limited and a director of ARA

John Andreas Nissen

Age – 55

Mr Nissen has over 30 years experience in stockbroking beginning his career with Geoffrey Webb & Co in Melbourne, which subsequently merged with Potter Partners, and now a part of UBS Warburg. After international experience in London, Mr Nissen became a partner of McCaughan Dyson and Company for 5 years. During this time he was involved in the establishment of the corporate finance department at McCaughan Dyson that specialised in capital raisings and initial public offerings. McCaughan Dyson was acquired by the ANZ Banking Group in 1989, now ANZ Securities Limited.

Since 1989, Mr Nissen has been involved in the resort hospitality industry. He is the current chairman of three timeshare resorts in Australia with a combined ownership base of approximately 8,000 members.

Mr Nissen is a founding shareholder and director of Golf Australia Holdings Limited, the Chairman of CED Australasia Limited and Deputy Chair of Rhys Capital Pty Ltd and Poltech International Limited and is also a director of ARA and a director and minority shareholder of Auspep Holdings, investee companies of SDF.

Michael David McDonald, BA, LL.B

Age – 46

Mr McDonald is the principal of the Melbourne law firm, McDonald and Associates. He practises in commercial, intellectual property and trade practices law, specialising in licensing and commercialisation of intellectual property.

Mr McDonald has also had legal experience in the aviation sector, acting for a major airport consultancy and a local government authority, specifically advising on the acquisition of a substantial regional airport.

In addition, Mr McDonald practises in Philippine law and served for five years as the Honorary Consul-General for the Philippines based in Victoria. He was also president of the Australia Philippines Business Council for 3 years from 1997 to February 2000 and he is a director of Poltech International Limited and a director and shareholder of ARA, the latter an investee company of SDF.

Results from Operations

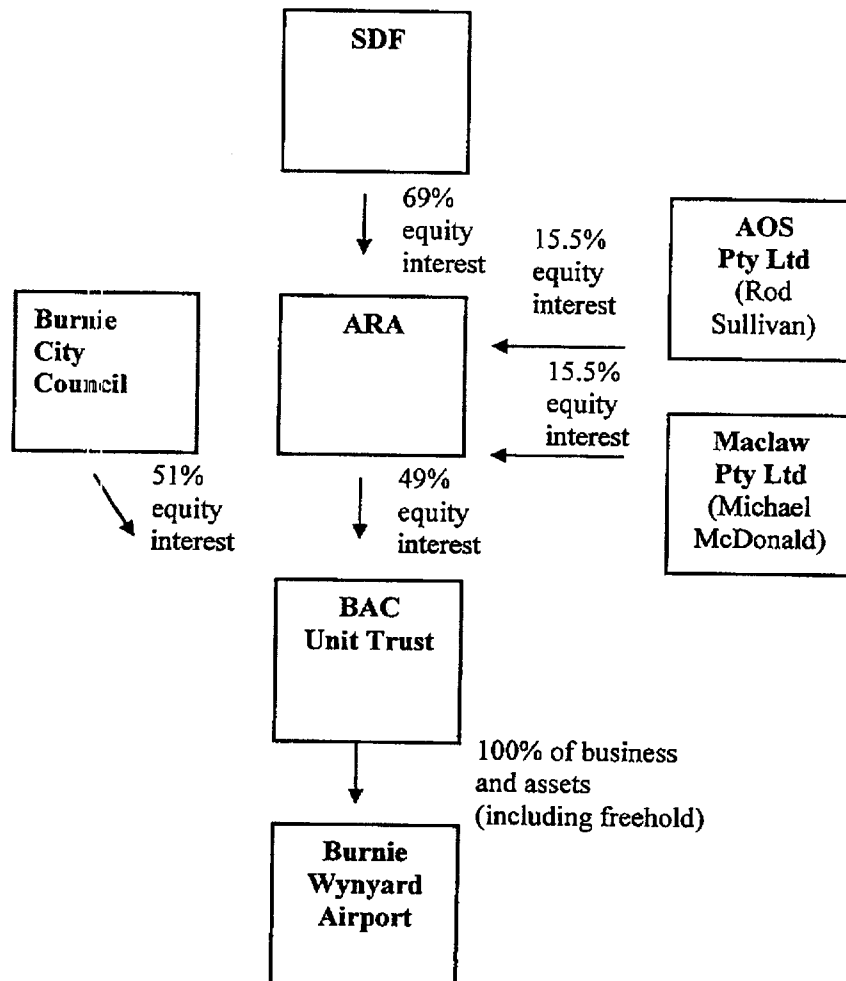
The consolidated loss of the economic entity for the financial year after providing for income tax and eliminating outside equity interests amounted to \$402,979.

Review of Operations

A review of the operations of the economic entity during the financial year and the results of those operations found that during the year, the economic entity continued to engage in its principal activity, the results of which are disclosed in the attached financial statements. The economic entity has raised approximately \$5 million via Prospectus, listing on the Bendigo Stock Exchange and undertaking \$4.5 million in investments. SDF has a 69% equity interest in ARA for which it has subscribed \$1,000,000. SDF has also subscribed for 90% of the capital of Auspep Holdings for \$4,500,000 (\$500,000 of which remains owing and is payable by 31 December 2004). SDF's current shareholding structure with ARA and Auspep Holdings are illustrated below.

Australian Regional Airports Pty Ltd

Figure 1 outlines SDF's ownership of 69% of ARA, which in turn owns 49% of the 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 the BAC Unit Trust. ARA is a company in which Mr Michael McDonald and Rodney Sullivan, through their related entities, are substantial shareholders. Mr McDonald is also a director and shareholder of SDF.

Figure 1 ARA Shareholding Structure

Prior to 1987, the Commonwealth Government owned regional airports. Pursuant to a divestment plan known as the Local Ownership Plan, the Commonwealth has been divesting its interest in regional airports by granting ownership of them to Local Councils and Port Authorities. This process has seen a fragmentation of the skills required to operate and manage these airports with only a few of the airports enjoying significant success. The Local Councils and Port Authorities have acknowledged difficulties in the proactive management of regional airports. This provides an opportunity for ARA with its aviation, corporate and property experience to fill the void left as a result of the Local Ownership Plan legacy.

The main drivers of regional airport revenues are increasing 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.

ARA, in association with AOS (the aviation services consultancy company referred to below), intends to undertake the management and development, which may include ownership in whole or part, of a series of 'gateway' regional airports around Australia. Targeted airports would be located in cities representing regional centres for tourism and business that have also the infrastructure to expand beyond their current capacity in terms of passenger movements.

The intention of the Board of ARA is to acquire interests in a sufficient number of airports under management so as to achieve economies of scale and profitability targets. This should ensure that ARA satisfies the exit strategy of SDF, being to grow ARA so that it becomes an attractive target to a trade

buyer or is suitable for an IPO.

The first airport at which ARA has achieved management and part ownership rights is Burnie Wynyard Airport, a gateway to the Cradle Mountain tourist region of Tasmania.

ARA (49%) and Burnie City Council (51%) have formed a joint venture in the form of the Burnie Airport Corporation Unit Trust ("**BAC Unit Trust**"), which has acquired the business and assets of the Burnie Wynyard Airport from the Burnie Port Corporation for \$2.5 million. This was purchased through equity and a debt facility for 5 years, provided by the National Australia Bank and supported by an independent mortgage valuation conducted by Colliers Jardine. ARA is responsible for providing management services to the BAC Unit Trust including a) Aviation advice and management; b) Property advice and management; and c) General commercial advice.

Revenue of the BAC Unit Trust 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.

The first industrial development has been undertaken by Vestas Wind Systems (Vestas), a major Danish manufacturer of wind turbines, which has constructed a \$15 million nacelle assembly plant on approximately 5 hectares of airport land provided by the BAC Unit Trust. Vestas commenced its nacelle (turbine framework) manufacturing operations during July 2003 under contract to the Hydro Electric Commission of Tasmania. Vestas also holds an option to purchase an additional 18.6 hectares of adjoining land from the BAC Unit Trust. Vestas installs wind power capacity on a global basis and in 2002 reported a turnover of 1.395 billion EUR (approx \$A2.4 billion), an increase of 9% on the previous year.

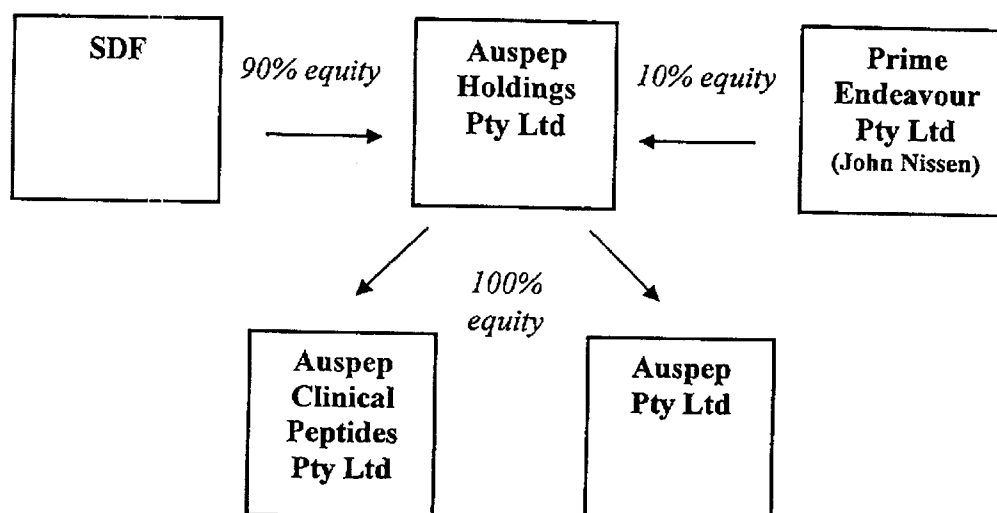
For the year ended 30 June 2003, the BAC Unit Trust recorded \$1.022m in sales, revenue earnings before interest, tax, depreciation and amortization of \$397,327 and a net profit before tax of \$156,275. Its year-end cash reserves were \$345,525. In the 2002/03 financial year, 92,747 passengers passed through the Burnie Wynyard airport, which represented a 20% share of airport passenger numbers for all Tasmanian airports.

Auspep Holdings Pty Ltd

SDF has subscribed for 90% of the share capital in Auspep Holdings for \$4,500,000 (\$500,000 of which remains owing and is payable by 31 December 2004) as outlined in Figure 2.

Auspep was incorporated in December 1986. It is now wholly owned by Auspep Holdings that was incorporated on 20 January 2003. Mr John Nissen is a director and shareholder of both Auspep Holdings and SDF. He acquired a controlling interest in Auspep in 1989 and now holds 10% of Auspep Holdings' shares through a related entity. Auspep caters for the demands of 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.

Figure 2 Auspep Shareholding Structure

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.

Auspep has assembled a team of skilled professionals and state of the art instrumentation at its manufacturing and administration complex in West Melbourne, Victoria. Auspep became certified to the ISO9002 quality system in 1996. This reinforced Auspep's commitment to a quality system that provides enhanced productivity, product quality and customer service. Auspep is recognised both locally and globally for its expertise in producing commercially viable peptides. Auspep's customer base includes major Australian Universities, the Garvin Institute, St Vincent's Hospital, Baker and Queensland Institutes of Medical Research, the Victor Chang Institute for Cardiac Research, Howard Florey Institute, Walter & Eliza Hall and Ludwig Institutes, Peptech Ltd, Biotech Australia Ltd, CSL Ltd and Amrad Ltd.

Since 1997, Auspep's export business has grown due in part to its strategic focus on the US market and through its direct marketing programs. Auspep's international clients include GlaxoSmithKlein (USA), Pharmacia Upjohn (USA), Pfizer (UK), Oncogene Research Products (USA), IBL (Japan), Tocris Cookson (UK), Serono Pharmaceuticals (Swit) and a number of leading academic institutions such as the Harvard Medical School and Cambridge University. This client base demonstrates Auspep's ability to compete in the global peptide market. Auspep sees the US market as having significant potential to enhance its sales of peptides.

The Board of Auspep proposes to develop a GMP accredited manufacturing facility to be completed by the end of the first quarter 2004. Construction of this plant has commenced at rented premises, at Tullamarine in Victoria. If GMP accreditation is granted, this will have a significant positive effect on Auspep's business, as Auspep will then seek TGA, CEMark and FDA approvals for its peptide products. 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 other current objectives of the Board of Auspep are:

- To move forward with profitable products, such as custom synthesis and catalogue peptides, and services targeted to specific market segments; and
- To establish a global distribution network for custom synthesis, catalogue peptides and GMP manufactured products.

SDF's overall objective for Auspep is for Auspep to become a globally focused supplier of synthetic peptides for research and drug development with a view to seeking an exit in the medium-term.

SDF will encourage Aussep to adopt the following strategies to achieve this objective:

- To look for potential joint ventures or acquisitions in the US market (This strategy of establishing a joint venture or acquiring a US established entity which already has FDA approval for GMP manufacturing will allow the Australian GMP manufacturing facility to focus on the European and Asia Pacific markets, once it is operating at full capacity);
- To continue to broaden and strengthen the resources of Aussep in the areas of business management and production; and
- To pursue collaborative projects focused on developing Aussep's intellectual property.

Significant Changes in State of Affairs

Other than that referred to in the review of operations and the financial statements and notes there to, there has been no other significant changes in the state of affairs of the economic entity occurred during the financial year.

Principal Activities

The principal activities of the economic entity during the financial year were the provision of equity capital to certain eligible small and medium-sized Australian companies, in accordance with the provision of the PDF Act. No significant change in the nature of these activities occurred during the year.

After Balance Date Events

The company is in the process of preparing a prospectus to raise \$1 million via the issue of 4 million shares. Other than the above item, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Remuneration of Directors and Executives

Directors

Details of the nature and amount of each element of the emoluments provided to directors by the economic entities, during the period ended 30 June 2003 are as follows:

Remuneration of Directors for period 1 July 2002 to 30 June 2003

Directors	State Development Fund			
	Directors Fees	Superannuation	Salary	Total
L Muir	-	-	-	-
M McDonald	76,800	-	-	76,800
J Nissen	76,800	-	-	76,800
P King	76,800	-	-	76,800
L Davis	-	-	-	-
Total Remuneration	230,400	-	-	230,400

Executives

Details of the nature and amount of each element of the emoluments provided to executives by the economic entities, during the period ended 30 June 2003 are as follows:

Remuneration of Executives for period 1 July 2002 to 30 June 2003

Executives	State Development Fund			Total
	Salary/Wages	Superannuation	Options	
R Payne	134,681	13,320	80,000	228,001
C Chandler	108,283	10,709	-	118,992
Total Remuneration	242,964	24,029	80,000	346,993

The economic entity has used the Black Scholes method of calculation to determine the value of the options issue during the year. The method takes into account:

- the exercise price of the options
- the life of the options
- the current price of the underlying security
- the expected volatility of the share price
- the dividends expected in the shares, and
- the risk free interest rate for the life of the shares

INTERESTS OF DIRECTORS IN SHARES AND SHARE OPTIONS

At the date of this report the following interests were held by the directors:

Director		Directly Held	Beneficially Held
L Muir	Shares	-	-
M McDonald	Shares	1,818,500	1,200
J Nissen	Shares	1,498,600	2,502,800
P King	Shares	1,498,600	2,502,800
L Davis	Shares	-	-

DIRECTORS MEETINGS

The number of directors' meetings held during the financial period ended 30 June 2003.

Directors	Number of Meetings held whilst a Director			Number of Meetings Attended			Years as a Director
	Directors	Audit & Compliance	Remuneration and Nomination	Directors	Auditors Compliance	Remuneration & Nomination	
L Muir	12	-	-	12	-	-	1
M McDonald	6	-	-	6	-	-	1
J Nissen	12	-	-	12	-	-	1
P King	12	-	-	12	-	-	1
L Davis	12	-	-	12	-	-	1

Number of Directors' Meetings held during the financial period: 12

Number of Audit and Compliance Committee Meetings held during the period: Nil

Number of Remuneration and Nomination Committee Meetings held during the period: Nil

Likely Developments

The directors are unable to define likely developments and future events, but continue to actively manage the investment portfolio on behalf of the shareholders with a view to maximising the returns on ultimate sale of the individual investments.

Environmental Issues

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends Paid or Recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Options

Options were granted by the company during or since the end of the financial year to the following persons as part of their remuneration:

Directors:

Nil

Executives:

	Number of options	Number of ordinary shares under option	Issuing entity
R Payne	1,000,000	1,000,000	State Development Fund Limited

A total of 1,000,000 options were issued during or since the end of the year. There were no options exercised during or since the end of the year.

Indemnification of Officer or Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the economic entity.

Proceedings on Behalf of the Economic Entity

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Corporate Governance and Best Practice

The Board has remained up to date on the proposed changes to the ASX Corporate Governance guidelines.

The Board has created an Audit and Compliance Committee as well as a Remuneration and Nomination Committee. These committees guided are by their individual Charters in conjunction with the constitution of the company.

The Audit and Compliance Committee has authority to investigate any activity of the company and its subsidiaries. The primary objective of the committee is to assist the Board to discharge its responsibilities, in particular, with regard to facilitating the independence and completeness of the external audit process, compliance to requirements of the BSX listing rules, Corporations Act and PDF Act, and directing the internal audit function ensuring maximum value for the company. The Charter sets out specific responsibilities delegated by the board to the Audit and Compliance Committee and provides support for the manner in which the Committee will operate. The committee consists of two independent directors and the company secretary.

Similarly, The Remuneration and Nomination Committee has been developed to assist the Board in particular with regard to advising on nominations for Directorship appointments and ensuring that appropriate procedures exist to assess the performance and remuneration levels of all Board members and management. The committee consists of two independent directors and the company secretary.

Proceedings on Behalf of the economic entity

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Corporate Governance and Best Practice

The Board has remained up to date on the proposed changes to the ASX Corporate Governance guidelines.


The Board has created an Audit and Compliance Committee as well as a Remuneration and nomination committee, which is guided by the Audit and Compliance as well as the remuneration and Nomination committee Charters in conjunction with the constitution of the company.

The Audit and Compliance committee has authority to investigate any activity of the company and its subsidiaries. The primary objective of the committee is to assist the Board to discharge its responsibilities, in particular, with regard to facilitating the independence and completeness of the external audit process, compliance to requirements of the BSX listing rules, Corporations Law and PDF Act, and directing the internal audit function ensuring maximum value for the company. The Charter sets out specific responsibilities delegated by the board to the Audit and Compliance committee and provide support for the manner in which the audit committee will operate. The committee consists of two independent directors and the company secretary.

Similarly, The Remuneration and Nomination Committee has been developed to assist the Board in particular with regard to advising on nominations for Directorship appointments and ensuring that appropriate procedures exist to assess the performance and remuneration levels of all Board members and management. The committee consists of two independent directors and the company secretary.

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

Chairman and Director


LM Muir
Director

John Nissen

Dated this 30th day of September 2003

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2003

	Note	Economic Entity	Parent Entity	
		2003	2003	2002
		\$	\$	\$
Revenue from ordinary activities	2	346,375	71,565	-
Cost of sales		(157,863)	-	-
Administration expenses		(107,427)	(69,238)	(101,572)
Employee Benefit Expense		(202,694)	(148,001)	(122,040)
Directors remuneration		(230,400)	(230,400)	-
Marketing expenses		(48,509)	(3,710)	-
Occupancy expenses		(15,567)	-	-
Loss from ordinary activities before income tax expense		(416,085)	(379,784)	(223,612)
Income tax benefit relating to ordinary activities	4	(1,400)	-	-
Loss from ordinary activities after related income tax benefit	3, 16	(414,685)	(379,784)	-
Net loss attributable to outside equity interest		(11,706)	-	-
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of State Development Fund Limited	16	(402,979)	(379,784)	(223,612)
 Basis earning per share - cents	23	(4.6)	-	-

The accompanying notes form part of these financial statements.

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	Note	Economic Entity 2003 \$	Parent Entity 2003 \$	2002 \$
CURRENT ASSETS				
Cash assets	6	269,750	117,281	1,745
Receivables	7	488,633	77,000	-
Inventories		160,678	-	-
Prepayments		-	-	37,204
Capitalised Capital Raising Cost		-	-	125,913
TOTAL CURRENT ASSETS		919,061	194,281	164,862
NON-CURRENT ASSETS				
Investments	8	-	5,500,000	500,000
Equity accounted investment	9	978,423	-	-
Plant and equipment	10	338,812	4,087	3,614
Intangible assets	11	4,347,572	-	-
Deferred tax assets		66,749	-	-
TOTAL NON-CURRENT ASSETS		5,731,556	5,504,087	503,614
TOTAL ASSETS		6,650,617	5,698,368	668,476
CURRENT LIABILITIES				
Payables	12	399,151	141,006	308,088
Interest bearing liabilities	13	11,178	-	-
Provisions	14	75,451	-	-
TOTAL CURRENT LIABILITIES		485,750	141,006	308,088
NON-CURRENT LIABILITIES				
Payables	12	132,139	632,139	-
Interest bearing liabilities	13	29,385	-	-
Provisions	14	20,874	-	-
TOTAL NON-CURRENT LIABILITIES		182,398	632,139	-
TOTAL LIABILITIES		668,148	773,145	308,088
NET ASSETS		5,982,469	4,925,223	360,388

The accompanying notes form part of these financial statements.

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	Note	Economic Entity	Parent Entity	
		2003	2003	2002
		\$	\$	\$
Parent Entity Interest				
Contributed equity	15	5,528,619	5,528,619	584,000
Asset revaluation reserve	16(a)	337,012	-	-
Accumulated losses	16(b)	(626,591)	(603,396)	(223,612)
TOTAL PARENT INTEREST IN EQUITY		5,239,040	-	-
TOTAL OUTSIDE EQUITY INTEREST	17	743,429	-	-
TOTAL EQUITY		5,982,469	4,925,223	360,388

The accompanying notes form part of these financial statements.

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2003

	Note	Economic Entity	Parent Entity	
		2003	2003	2002
		\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES				
Receipts from customers		249,520	-	-
Payments to suppliers and employees		(690,933)	(441,807)	(139,787)
Interest received		1,577	1,565	-
Net cash used in operating activities	18 (b)	<u>(439,836)</u>	<u>(440,242)</u>	<u>(139,787)</u>
CASH FLOW FROM INVESTING ACTIVITIES				
Payment for property, plant and equipment		(2,270)	(1,864)	(3,614)
Payment for investments	18 (c)	<u>(4,347,531)</u>	<u>(4,500,000)</u>	<u>(500,000)</u>
Net cash used in investing activities		<u>(4,349,801)</u>	<u>(4,501,864)</u>	<u>(503,614)</u>
CASH FLOW FROM FINANCING ACTIVITIES				
Net proceeds from share issue		5,070,533	5,070,533	500,000
Repayments of borrowings		<u>(12,891)</u>	<u>(12,891)</u>	145,030
Net cash provided by financing activities		<u>5,057,642</u>	<u>5,057,642</u>	<u>645,030</u>
Net increase in cash held		268,005	115,536	1,629
Cash at the beginning of the financial year		1,745	1,745	116
Cash at the end of the financial year	18 (a)	<u>269,750</u>	<u>117,281</u>	<u>1,745</u>

The accompanying notes form part of these financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers State Development Fund Limited as an individual entity and State Development Fund Limited and controlled entities as an economic entity. State Development Fund Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Principles of Consolidation

A controlled entity is any entity controlled by State Development Fund Limited. Control exists where State Development Fund Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with State Development Fund Limited to achieve the objectives of State Development Fund Limited. Details of the controlled entities are contained in Note 19.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

(b) Investments:

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by directors' to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed by reference to the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(c) Investments in Associates

The equity method of accounting has been applied and recognised in the consolidated financial statements of the economic entity in relation to all associated companies. An associated company is a company over which State Development Fund Limited is able to exercise significant influence.

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

(d) Plant and Equipment

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

Plant and equipment

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including capitalised leased assets are depreciated over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge.

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

(e) Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net tangible assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits the realisation of which is considered to be no longer probable are written off.

(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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

(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 on a proportional basis taking into account the interest rates applicable to the financial assets.

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 Statement of Financial Position are shown inclusive of GST.

(j) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 2: REVENUE

	Economic Entity	Parent Entity	
	2003 \$	2003 \$	2002 \$
Operating activities			
- Sales Revenue	249,520	-	-
- Interest	1,565	1,565	-
- Other revenue	95,290	70,000	-
	<u>346,375</u>	<u>71,565</u>	<u>-</u>

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

Loss from ordinary activities before income tax expense has been determined after charging:

Depreciation of non-current assets:

- Plant & Equipment

11,824	1,390	-
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Amortisation of non-current assets:

- Goodwill

<u>16,308</u>	<u>-</u>	<u>-</u>
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NOTE 4: INCOME TAX EXPENSE

The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:

Prima facie income tax payable/(benefit) on profit from ordinary activities before income tax at:

15% and 30% (2002: 15%)

(56,967)	(56,967)	(32,960)
(10,890)	-	-
<u>(67,857)</u>	<u>(56,967)</u>	<u>(32,960)</u>

Add tax effect of:

Other non-deducted items

Timing difference and tax losses not brought to account

3,917	-	-
<u>62,540</u>	<u>56,697</u>	<u>32,960</u>
<u>(1,400)</u>	<u>-</u>	<u>-</u>

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 5: REMUNERATION AND RETIREMENT BENEFITS

	Economic Entity	Parent Entity	
	2003	2003	2002
	\$	\$	\$
(a) Directors' remuneration			
Income paid or payable to all directors of the company by the company and any related parties	<u>230,400</u>	<u>230,400</u>	<u>-</u>

Number of directors whose income from the economic entity or any related parties was within the following bands:

	Number	Number	Number
\$0 - \$9,999	2	2	-
\$70,000 - \$79,999	3	3	-

The names of directors who have held office during the financial year are:

Sir Laurence Muir
 Legh Davis
 John Nissen
 Peter King
 Michael McDonald

NOTE 6: CASH ASSETS

Cash at bank	<u>269,750</u>	<u>117,281</u>	<u>1,745</u>
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NOTE 7: RECEIVABLES

CURRENT

Trade debtors	<u>488,633</u>	<u>77,000</u>	<u>-</u>
---------------	----------------	---------------	----------

NOTE 8: INVESTMENTS

	Note	Economic Entity	Parent Entity	
		2003	2003	2002
			\$	\$
Auspep Holdings Pty Ltd	19	-	4,500,000	-
Australian Regional Airports Pty Ltd	19	-	1,000,000	500,000
		<u>-</u>	<u>5,500,000</u>	<u>500,000</u>

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 9: INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Interest in Associate	Balance Date	Ownership interest held by Consolidated entity 2003	Economic Entity 2003 \$
Burnie Airport Corporation Pty Ltd as Trustee for the Burnie Airport Corporation Unit Trust	30 June	49%	978,423

Principal activity

Burnie Airport Corporation Pty Ltd owns and operates Burnie Wynward regional airport in North-West Tasmania.

	Economic Entity 2003 \$	Parent Entity 2003 \$	2002 \$
Movement in carrying amounts of investments in associates			
Beginning of year	-	-	-
Acquisition through acquisitions of entity	490,000	-	-
Revaluation of airport land and buildings	488,423	-	-
Closing Value	978,423	-	-
Share of associates assets and liabilities			
Current assets	251,566	-	-
Non-current assets	1,813,338	-	-
Current liabilities	(31,336)	-	-
Non-current liabilities	(980,000)	-	-
Net Assets	1,053,568	-	-

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Economic entity	Parent Entity	
	2003	2003	2003
	\$	\$	\$
NOTE 10: PLANT & EQUIPMENT			
At Cost	70,487	-	-
Less accumulated	(23,477)	-	-
	<u>47,010</u>	-	-
Laboratory Equipment			
At Cost	1,182,398	-	-
Less Accumulated Depreciation	(913,587)	-	-
	<u>268,811</u>	-	-
Furniture and Fittings			
At Cost	149,622	-	-
Less Accumulated Depreciation	(134,097)	-	-
	<u>15,525</u>	-	-
Computer Hardware			
At Cost	6,104	-	-
Less Accumulated Depreciation	(2,725)	-	-
	<u>3,379</u>	-	-
Plant and Equipment			
At Cost	5,477	5,477	3,614
Less Accumulated Depreciation	(1,390)	(1,390)	-
	<u>4,087</u>	<u>4,087</u>	<u>3,614</u>
TOTAL PLANT & EQUIPMENT			
Cost	1,414,088	5,477	3,614
Less Accumulated Depreciation	(1,075,276)	(1,390)	-
	<u>338,812</u>	<u>4,087</u>	<u>3,614</u>

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 10: PLANT & EQUIPMENT CONT.

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the year.

MOTOR VEHICLES

Acquisitions through acquisitions of entities
 Depreciation expense
 Carrying amount at end of year

Economic Entity 2003 \$	Parent Entity 2002 \$
----------------------------------	--------------------------------

48,465	-
(1,455)	-
<u>47,010</u>	<u>-</u>

LABORATORY EQUIPMENT

Acquisitions through acquisitions of entities
 Depreciation expense
 Carrying amount at end of year

275,951	-
(7,140)	-
<u>268,811</u>	<u>-</u>

FURNITURE & FITTINGS

Acquisitions through acquisitions of entities
 Depreciation expense
 Carrying amount at end of year

17,134	-
(1,609)	-
<u>15,525</u>	<u>-</u>

COMPUTER HARDWARE

Acquisitions through acquisitions of entities
 Additions
 Depreciation expenses
 Carrying amount at end of year

3,203	-
406	-
(230)	-
<u>3,379</u>	<u>-</u>

PLANT AND EQUIPMENT

Balance at the beginning of the year
 Additions
 Depreciation expense
 Carrying amount at end of year

3,614	-
1,863	3,614
(1,390)	-
<u>4,087</u>	<u>3,614</u>

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

		Economic Entity 2003 \$	Parent Entity 2003 \$	2002 \$
NOTE 11: INTANGIBLE ASSET	Note			
Goodwill		4,363,880	-	-
Accumulated Amortisation		(16,308)	-	-
		<u>4,347,572</u>	-	-
NOTE 12: PAYABLES CURRENT				
CURRENT				
Trade creditors		370,792	141,006	163,058
Deferred tax liabilities		2,176	-	-
Amounts payable to directors		26,183	-	145,030
		<u>399,151</u>	<u>141,006</u>	<u>308,088</u>
NON-CURRENT				
Secured liabilities				
Amounts payable to:				
- other related bodies corporate		132,139	132,139	-
- controlled companies		-	500,000	-
		<u>132,139</u>	<u>632,139</u>	<u>-</u>
NOTE 13 - INTEREST BEARING LIABILITIES				
CURRENT				
Hire Purchase Liabilities	22	<u>11,178</u>	-	-
NON-CURRENT				
Hire Purchase liabilities	22	<u>29,385</u>	-	-
NOTE 14: PROVISIONS				
Current				
Employee benefits		75,421	-	-
Non-Current				
Employee benefits		<u>20,874</u>	-	-
Aggregate employee benefits		<u>96,295</u>	-	-
Average number of employees at year end		<u>24</u>	<u>1</u>	<u>1</u>
NOTE 15: CONTRIBUTED EQUITY				
Issued and paid up Capital				
27,684,000 Ordinary Shares fully paid				
(2002:7,320,000)		<u>5,528,619</u>	<u>5,548,619</u>	<u>584,000</u>
			Number of Shares	
Beginning of the financial year			7,320,000	7,320,000
Issued during the year				
- Public equity raising			<u>20,364,000</u>	-
End of financial year			<u>27,684,000</u>	<u>7,320,000</u>

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

	Note	Economic Entity	Parent Entity	
		2003	2003	2002
NOTE 16: RESERVES & ACCUMULATED LOSSES		\$	\$	\$
Asset Revaluation Reserve	(a)	337,012	-	-
Accumulated Losses	(b)	(626,591)	(603,396)	(223,612)
MOVEMENT IN RESERVE				
a) Asset Revaluation				
Balance at beginning of year		-	-	-
Share of reserves of associate (Note 9)		337,012	-	-
		<u>337,012</u>	-	-
b) Accumulated Losses				
Balance at beginning of year		(223,612)	(223,612)	-
Net loss attributable to members of State Development Fund Limited		(402,979)	(379,784)	(223,612)
Balance at end of year		<u>(626,591)</u>	<u>(603,396)</u>	<u>(223,612)</u>
NOTE 17: OUTSIDE EQUITY INTEREST				
Contributed equity		603,724	-	-
Reserves		151,411	-	-
Accumulated losses		(11,706)	-	-
Outside equity interest		<u>743,429</u>	-	-
NOTE 18: CASH FLOW INFORMATION				
(a) Reconciliation of cash				
Cash at the end of the financial year as shown in the statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:				
Cash at bank		269,750	117,281	1,745
		<u>269,750</u>	<u>117,281</u>	<u>1,755</u>

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 18 Continued	Note	Economic Entity	Parent Entity	
(b) Reconciliation of cash flow from operations with loss from ordinary activities after income tax				
		2003 \$	2003 \$	2002 \$
Loss from Ordinary Activities		(414,685)	(379,784)	(223,612)
- Depreciation		19,469	1,390	-
- Amortisation of goodwill		16,308	-	-
- Increase in Receivables		(77,000)	(77,000)	-
- Increase in Payables		(22,532)	(22,052)	163,058
- Increase in PDIT		1,400	-	-
Decrease in Prepayments		37,204	37,204	46,680
Capital Raising Costs		-	-	(125,913)
Cash flow from operations		<u>(439,836)</u>	<u>(440,242)</u>	<u>(139,787)</u>
(c) Entities Acquired				
Purchase price		4,500,000	4,500,000	500,000
Other assets and liabilities held at acquisition/disposal date:				
Cash		<u>(152,469)</u>	-	-
Outflow of cash		<u>4,347,531</u>	<u>4,500,000</u>	<u>500,000</u>
Auspep				
Purchase consideration:-				
Cash		4,000,000	4,000,000	-
Amount due from SDF Limited		<u>500,000</u>	<u>500,000</u>	-
		4,500,000	4,500,000	-
Outside equity interest at date of acquisition		<u>(893)</u>	<u>(893)</u>	-
		<u>4,499,107</u>	<u>4,499,107</u>	-
ARA				
Purchase consideration:-				
Cash		500,000	-	-
Existing investment:		<u>500,000</u>	-	-
		<u>1,000,000</u>	-	-

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003**

ENTITIES ACQUIRED – Auspep Holdings	Economic Entity
Fair values of net assets acquired:	
Plant and Equipment	344,753
Inventories	160,678
Trade Debtors	893,358
Cash	144,363
Trade Creditors	(347,379)
FITB	74,013
Interest Bearing Liabilities	(29,835)
	1,239,951
Goodwill	3,259,156
	<u>4,499,107</u>
 Entities Acquired–Australian Regional Airport Pty Ltd	
Fair value of net assets acquired:	
Cash	8,106
Trade Debtors	95,275
Investment in Associates	490,000
Payables	(248,102)
	345,279
Goodwill	654,721
	<u>1,000,000</u>

NOTE 19: CONTROLLED ENTITIES

Subsidiary: Auspep Holdings Pty Ltd audited by PKF
Country of incorporation: Australia
Percentage owned: 90% (2002 -%)

Subsidiary: Australian Regional Airports Pty Ltd audited by PKF
Country of incorporation: Australia
Percentage owned: 69% (2002 -%)

NOTE 20: SEGMENT REPORTING

The Company operates as a registered Pooled Development Fund under the Pooled Development Fund Act 1992 (Cth) ("PDF Act") solely within the Australian investment sector.

NOTE 21: COMPANY DETAILS

The registered office and principal place of business of the company is:

State Development Fund Limited
Suite 712, 530 Little Collins Street
Melbourne Vic 3000

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 22: COMMITMENTS

	Economic Entity	Parent Entity
	2003	2003 2002
	\$	\$ \$
Hire Purchase Commitments		
Not later than one year	14,108	- -
but no longer than five years	<u>32,691</u>	- -
	<u>46,799</u>	- -
Unpaid interest		
Not longer than one year	(2,930)	- -
But no longer than five years	<u>(3,306)</u>	- -
	<u>(6,236)</u>	- -
Current Liability	11,178	- -
Non-current liability	<u>29,385</u>	- -
	<u>40,563</u>	- -

NOTE 23: EARNINGS PER SHARE

	Economic Entity
	2003
Net Loss	(414,685)
Net loss attributable to outside equity interest	<u>(11,706)</u>
Earnings used to calculate basis earning per share	<u>(402,979)</u>
	Number of shares
Weighted average number of ordinary shares used in calculating basis earning per share	<u>8,770,586</u>

Potential ordinary shares that are not diluted and not used in the calculation of diluted EPS:

Share options; -1,000,000 Shares.

The share options outstanding were not diluted, as their conversion would result in a reduction in the loss per share.

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 24: REMUNERATION OF EXECUTIVES

	Economic Entity	Parent Entity	
	2003	2003	2002
	\$	\$	\$
Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity whether as an executive officer or otherwise.	266,993	148,001	122,040
	No.	No.	No.
The number of executives of the consolidated entity and the company whose remuneration falls within the following bands:			
\$110,000 - \$120,000	1	-	-
\$140,000 - \$149,999	1	1	1
Executive Share Incentive Scheme			
Number of options	Grant Date	Expiry Date	Value of options
1,000,000	28 May 2003	4 June 2008	\$80,000

NOTE 25: AUDITOR'S REMUNERATION

Audit fees	28,000	15,000	14,600
Other services	81,500	81,500	20,000
	109,500	96,500	34,600

NOTE 26: RELATED PARTY DISCLOSURES

Directors

The Directors of State Development Fund Limited during the year were:

Sir Lawrence Muir
 Legh Davis
 Peter King
 Michael McDonald
 John Nissen

Other related party transactions

Management Fee Income

Management fees of \$70,000 were charged during the year to Australian Regional Airport Pty Ltd.

Director-related entity transactions

Loans

State Development Fund Limited owes Rhys Securities \$132,139 as at 30 June 2003. Rhys Securities is a company of which Mr P King and Mr J Nissen are Directors. During the year Rhys Securities advanced \$236,409, and in the prior years advanced \$145,030. Of this \$250,000 was converted to equity at a value per share of 20 cents.

Acquisition of Entities

SDF acquired 90% of Auspep Holdings for \$4,500,000 (\$500,000 which remained owing and is payable by 31 December 2004), Mr John Nissen is both director of Auspep Holdings and SDF. SDF acquired 69% of Australian Regional Airport Pty Ltd (ARA). Mr. Michael McDonald is also a director and shareholder of SDF.

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

NOTE 27: INTEREST RATE RISK EXPOSURE

Financial Instruments

(a) Interest Risk

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, at balance date, are as follows:

	Non- Interest Bearing	1 Year or less	Over 1 to 5 years	Floating interest rate	Total	Effective interest/rates weighted average interest rate
Financial assets:						
Cash	-	-	-	269,750	269,750	1.5%
Accounts receivable	488,633	-	-	-	488,633	
	<u>488,633</u>	<u>-</u>	<u>-</u>	<u>269,750</u>	<u>758,383</u>	
Financial liabilities:						
Accounts payable	531,290	-	-	-	531,290	
Borrowings:	-	11,178	29,385	-	40,563	8.35%
	<u>531,290</u>	<u>11,178</u>	<u>29,385</u>	<u>-</u>	<u>571,853</u>	

(b) Net Fair Values

The aggregate net fair values of financial assets and liabilities are the same as the carrying amounts.

(c) Credit Risk

The maximum credit risk exposure is represented by the carrying amounts of assets. There is no significant credit risk exposure.

NOTE 29: SEGMENT REPORTING

The company operates as a registered Pooled Development Fund under the Pooled Development Fund Act (cth) ("PDF Act") solely within the Australian investment sector.

STATE DEVELOPMENT FUND LIMITED
ABN 093 639 064
AND CONTROLLED ENTITIES


DIRECTORS' DECLARATION

The directors of the economic entity declare that:

1. The financial statements and notes, as set out on pages 3 to 16 are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2003 and of the performance for the financial year ended on that date of the economic entity.
2. In the directors' opinion there are reasonable grounds to believe that the economic entity will be able to pay its debts as and when they become due and payable.

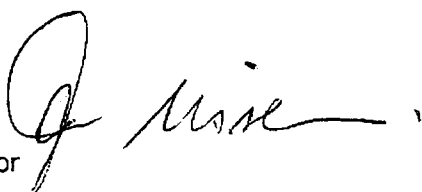
This declaration is made in accordance with a resolution of the directors.

Director and Chairman



LM Muir

Director



John Nissen

Dated this 30th day of September 2003



FACSIMILE TRANSMITTAL SHEET

TO: GEORGE WYATT

FROM: ROBERT PAYNE

COMPANY: BENDIGO STOCK EXCHANGE

DATE: 1/10/2003

FAX NUMBER:

03 5444 0033

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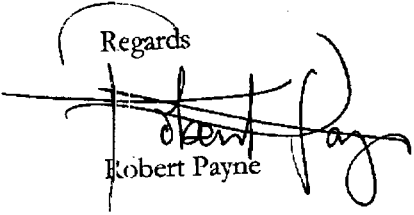
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NOTES/COMMENTS:

Dear Mr Wyatt

Please find enclosed the Statutory Accounts of State Development Fund Limited and Controlled Entities for the year ended 30 June 2003-09-30 . *update on Page 7 .*

Regards


Robert Payne

Chief Executive Officer

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A.C.N. 093 639 064

E mail: robertpx@statedevelopmentfund.com
Website: www.statedevelopmentfund.com

Executives

Details of the nature and amount of each element of the emoluments provided to executives by the economic entities, during the period ended 30 June 2003 are as follows:

Remuneration of Executives for period 1 July 2002 to 30 June 2003

Executives	State Development Fund			Total
	Salary/Wages	Superannuation	Options	
R Payne	134,681	13,320	80,000	228,001
C Chandler	108,283	10,709	-	118,992
Total Remuneration	242,964	24,029	80,000	346,993

The economic entity has used the Black Scholes method of calculation to determine the value of the options issue during the year. The method takes into account:

- the exercise price of the options
- the life of the options
- the current price of the underlying security
- the expected volatility of the share price
- the dividends expected in the shares, and
- the risk free interest rate for the life of the shares

INTERESTS OF DIRECTORS IN SHARES AND SHARE OPTIONS

At the date of this report the following interests were held by the directors:

Director		Directly Held	Beneficially Held
L Muir	Shares	24,000	-
M McDonald	Shares	1,818,500	1,200
J Nissen	Shares	1,498,600	2,502,800
P King	Shares	1,498,600	2,502,800
L Davis	Shares	-	-

DIRECTORS MEETINGS

The number of directors' meetings held during the financial period ended 30 June 2003.

Directors	Number of Meetings held whilst a Director			Number of Meetings Attended			Years as a Director
	Directors	Audit & Compliance	Remuneration and Nomination	Directors	Auditors Compliance	Remuneration & Nomination	
L Muir	12	-	-	12	-	-	1
M McDonald	6	-	-	6	-	-	1
J Nissen	12	-	-	12	-	-	1
P King	12	-	-	12	-	-	1
L Davis	12	-	-	12	-	-	1

Number of Directors' Meetings held during the financial period: 12

Number of Audit and Compliance Committee Meetings held during the period: Nil

Number of Remuneration and Nomination Committee Meetings held during the period: Nil

Likely Developments

The directors are unable to define likely developments and future events, but continue to actively manage the investment portfolio on behalf of the shareholders with a view to maximising the returns on ultimate sale of the individual investments.

Environmental Issues

The economic entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends Paid or Recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.