

Important Notice

This Prospectus is dated 3 October 2003 and was lodged with the ASIC on that date. Neither the ASIC nor the BSX take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates. SDF will apply to the BSX for listing and quotation of the New Shares on the BSX within 7 days after the date of this Prospectus. No securities will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

It is important that you read this Prospectus carefully and in full before deciding to invest in SDF. In particular, in considering the prospects of SDF, you should consider the risk factors that could affect the financial performance of SDF in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding to invest.

The Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the New Shares or the Offer, or to otherwise permit a public offering of New Shares, in any jurisdiction outside Australia. Laws may restrict the distribution of this Prospectus outside Australia and persons who come into possession of this Prospectus outside Australia should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus is available in electronic form via www.statedevelopmentfund.com. The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus in electronic form within Australia. Persons having received a copy of this Prospectus in its electronic form may, during the Offer period, obtain a paper copy of the Prospectus (free of charge) by telephoning the Share Registry on 1300 850 505. Applications for New Shares may only be made on the Application Form attached to or accompanying this Prospectus or in its paper copy form as downloaded in its entirety from www.statedevelopmentfund.com. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by SDF.

By filling out the Application Form to apply for New Shares, you are providing personal information to SDF through SDF's service provider, the Share Registry, which is contracted by SDF to manage Applications. SDF, and the Share Registry on its behalf, collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, SDF and the Share Registry may not be able to process or accept your Application. Your personal information may also be provided to SDF's agents and service providers on the basis that they deal with such information in accordance with SDF's privacy policy. SDF's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- The Share Registry for ongoing administration of the register;
- Printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
- Market research companies for the purpose of analysing the SDF shareholder base and for product development and planning; and
- Legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for any associated actions.

You may request access to your personal information held by (or on behalf of) SDF. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne Vic 3001
Tel: 1300 850 505

No person named in this Prospectus, nor any other person, guarantees the performance of SDF, the repayment of capital or the payment of a return on the New Shares.

Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in the Glossary of Terms in Section 10.

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Chairman's Letter

3 October 2003

Dear Investor

Once again, I welcome the opportunity to invite you to become a shareholder in State Development Fund Limited ("SDF"), a pooled development fund with an investment program aiming to establish a portfolio of diverse investments, initially focusing on the life sciences and infrastructure industries. State Development Fund's investment philosophy is to invest in companies displaying strong potential for capital growth, and which have business plans with a clear path to profitability. SDF has successfully listed on the Bendigo Stock Exchange and now seeks to expand its shareholder base through this Prospectus.

Under the Pooled Development Funds Act 1992, the Commonwealth Government has recognised the need to encourage the raising of development capital to foster promising Australian companies, especially those with potential to enter global markets. The Board strongly supports this concept.

Investors in pooled development funds enjoy tax concessions, including tax-free capital gains on the sale of their shares, and in many cases the treatment of dividends as exempt income, or in other cases, as fully franked income.

Since the issue of our original prospectus (dated 1 August 2002), State Development Fund has increased its investment in Australian Regional Airports Pty Ltd ("**ARA**"), a regional airport investment and management company. SDF now owns 69% of the shares in ARA. It is the intention of the Board of Directors of ARA to grow ARA by acquiring a portfolio of regional airports across Australia, which represent regional gateways to their respective geographic regions. The Board of SDF supports this growth plan.

In addition, SDF has subscribed for 90% of the shares in Auspep Holdings Pty Ltd, which owns 100% of Auspep Pty. Ltd. ("**Auspep**"), an established Australian manufacturer and distributor of synthetic peptides. Auspep has an impressive international and domestic customer base and plans to embark on global expansion with a particular emphasis on the US market. The Board of Directors of Auspep intends to establish a good manufacturing practice (GMP) accredited manufacturing facility in Australia by the end of the first quarter 2004. This should qualify Auspep to apply for Therapeutic Goods Association (Australia) and CEMark (Europe) endorsement of its products for human use within the following 12 months, thereby significantly expanding upon its global customer reach and consequently increasing its returns and profitability.

Both ARA and Auspep are examples of the investment philosophy of SDF.

It is the intention of the Board to investigate additional investments which are consistent with this investment philosophy and ultimately realise the value of its investments through appropriate and timely exit strategies.

I commend this Prospectus to you and look forward to welcoming you as a shareholder of State Development Fund Limited.

Yours sincerely

Sir Laurence Muir
Chairman

State Development Fund Ltd

ABN 96 093 639 064

Suite 712

530 Lt Collins St

Melbourne VIC 3000

Tel: 03 8686 5600

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Investment Highlights

SDF (*State Development Fund Limited*)

- SDF is a Pooled Development Fund (PDF) providing investors with certain tax benefits
- SDF's investment philosophy is to achieve capital growth for its shareholders through investment in small or medium sized Australian companies across a range of industries.
- The investee companies will need to possess a number of attributes including growth potential in a global context and a clear path to profitability.
- SDF has a strong Board and management team which possess the complementary skills necessary to achieve this investment philosophy.
- No management or incentive fees other than management's initial shareholding.
- SDF already has existing investments referred to below.

ARA

- SDF has a 69% interest in Australian Regional Airports Pty Ltd ("ARA").
- ARA owns a 49% interest, through the Burnie Airport Corporation Unit Trust, in the Burnie Wynyard Airport in North-West Tasmania.
- ARA has a strategic alliance with AOS Airport Consulting Pty Ltd, a company with over 30 years experience in airport operations, engineering and management.
- ARA's primary objective is to acquire interests in a sufficient number of regional airports to achieve economies of scale as well as profitability.

Auspep

- SDF has agreed to subscribe \$4,500,000 for 90% of the capital of Auspep Holdings Pty Ltd (\$500,000 of the subscription funds remains owing and is payable by 31st December 2004).
- Auspep is an established manufacturer and distributor of synthetic peptides.
- Auspep already possesses an impressive domestic and international client list.
- Auspep's primary objective is to further expand its client base by developing GMP accredited manufacturing facilities.
- Deloitte Touche Tohmatsu has recently prepared a 5-year business plan for Auspep.

1. Investment Overview

This summary is not intended to provide full information on the Shares offered by this Prospectus. In deciding to apply for New Shares, you should read this Prospectus carefully in full. If you are in doubt as to the course you should follow, please consult your professional adviser or stockbroker.

1.1 Business Overview

SDF is a pooled development fund which was registered under the Pooled Development Funds Act 1992 on 23 August 2000. In accordance with this legislation, SDF aims to achieve capital growth for its Shareholders by providing patient equity capital to small or medium sized Australian companies. The Board intends to pursue a strategy of investing in companies which meet SDF's investment philosophy - namely a strong potential for capital growth and business plans with a clear path to revenue and profitability. The Board intends to make investments across a select number of market sectors to spread risk and enhance profitability. The Directors have already identified and made investments in two small to medium sized companies that demonstrate a potential for growth with patient equity capital and strategic advice and expertise.

The existing investments are involved in diverse areas of business in accordance with SDF's broad portfolio approach. They are:

- (a) Australian Regional Airports Pty Ltd ("**ARA**"), which is a recently established company pursuing business in existing regional airport infrastructure ownership and management; and
- (b) Auspep Holdings Pty Ltd ("**Auspep Holdings**"), which owns Auspep Pty Ltd ("**Auspep**"), an established commercial biotechnology company principally producing synthetic peptides and other related products.

For further information on these investments, please see Section 4.

1.2 No Underwriting

The Offer is not underwritten.

1.3 Description of the Offer

This Prospectus offers up to 4 million Shares at an Offer Price of \$0.25 per Share to raise up to \$1.0 million. There is no minimum subscription.

1.4 Key Offer statistics

The following table shows the key Offer statistics (on the assumption that the maximum amount of \$1,000,000 is raised by the Offer).

Offer Price	0.25 cents
Shares held by existing shareholders	27,684,000
Shares offered under this Prospectus	4,000,000
Total number of Shares on issue	31,684,000
Market capitalisation at Offer Price of \$0.25 per share	\$7,921,000
Number of existing options	1,000,000 ¹
Total number of Shares and options (fully diluted)	32,684,000

Notes:

¹ These are options issued to Dr Robert Payne as referred to in Section 9.4(d). They will remain unlisted.

1.5 Purpose of the Offer and Application of Funds

The primary purpose of the Offer is to increase shareholder participation in SDF and raise funds:

- To pay the expenses of the Offer;
- To pay Auspep Holdings the balance of the subscription funds being \$500,000 and;
- To provide working capital for SDF

It is the intention of the Board of Auspep Holdings to use any funds raised by SDF pursuant to the Offer and received from SDF towards the cost of constructing its GMP accredited manufacturing facility. If less than \$1,000,000 is raised by the Offer, the funds raised will be applied in the order of priority set out above and the Directors will if necessary defer payment of any subscription money still owing to Auspep Holdings until closer to the date by which payment must be made (being 31 December 2004). There will be no material adverse effect on the financial position and prospects of SDF if less than \$1,000,000 (but more than the expenses of the Offer) is raised by the Offer because Auspep Holdings will be able to fund the construction of its GMP accredited manufacturing facility from internally generated resources.

1.6 Capital Structure

SDF was registered as a public company on 5 July 2000. Upon completion of the Offer it will have the capital structure illustrated in the table below (assuming that the maximum amount of \$1,000,000 is raised by the Offer and that the shareholdings of the named shareholders do not change):

Significant Shareholders as at 29 September 2003

	No of Shares	Pre issue %	Post Issue %
Nefco Nominees Pty Ltd	6,000,000	21.67	18.94
Overnight Nominees Pty Ltd	6,000,000	21.67	18.94
Prime Endeavour Pty Ltd	5,000,000	18.06	12.62
Rhys Securities Pty Ltd	2,502,800	9.04	7.91
Michael McDonald	1,818,800	6.57	5.74
Peter King	1,498,600	5.41	4.73
John Nissen	1,498,600	5.41	4.73
Other Shareholders	3,365,200	12.17	13.77
Current Total	27,684,000	100	87.38

New Shares to be issued under this Offer

4,000,000

12.62

Total Issued Capital on completion of the Offer

31,684,000

100

1.7 Dividend Policy

The Directors do not anticipate declaring any dividends for the two-year period commencing from the date of this Prospectus. After this period, dividends would only be payable if SDF's profitability, cash flow and capital requirements enabled a distribution to be declared by the Directors and the Directors chose to do so. There is no guarantee that any dividend will be franked.

1.8 Taxation Considerations

SDF is a PDF under the PDF Act. To encourage investment in PDF's, various tax concessions are conferred on both PDF's and their shareholders. These concessions include concessional income tax rates for PDF's, exemption from tax on capital gains made by investors on the sale of PDF shares, exemptions from tax on certain dividend income and various franking credit concessions.

Further details on PDF's and the accompanying taxation concessions are set out in Section 8.

1.9 Investment Risks

Applicants should be aware that there are risks associated with any investment in the share market. In addition, there are a number of risk factors specific to SDF, the present and future industries in which investee companies of SDF currently operate and may operate, including risks relating to the general business environment. Such risk factors may impact on the performance and financial position of SDF. Applicants should read this Prospectus in full to appreciate the risk factors associated with an investment in SDF. Details of the key risk factors of which Applicants should be aware are set out in Section 7.

1.10 Forecasts

As a result of factors such as those referred to in section 1.9, the Directors of SDF consider that they do not have reasonable grounds for a directors' forecast of future revenue or profitability that would be suitable to include in this Prospectus. Further information relating to the prospects of SDF is contained throughout this Prospectus.

2. Details of the Offer

2.1 The Offer

Applicants are invited by SDF to subscribe for up to 4 million Shares at the Offer Price of \$0.25 per Share. Applications must be for a minimum of 2,000 Shares and thereafter in multiples of 2,000 Shares. SDF reserves the right to issue Shares to Applicants in full, to issue a lesser number of Shares than those for which an application has been made or to decline an application. An application will be treated as irrevocable.

Payment in respect of the New Shares is to be made in full on application. The rights attaching to the Shares are detailed in Section 9.3. No brokerage or stamp duty is payable by Applicants under the Offer.

2.2 Timetable

Offer opens	Monday, 13 October 2003
Offer closes	5:00 pm AEST, Friday 9 January 2004
Expected despatch of holding statements	Thursday, 15 January 2004
Expected quotation of New Shares on the BSX	Monday 19 January 2004

All dates are subject to change and are indicative only. SDF has the right to vary these dates, without prior notice, including the right to close the Offer early or to extend the Closing Date of the Offer or to withdraw the Offer. Applicants are encouraged to submit their Application Forms as early as possible.

2.3 How to apply for New Shares

Application for New Shares may only be made on the Application Form attached to and forming part of this Prospectus or in its paper copy form as downloaded in its entirety from "www.statedevelopmentfund.com". Detailed instructions on how to complete the Application Form are set out on the reverse of the Application Form.

An application must be made by completing a paper copy of the Application Form and must be accompanied by payment in Australian currency of 25 cents per New Share.

Cheques or bank drafts must be made payable to the **"State Development Fund Share Offer Account"** and should be crossed and marked "Not Negotiable". SDF will not accept an Application Form electronically. Completed Application Forms and Application Monies must be returned to:

State Development Fund Limited Share Offer
Suite 712/530 Little Collins Street
Melbourne Victoria 3000

Applicants with questions on how to complete the Application Form or who require additional copies of the Prospectus can contact the Share Registry on 1300 850 505 or visit the website www.statedevelopmentfund.com to download a copy of the Prospectus.

2.4 Issue of New Shares

SDF will issue New Shares as soon as possible after the Closing Date. SDF will allocate the New Shares and reserves the right to allocate the Shares offered under this Prospectus in full on any application or to allocate any lesser number of New Shares than that applied for, or decline any application. Where no allocation is made to a particular Applicant or the number of New Shares allocated is less than the number applied for by an Applicant, surplus Application Monies will be returned to that Applicant. No interest will be paid on refunded Application Monies. Any interest earned on Application Monies prior to issue or return will be, and will remain, the property of SDF.

Successful Applicants will be notified in writing of the number of New Shares allocated to them as soon as possible following the allocation made after the Closing Date. It is the responsibility of Applicants to confirm the number of New Shares allocated to them prior to trading in Shares. Applicants who sell Shares before they receive notice of the New Shares allocated to them do so at their own risk.

2.5 Minimum Subscription

There is no minimum subscription for this Offer.

2.6 No Underwriting

The Offer is not underwritten.

2.7 BSX Listing and Official Quotation

SDF was admitted to the Official List of BSX and official quotation of its Shares by BSX commenced on the 4 June 2003.

An application will be made to BSX not later than 7 days after the date of this Prospectus for official quotation by BSX of the New Shares offered under this Prospectus. If those New Shares are not admitted to quotation by BSX within 3 months after the date of this Prospectus, all Application Monies will be refunded in full without interest.

2.8 Overseas Applicants

No action has been taken to register or qualify the New Shares, or the Offer, or otherwise to permit the public offering of the New Shares, in any jurisdiction outside Australia.

Laws may restrict the distribution of this Prospectus within jurisdictions outside Australia and persons into whose possession this Prospectus comes outside Australia should inform them about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

The Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to his or her application. The return of a duly completed application will be taken by SDF to constitute a representation and warranty that there has been no breach of any such law and that all necessary approvals and consents have been obtained.

2.9 Withdrawal

SDF reserves the right not to proceed with the Offer at any time before the issue of New Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.

3. Investment Philosophy

3.1 SDF

SDF was registered as a public company on 5 July 2000. It was registered as a PDF under the PDF Act on 23 August 2000.

3.2 The Investment Strategy

The Board of SDF aims to achieve capital growth for Shareholders through investing in small or medium sized Australian companies across a range of industries. Details of the current investments are set out in Section 4.1. Investment will take the form of providing patient equity capital to a company and also strategic advice to assist in its development.

Unlike other PDF's, which utilise the services of an investment management company, the Directors and management of SDF intend to use their own experience in venture capital raisings, restructuring and strategic planning to help shape the direction, management structure and capital raising activities of investee companies. The Board will assist the investee companies to put in place sound investment strategies to ensure that they achieve growth and increased profitability for their shareholders including SDF.

The Directors intend to invest in small to medium sized enterprises, which demonstrate some, if not most, of the following attributes:

- (a) Significant growth potential, in a global context;
- (b) Competitive advantage in a particular market niche or sector;
- (c) In the case of technology companies, a leading edge technology or product;
- (d) Adequate legal protection of intellectual property;
- (e) A need for capital injection to realise full growth potential;
- (f) An operational management structure that is responsive to change and expansion; and
- (g) A robust business plan, or one capable of being developed, which shows a clear path to profitability.

While SDF's investment focus will be on unlisted companies, it may, from time to time, also invest in listed companies. One of the benefits of investing in unlisted companies at an earlier stage of their development is that the entry price of the investment may be lower.

Before making an investment, the Board will conduct investigations and undertake the due diligence that it

considers necessary, including a thorough investigation of the investee company's business plan. An investment will only be made where the investment pricing indicates the potential for a strong increase in value based on the investee company's expected future growth assisted by patient equity investment from SDF.

Part of our investment strategy is also to provide strategic advice and board appointments to the investee company where possible. SDF believes that some of the risks associated with its investments may be reduced through the active participation of officers of SDF on the board of directors of the investee companies and by direct involvement in the financial management of those companies.

The Directors will determine the period that an investment should be held in an investee company. The Board intends to allow sufficient time for there to be strategic management input and development in the investee company business, with a view to a profitable exit which satisfies the investment criteria of SDF.

The Directors will consider entities operating in markets and industries that will provide long term growth opportunities for the Shareholders of SDF. The investee companies described in Section 4.1 belong to industries which are attractive to the Directors because of their potential for long term growth. These industries are:

Regional airport ownership and management

The Federal Government has been privatising major city airports over recent years. SDF has identified regional airport ownership and management as a significant opportunity for investment, the returns from which will be derived primarily through capital gains, hence its investment in ARA. The value drivers in this sector are the ability to:

- Create economies of scale by increasing the number of airports under management; and
- Increase passenger movements, which translates into retail and other opportunities.

Biotechnology

The biotechnology sector is delivering dramatic improvements to the quality of living, health and the environment. SDF has identified Aussep as an investment with the opportunity to increase its international sales by providing a range of high quality products and services to meet its clients' needs.

4. Investments

4.1 Current Investments

The Directors have invested in the following companies:

- ARA - a regional airport management enterprise; and
- Auspep - a commercial biotechnology manufacturing company.

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.

Table 4.1A ARA Shareholding Structure

Table 4.1A 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 Wynard 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.

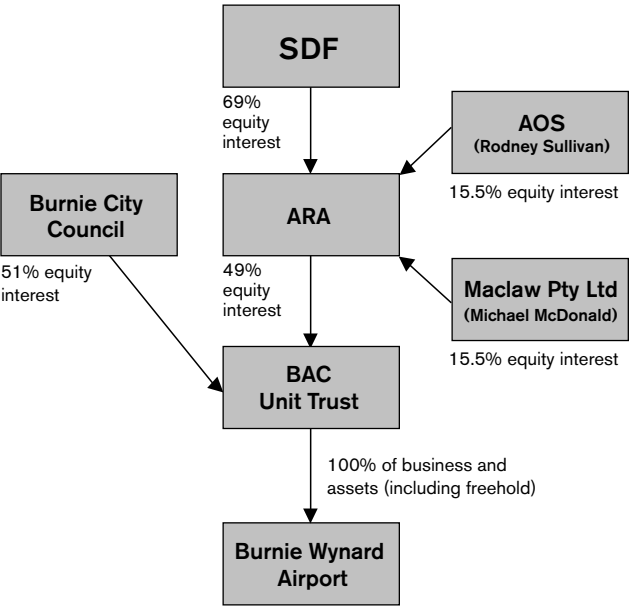
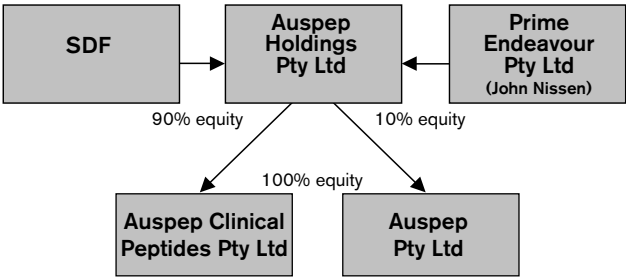


Table 4.1B Auspep Shareholding Structure

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).

Details of these companies are set out below.



4.2 ARA

Background

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 on page 13), 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. A summary of the BAC Unitholders and Shareholders Agreement is included in Section 9.4(b)(1).

ARA is responsible for providing management services to the BAC Unit Trust including:

Aviation advice and management; Property advice and management; and 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.

BAC Industrial Park

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.

BAC Financial Results year ended 30 June 2003

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.

Burnie Airport Corporation Unit Trust Unaudited

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

CURRENT ASSETS

Cash on hand and deposits	345,525
Trade debtors	128,943
Prepayments	38,934
TOTAL CURRENT ASSETS	513,402

NON CURRENT ASSETS

Property, Plant and Equipment	3,682,856
Accumulated Depreciation	(70,198)
Total Property Plant and Equipment	3,612,658
Intangibles	139,794
Amortization	(51,767)
Total Intangibles	88,027
TOTAL NON CURRENT ASSETS	3,700,685
TOTAL ASSETS	4,214,087

CURRENT LIABILITIES

Finance Leases	21,308
GST & Payroll Taxes	42,544
TOTAL CURRENT LIABILITIES	63,952

NON-CURRENT LIABILITIES

Commercial Bank Bill	2,000,000
TOTAL NON CURRENT LIABILITIES	2,000,000

NET ASSETS

2,150,135

EQUITY

Unit holders Equity	1,000,100
Asset Revaluation Reserve	996,782
Accumulated Profits	153,253
TOTAL EQUITY	2,150,135

Note: These special purpose financial accounts have been compiled in accordance with APS 9: Statement of Compilation of Financial Reports. This is a special purpose financial report of Burnie Airport Corporation Unit Trust for the year ended 30 June 2003 and as such are unaudited accounts.

ARA has established a relationship with Mr Rodney Sullivan, a director and major shareholder of AOS Airport Consulting Pty Ltd ("AOS"). As stated in section 5.2, Mr Sullivan has over 30 years experience in airport engineering, operations management, standards development, planning and airport environmental management. His contacts within the industry will be of benefit to ARA in seeking out opportunities in this industry. ARA has entered into a consultancy agreement with AOS. A summary of the consultancy agreement is in Section 9.4(a)(2).

AOS is based at the Canberra Airport where it operates modern training facilities and has access to all Canberra Airport areas. AOS maintains regular contact with the Civil Aviation Safety Authority, Air Services Australia and the Department of Transport & Regional Services and Department of Defence personnel.

In addition to Mr Sullivan's expertise in the aviation field, AOS has ready access to personnel who have been involved in:

- Managing major Australian airports on a commercial basis;
- Managing airport operations;
- Developing the current airport standards and regulatory regimes and monitoring airport compliance;
- Planning and project managing major airport development and maintenance; and
- Providing and maintaining airport databases.

AOS has also established a network of strategic alliances with a number of other aviation consultants and consulting engineers who can provide ARA with access to personnel in specialist areas such as air traffic control, aviation rescue and fire fighting, refuelling and airline fleet management.

SDF believes the opportunity for growth of ARA derives from the potential to replicate the Burnie Wynyard Airport model at other "gateway" regional airports and to leverage off the strategic relationship with AOS to create a portfolio of regional airports managed and/or owned around Australia. This may require further capital and SDF will explore with ARA the most appropriate means to raise that capital in the light of the opportunities when they present themselves.

4.3 Auspep

Background

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.

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 Aussep's ability to compete in the global peptide market. Aussep sees the US market as having significant potential to enhance its sales of peptides.

The Board of Aussep 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 Aussep's business, as Aussep will then seek TGA, CEMark and FDA approvals for its peptide products. GMP approved peptides are a key driver of Aussep'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 Aussep 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 Aussep is for Aussep 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.

Auspep Holdings Pty Ltd

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2003

CURRENT ASSETS

Cash on hand	144,363
Receivables	893,358
Inventories	160,678
TOTAL CURRENT ASSETS	1,198,399

NON CURRENT ASSETS

Property Plant and Equipment	334,725
Deferred Tax Assets	66,749
Intangibles	3,245,576
TOTAL NON CURRENT ASSETS	3,647,050
TOTAL ASSETS	4,845,449

CURRENT LIABILITIES

Payables	229,786
Interest Bearing Liabilities	11,178
Provisions	98,491
TOTAL CURRENT LIABILITIES	339,455

NON-CURRENT LIABILITIES

Interest Bearing Liabilities	29,385
TOTAL NON CURRENT LIABILITIES	29,385
TOTAL LIABILITIES	368,840

NET ASSETS

4,476,629

EQUITY

Contributed Equity	4,500,000
Accumulated Losses	(23,371)
TOTAL EQUITY	4,476,629

5. Board and Management

5.1 Board of Directors



Sir Laurence Muir, VRD, LL.B, 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, LL.B, B.EC, FCPA, FSIA - Deputy Chairman

Age - 63

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 and 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, and 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.

5.2 Management Skills

Unlike many PDFs, SDF does not have a separate management structure. As a result, the management costs of SDF are being kept to a minimum.

The Board and management, as a group, have expertise in venture capital funding, company management, mergers and acquisitions, due diligence, restructuring, international trade and legal matters, which it can employ to assist the investee companies to achieve the goals of both the investee companies and SDF.

The Directors and management also have specialist expertise in early stage investments in small to medium sized companies operating in the technology, industrial and other commercial sectors, including the commercialisation of technology and the implementation of global growth strategies.



Dr Robert Payne, B.Sc (Hons), Ph.D - Chief Executive Officer

Age - 46

SDF has retained the services of Dr Robert Payne as its Chief Executive Officer to assist in administering board policies, acting as joint company secretary and attending to operational matters.

Dr Payne has spent most of his professional career developing markets for technological products within large and small organizations in Australia, Europe and the

US. He has wide knowledge and business experience in the biotechnology, chemical and plastics industries.

Dr Payne spent 10 years with BASF, a multinational chemicals and pharmaceutical company, developing plastics for use in the medical and automotive industry. On relocating to the US and after completing executive management studies at Harvard Business School, Dr Payne assumed roles in product management and market development of new high performance plastics until he assumed the responsibility for global accounts management for the plastics material group of BASF Corporation.

Since returning to Australia in 1994, Dr Payne has specialised in growing small businesses, particularly subsidiaries of larger American companies keen to expand their operations in Australia and South East Asia.

Dr Payne was previously employed by stockbroking firms Austock Brokers, HPJDV Limited and D&D Tolhurst, and legal firm Freehills, advising and consulting with clients on public floats, capital raisings and private placements.

Consultant's principal - Mr Rodney Sullivan

Mr Sullivan is an airport operation specialist with over 30 years experience in airport engineering, operations management, standards development, planning and airport environmental management. He has held a number of positions in government departments including the Department of Civil Aviation (Brisbane), Department of Transport and Communications (Canberra), Civil Aviation Authority (Canberra) and, in the private sector as a director and principal consultant to AOS for over 8 years. Mr Sullivan has also advised Burnie City Council on the acquisition of the Burnie Wynyard Airport from the Burnie Port Authority and is currently a guest lecturer at the University of New South Wales, Department of Aviation, in "open airport management".

AOS (of which Mr Sullivan is a director and principal shareholder) has entered into a consultancy agreement with ARA as stated in Section 9.4(a)(2).

5.3 Corporate Governance

The Board is responsible for the overall corporate governance of SDF. The Board's responsibilities include:

- Formulating the strategic objectives of SDF and establishing goals designed to promote the achievement of those strategic objectives;
- Ensuring that they maintain and inform themselves of SDF's business and financial status at all times;
- Approving investments and ongoing evaluation of those investments, including regularly assessing the operational and financial risks in respect of investments;
- Guiding and maintaining SDF's affairs and policies based on adequate and accurate information;
- Obtaining expert advice on matters outside the expertise of SDF's internal resources;
- At all times exercising due care and diligence and sound business judgement in the performance of their duties;
- Considering and approving the Chief Executive Officer's proposals for SDF's annual budgets;
- Ensuring that there are appropriate internal controls and ethical standards of behaviour adopted and met within SDF;
- Ensuring that the business risks facing SDF are, wherever possible, identified and that appropriate monitoring and reporting controls are in place to manage these risks;
- Appointing the Chief Executive Officer, evaluating the performance and determining the remuneration of senior executives, and ensuring that appropriate policies and procedures are in place for recruitment, remuneration and succession planning; and
- Monitoring the performance of management against these goals and objectives.

5.4 Composition of the Board

The Board currently consists of the 5 Directors described in Section 5.1. Any changes to directorships will be dealt with by the nominations committee established by the Board of Directors, subject to applicable laws and the procedures of the nominations committee.

5.5 Board Committees

The Board has established an Audit and Compliance Committee and a Nomination and Remuneration Committee. The Audit and Compliance Committee consists of Sir Laurence Muir and Legh Davis. The Nomination and Remuneration Committee consists of Sir Laurence Muir and John Nissen. At the discretion of the committee, the external

auditor and other members of the Board and management will be invited to Audit and Compliance Committee meetings. The Audit and Compliance Committee will consider any matters relating to the financial affairs of SDF and any other matter referred to it by the Board. The Audit and Compliance Committee will meet at least twice a year. The Board may delegate some of its monitoring and routine functions to other committees established from time to time by the Board.

5.6 Ethical Standards

The Board believes that the success of SDF will be enhanced by a strong ethical culture within the organisation. As SDF grows, the need to ensure that ethical standards remain high has led the Board to embrace policies to ensure that all Directors, executives and employees act with the utmost integrity and objectivity in their dealings with all people that they come in contact with during their working life.

5.7 Directors' and Senior Management's Dealings in Company Shares

SDF requires that:

- No Director or senior manager should buy or sell Shares without first discussing the matter with the Chairman, and if the Chairman wishes to buy or sell Shares he must discuss the matter with the Board;
- Unless there are unusual circumstances, trades in Shares by Directors and senior management are limited to stipulated periods such as immediately following the release of an annual report or price sensitive information;
- Directors and senior management are prohibited from trading in Shares for a short term gain; and
- Directors and senior management be aware of their obligations under the Corporations Act not to buy sell or deal in Shares if in possession of price sensitive non-public information and to ensure that they do not communicate price-sensitive non-public information to any person who is likely to buy or sell Shares or communicate such information to another party.

5.8 Business Risk Management

The Board of Directors considers that the general retention by the Board of the power to make the final investment or divestment decisions by majority vote provides an effective review of business strategies.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures such as monthly financial and operational reporting to the Board and regular reporting by management and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks, have been put in place. Further measures ensure SDF's compliance with the continuous disclosure requirements of the Listing Rules.

5.9 Independent Professional Advice

In fulfilling their duties, each Director dealing with corporate governance and other matters may obtain independent professional advice at the expense of SDF, subject to prior approval of the Chairman, whose approval will not be unreasonably withheld.

6. Financial Information

6.1 Introduction

The Statements of Financial Position as at 30 June 2003, the Statements of Financial Performance for the year ended 30 June 2003, and the Statements of Cash Flows for the year ended 30 June 2003, of SDF have been prepared in accordance with historical cost and have been drawn up in accordance with the Corporations Act and its Regulations, Applicable Australian Accounting Standards and Urgent Issues Group Consensus Views.

PKF, Chartered Accountants, have audited SDF's financial statements for the 12-month period ended 30 June 2003 and have issued an unqualified audit opinion on them.

6.2 Statements of Financial Performance

The Consolidated and Parent Entity Statements of Financial Performance for the years ended 30 June 2002 and 2003, presented below, are extracted from the audited financial statements of SDF.

Statements of Financial Performance

	Economic Entity	Parent Entity	
	2003	2003	2002
	\$	\$	\$
Revenue from ordinary activities	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 relating to ordinary activities	(1,400)	-	-
Loss from ordinary activities after related income tax expense	(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	(402,979)	(379,784)	(223,612)
Basis earning per share	(4.6)	-	-

6.3 Statements of Financial Position

The Consolidated and Parent Entity Statements of Financial Position for year ended 30 June 2003, presented below, are extracted from the audited financial statements of SDF.

The Parent Entity Pro Forma Statement of Financial Position assumes the maximum amount of \$1,000,000 is raised by the Offer through the issue of 4,000,000 New Shares, that the cost of fundraising is \$80,000, which will be offset against contributed equity and that \$500,000 has been paid to Auspep Holdings in settlement of the outstanding consideration for SDF's investment in Auspep Holdings. These transactions have been assumed to occur at 30 June 2003.

Statements of Financial Position

	Economic Entity 2003 \$	Parent Entity 2003 \$	Pro Forma Parent Entity 2003 \$
CURRENT ASSETS			
Cash assets	269,750	117,281	537,281
Receivables	488,633	77,000	77,000
Inventories	160,678	-	-
TOTAL CURRENT ASSETS	919,061	194,281	614,281
NON-CURRENT ASSETS			
Investments	-	5,500,000	5,500,000
Investment accounted for using the equity method	978,423	-	-
Plant and equipment	338,812	4,087	4,087
Intangible asset	4,347,572	-	-
Deferred tax assets	66,749	-	-
TOTAL NON-CURRENT ASSETS	5,731,556	5,504,087	5,504,087
TOTAL ASSETS	6,650,617	5,698,368	6,118,368
CURRENT LIABILITIES			
Payables	399,151	141,006	141,006
Interest bearing liabilities	11,178	-	-
Provisions	75,451	-	-
TOTAL CURRENT LIABILITIES	485,750	141,006	141,006
NON-CURRENT LIABILITIES			
Payables	132,139	632,139	132,139
Interest being liabilities	29,385	-	-
Provisions	20,874	-	-
TOTAL NON-CURRENT LIABILITIES	128,398	632,139	132,139
TOTAL LIABILITIES	668,148	773,145	278,145
NET ASSETS	5,982,469	4,925,223	5,845,223
Parent entity interest			
Contributed equity	5,528,619	5,528,619	6,448,619
Asset revaluation reserve	337,012	-	-
Retained losses	(626,591)	(603,396)	(603,396)
TOTAL PARENT INTEREST IN EQUITY	5,239,040	4,925,223	5,845,223
TOTAL OUTSIDE EQUITY INTEREST	743,429	-	-
TOTAL EQUITY	5,982,469	4,925,223	5,845,223

6.4 Statements of Cash Flows

The Consolidated and Parent Entity Statements of Cash Flows for the year ended 30 June 2003, presented below, are extracted from the audited financial statements of SDF.

The Parent Entity Pro Forma Statement of Cash Flows assumes the maximum amount of \$1,000,000 is raised by the Offer through the issue of 4,000,000 New Shares, that the cost of fundraising is \$80,000 and that \$500,000 has been paid to Auspep Holdings in settlement of the outstanding consideration for SDF's investment in Auspep Holdings. These transactions have been assumed to occur at 30 June 2003.

Statements of Cash Flows

	Economic Entity 2003 \$	Parent Entity 2003 \$	Pro Forma Parent Entity 2003 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers	249,520	-	-
Payments to suppliers and employees	(690,933)	(441,807)	(441,807)
Interest received	1,577	1,565	1,565
Net cash used in operating activities	(439,836)	(440,242)	(440,242)
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment	(2,270)	(1,864)	(1,864)
Payment for investments	(4,347,531)	(4,500,000)	(5,000,000)
Net cash used in investing activities	(4,349,801)	(4,501,864)	5,001,864
CASH FLOW FROM FINANCING ACTIVITIES			
Net Proceeds from share issue	5,070,533	5,070,533	5,990,533
Repayments of borrowings	(12,891)	(12,891)	(12,891)
Net cash provided by financing activities	5,057,642	5,057,642	5,977,642
Net increase in cash held	268,005	115,536	535,536
Cash at the beginning of the financial year	1,745	1,745	1,745
Cash at the end of the financial year	269,750	117,281	537,281

6.5 Statutory Accounts

As required by the Corporations Act, SDF has lodged with ASIC its Financial Report for the year ended 30 June 2003 ("2003 Financial Report"). The 2003 Financial Report consists of a directors' report on SDF and its controlled entities for the financial year ended 30 June 2003, the financial statements for the year, the notes to the financial statements, the directors' declaration about the statements and an independent audit report to members of SDF by PKF. The directors' report includes a review of operations and other information about SDF and its directors required by the Corporations Act. The financial statements contain Statements of Financial Performance, Statements of Financial Position as at the end of the year and Statements of Cash Flows for the year, each for SDF as an individual entity and also on a consolidated basis for SDF and its controlled entities as an economic entity. The notes to the financial statements provide further details and explanations in relation to various items in the financial statements. The directors' declaration is the declaration in relation to the financial statements and notes required by the Corporations Act. The independent audit report is the audit report in relation to the financial statements, notes to the financial statements and directors' declaration required by the Corporations Act.

Pursuant to section 712 of the Corporations Act, the information contained in the 2003 Financial Report is taken to be included in this Prospectus.

SDF will give a copy of the 2003 Financial Report free of charge to anyone who asks for it during the Offer period. A copy has also been posted on SDF's website at www.statedevelopmentfund.com

7 Risk Factors

The Directors, SDF and any person associated with SDF does not guarantee the performance of SDF, the performance of the Shares offered under this Prospectus or the market price at which the Shares will trade. Also, they are not aware of individual investors' risk profiles and investment criteria.

The business activities of SDF are subject to risks and there are many factors that may impact the future performance of SDF. Investors should consider these risks carefully before making a decision to apply for New Shares as they may adversely affect the value of SDF's assets and Shares. Some of these risks can be mitigated by the use of safeguards and appropriate systems and actions, but some are outside the control of SDF and cannot be mitigated.

The principal risks include, but are not limited to, those detailed below. Prior to making an investment decision, prospective investors should also consider the following risk factors, as well as the other information in this Prospectus.

7.1 Share Price Variations

The Shares are listed on the BSX, where their price may rise or fall in relation to the Offer Price. The Shares issued under this Prospectus carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on the BSX. The value of the Shares will be determined by the stock market and will be subject to a range of factors beyond the control of SDF, and the Directors and officers of SDF. Such factors include, but are not limited to, the demand for and availability of Shares, movements in domestic interest rates, exchange rates, fluctuations in the Australian and international stock markets and general domestic and economic activity. Returns from an investment in these Shares may also depend on general stock market conditions as well as the performance of SDF. There can be no guarantee that an active market in the Shares will develop or that the market price of the Shares will not decline below the Offer Price.

7.2 Liquidity of BSX

During the initial stages of the BSX market, the level of liquidity is likely to be lower than on larger, established markets such as ASX. As a result, the number of investors willing to buy and sell securities at any particular time is likely to be less. This is a factor that potential investors on the BSX market should take into account before investing.

7.3 Economic Factors

Changes in economic conditions or government policies in Australia or internationally may impact the fundamentals upon which the projected growth of SDF's investee companies or costs structures and profitability will rely. Adverse changes are outside the control of SDF and may result in material adverse impacts on the business or its operating results.

7.4 Currency Movements

Foreign exchange currency movements may have an adverse effect upon the financial position of SDF and its current and future investee companies.

7.5 Regulatory Risk

Changes in relevant taxes (including the GST), legal and administrative regimes and government policies both in Australia and overseas may adversely affect the financial performance of SDF. Changes to the PDF and general taxation regime could have an effect on SDF's financial results.

Furthermore, because SDF is a PDF that invests in companies in various industries, SDF is subject to the regulatory risk faced by such investors. For example, it is unknown whether future proposals by ARA to make investments in further regional airports may be prevented or restricted by the actions or policies of regulatory authorities.

7.6 Dependence on Key Personnel

SDF is reliant on its Chief Executive Officer, Dr Robert Payne, and its Board. Loss of such personnel may have a materially adverse impact on the performance of SDF. There can be no assurance given as to the continued availability of such personnel. BAC as does SDF in Auspep, and this reduces the ability of ARA and SDF to significantly influence BAC and Auspep respectively.

7.7 Acquisitions, Joint Ventures and Shareholder Dilution

SDF will be undertaking strategic acquisitions and joint ventures as one of its growth strategies. SDF intends to pursue strategic acquisitions of companies that complement its existing business. There can be no assurance that SDF will be able to successfully identify and acquire such companies.

SDF may seek to raise additional capital, in order to fund acquisitions, or for other purposes, by new issues of Shares. This would also have the effect of diluting the shareholdings of existing Shareholders.

Subject to relevant agreements, SDF cannot control the actions of joint venturers, and therefore cannot guarantee that joint ventures will be operated or managed in accordance with SDF's preferred direction or strategy. In particular, ARA has a minority interest in the BAC Unit Trust, and this reduces the ability of ARA and SDF to significantly influence the Trust.

7.8 The Investment Strategy

SDF's investment strategy is to inject patient equity capital in small to medium-sized Australian enterprises that conduct eligible businesses. This generally means that, at the time of investment by SDF, targeted businesses will generally not have realised their potential and be less financially secure than larger or listed companies.

Whilst SDF has been able to reach agreement to invest in ARA and Auspep Holdings, there is no guarantee that SDF will be able to meet its investment strategy by reaching agreement with other quality small to medium-sized enterprises.

7.9 Investee Companies

There are a number of risks that are specific to investee companies in which SDF has invested or may in the future invest:

- The investee company may suffer a loss of experienced staff;
- The investee company may not receive sufficient funding to carry out its business plan or objectives;
- The investee company may not achieve market acceptance of its products and/or services;
- The investee company's customer base may reduce in quality and size;

- There are inherent risks associated with investing in an investee company which has been recently established, and which does not have a long history of trading results;
- Foreign exchange currency movements may have an adverse effect upon the financial performance of the investee company; and
- Interest rate movements could adversely affect the profitability of an investee company.

There are specific risks associated with the two current investments as follows:

(a) Auspep Holdings

- Auspep may not achieve GMP approval, and therefore its products may not receive TGA, CEMark or FDA approval; and
- Auspep may not be able to successfully continue to expand into major overseas markets.

(b) ARA

- ARA may not be able to acquire interests in, or management rights to, any additional regional airports;
- Disasters such as the September 11 terrorist attack could have a negative effect on the aviation industry and hence the business of regional airports;
- While ARA has taken out key-man insurance in respect of Rod Sullivan, ARA may lose the management and advisory expertise of AOS and Rod Sullivan; and
- Difficulties between the owners of the BAC Unit Trust may adversely affect the Trust.

7.10 John Nissen shareholding

John Nissen and his associates hold 32.51% of the voting power of SDF. Mr Nissen may therefore be able to influence the outcome of decisions of SDF. Any disposal by Mr Nissen of a portion of his Shares in SDF may adversely affect the price of the Shares.

8 Pooled Development Fund

8.1 The PDF Act

PDFs are regulated under the PDF Act. SDF was registered as a PDF on 23 August 2000. The requirements of the PDF Act are summarised below.

8.2 Making Investments

A PDF may make an investment by subscribing for new ordinary shares in an investee company. An acquisition of pre-owned ordinary shares or other kinds of shares requires PDF Board approval.

Provided that the PDF holds shares on which have been paid at least 10% of the total of all amounts paid on all the issued shares in an investee company, a PDF may also acquire non-transferable options to buy shares in an investee company and lend money to an investee company, provided that the total amount of the outstanding loans by the PDF does not exceed 20% of the shareholders' funds of the PDF.

8.3 Intended use by investee company of money invested by PDF

A PDF must believe, on reasonable grounds, that:

- (a) The shares issued or allotted to the PDF are being raised for the sole or principal purpose of raising money;
- (b) The money paid as consideration for the option concerned is being raised solely or principally; or
- (c) The loan money concerned is being borrowed solely or principally, for use in establishing an eligible business carried on or to be carried on by the investee company, substantially expanding the production capacity or the capacity to supply services of an established eligible business, or substantially expanding existing markets or developing substantial new markets for goods or services supplied in the course of an established eligible business.

The investee company's primary activity must not be an excluded activity, that is, retail sale operations or acquisitions, disposals or development of land unless that dealing in land is incidental to its eligible activities.

8.4 Limit on the size of the investee company

If a PDF does not already hold other shares in the investee company, a PDF may only invest in an investee company where the total value of the investee company's assets do not exceed \$50 million.

8.5 PDF not to commit more than 30% of its capital to an investee company

The total amount invested in and/or lent to an investee company is not to exceed 30% of the PDF's committed capital, unless otherwise approved by the PDF Board.

In this regard, SDF has obtained dispensation from the PDF Board permitting its current investment in Auspep Holdings.

The restrictions placed on SDF under the PDF Act may affect the performance of SDF. Also, the PDF Board has the power to revoke the registration of a company as a PDF in certain circumstances.

8.6 Amount invested in company to be at least 10% of its paid up capital

To ensure significant investment in the investee company, the total amount paid on the shares in the investee company held by the PDF must be at least 10% of the total of all amounts paid on the issued shares in the investee company, unless otherwise approved.

The PDF Board has granted approval to allow SDF to make an investment of less than 10% of the total of all amounts paid on the shares in an investee company (without having to obtain prior approval of the PDF Board in each case) where SDF:

- (a) Co-invests with another PDF and the amounts invested will be at least 10% of all amounts paid on the shares in the investee company; or
- (b) Is the underwriter or sub-underwriter and its commitment is at least 10% of the total of all amounts paid on the shares in the investee company; or
- (c) Invests at least \$500,000 in the investee company.

8.7 PDF to carry on a business of making and holding PDF investments

A PDF must carry on the business of making and holding PDF investments and must not enter into a transaction except in the course of, or for the purposes of, carrying on a business of making and holding PDF investments, or with the PDF Board's approval.

Various restrictions are placed on a PDF in relation to raising money including a prohibition on borrowing money except permitted short-term borrowings as defined in the PDF Act.

8.8 Limit on shareholding in a PDF

To ensure a spread of investors, unless the PDF Board otherwise approves, a person together with associates of the person (not being a bank, life insurance entity, or a widely held complying superannuation fund) must not hold more than 30% of the issued shares in a PDF.

8.9 Timetable for investing funds raised by PDF

A PDF must invest 65% of the total of the amounts that become due and payable to a PDF in respect of an issue or allotment of shares in the PDF, such as under this Prospectus or a call made in respect of such shares, within the investment period specified in the PDF Act which, at the date of this Prospectus, is 5 years.

8.10 PDF may merge

Subject to the requirements in the PDF Act, a PDF may only acquire shares in another PDF where that is part of the two PDF's merging and provided that no cash consideration is paid to the shareholders as part of the merger, other than as a bona fide dividend.

8.11 Notification of investments and annual return

Within 30 days of a PDF investing in a particular investee company for the first time, the PDF must give the PDF Board written notification of the investment.

A PDF must also, within 4 months after the end of the financial year, give the PDF Board a written return that includes information such as details of officers, persons providing services, shareholders, particulars of investments held by the PDF, profits, gains and losses made from each investee company and dividends paid to shareholders during the financial year.

8.12 Company to notify its Shareholders if it ceases to be a PDF

As soon as practicable after a company becomes aware that it has ceased to be a PDF, it must notify each of its shareholders in writing.

8.13 Taxation Treatment of a PDF

(a) Calculation of a PDF Company's Taxable Income

PDF companies use the identical basis for the calculation of taxable income as other companies; however, concessionary rates of tax are applied to the components of their taxable income.

A PDF company's taxable income is divided into two components:

- the SME (small and medium size enterprises) component. This comprises assessable income from dividends and the assessable income/capital gains from the disposal of SME investments, less allowable deductions/capital losses. This component is currently taxed at the rate of 15 per cent; and
- The unregulated investment income component. This includes any income that is not SME income, typically interest on bank or money market deposits. This component is currently taxed at the rate of 25 per cent.

In calculating the taxable income of a PDF, all deductible expenditure available to a PDF must firstly be offset against SME income. The balance of deductible expenditure is then offset against the unregulated investment income component of the PDF company's taxable income.

(b) Dividend Rebates and Franking Implications

As a resident company, for taxation purposes, a PDF is able to claim the inter-corporate dividend rebate in respect of franked dividends received from its SME investments at the rate applicable to the SME income component, being 15 per cent. As such, franked dividends are effectively tax-free.

Dividend franking applies equally to a PDF as it does to other companies. The main sources of credits to a PDF's franking account are from the payment of tax and the receipt of franked dividends. Despite a PDF paying tax at concessionary rates, the payment of tax by a PDF will result in a franking credit calculated on the basis of the general company tax rate, 30 per cent for the 2004 income year. A franked dividend received by a PDF company gives rise to a class C franking credit, at the current tax rate of 30 per cent for the 2004 income year.

(c) Losses of a PDF Company

Tax losses of a PDF company may be carried forward and applied against future taxable income provided the PDF status is maintained. They are required to be offset in a year of income, firstly against SME income, with the balance, if any, against unregulated investment income. A restriction is that both revenue and capital losses of a PDF are essentially quarantined and can only be recouped against income and capital gains respectively derived while a PDF. Broadly, apart from these special

rules, losses incurred by PDFs are deductible on the same basis as losses incurred by other corporate taxpayers.

8.14 Taxation Treatment of Shareholders of a PDF

There are a number of taxation concessions that apply to income derived by shareholders in PDF companies and upon the disposal of PDF shares.

(a) Assessment of Dividends from a PDF Company

Franked and unfranked dividends paid by a PDF company are tax-exempt in the shareholder's hands. However, PDF shareholders may elect to treat the franked portion of a PDF dividend as assessable income, in which case, it is treated in the same manner as an ordinary franked dividend. The following summarises this treatment for the various types of shareholders:

- Individual or superannuation shareholder - an election will require the shareholder to include the grossed up amount of the dividend in assessable income, with a rebate to be claimed for the imputation credits that attach to the dividend.
- Distribution through partnerships or trusts - the election to treat the dividend as assessable income is exercisable by the taxpayer who ultimately receives the franked dividend. The taxation implication will then depend on the tax status of the partner or beneficiary.
- Corporate shareholders - may elect to treat a franked dividend as assessable, in which case, they will gross up the franked dividend (under the provisions of the new Simplified Imputation System) and claim an inter-corporate dividend rebate to the extent of the franking credits. Franking credits will pass to the corporate shareholder irrespective of whether it so elects to include the PDF dividend in its assessable income.
- Non-resident shareholders will not be subject to Australian withholding tax regardless of whether the dividend is franked or not.
- Other taxpayers can elect to treat the dividend as assessable income and as a result are able to claim the respective imputation credit.

(b) Circumstances Where a Shareholder Would Elect to be Assessed

It may be beneficial for certain shareholders to elect to be assessed on franked PDF dividends. These circumstances include where the shareholder:

- Has a marginal tax rate less than the company tax rate;
- Will recoup tax losses in the year of income but has insufficient losses to offset the full taxable income. The shareholder can thereby utilise the imputation credits or obtain a refund of imputation credits or
- Have deductions available in relation to the acquisition of the PDF share that will be able to offset the franked PDF dividend. Due to the dividend rebate available to corporate shareholders, where a corporate shareholder has incurred expenditure relating to their shares in the PDF and has other income that creates a taxation liability, an election in most instances would be made to include the dividend as assessable.

It is unclear from the taxation law as to the degree interest and associated borrowing costs on loans to acquire shares in a PDF are deductible. Generally, expenditure incurred to produce exempt income is non-deductible for income tax purposes.

Where the shareholder has elected that the franked amount of PDF dividends paid during a particular year of income are to be assessable, the income will not be exempt and accordingly interest and associated borrowing costs incurred in the particular year of income may be allowable deductions. Due to the uncertainty of the availability and extent of deductions for borrowing to acquire PDF shares, potential investors incurring such expenditure should seek individual professional taxation advice. This may involve a private ruling request to the Australian Taxation Office.

(c) Retention and Disposal of PDF Shares

If any shares in a PDF company are sold and a profit is derived, whether as income or capital gain, that amount will be exempt from tax in the shareholder's hands. Conversely, any losses arising from the disposal of PDF shares cannot be offset against other income or capital gains.

The Tax Acts specifically provide that shares in a PDF are not trading stock. Therefore, share traders cannot include shares in a PDF company as trading stock for income tax purposes.

If PDF shares are held by unit trusts, distributions by the trustee of exempt PDF dividends or exempt gains from the disposal of PDF shares will not cause a reduction in the cost base of the units which are held in the trust.

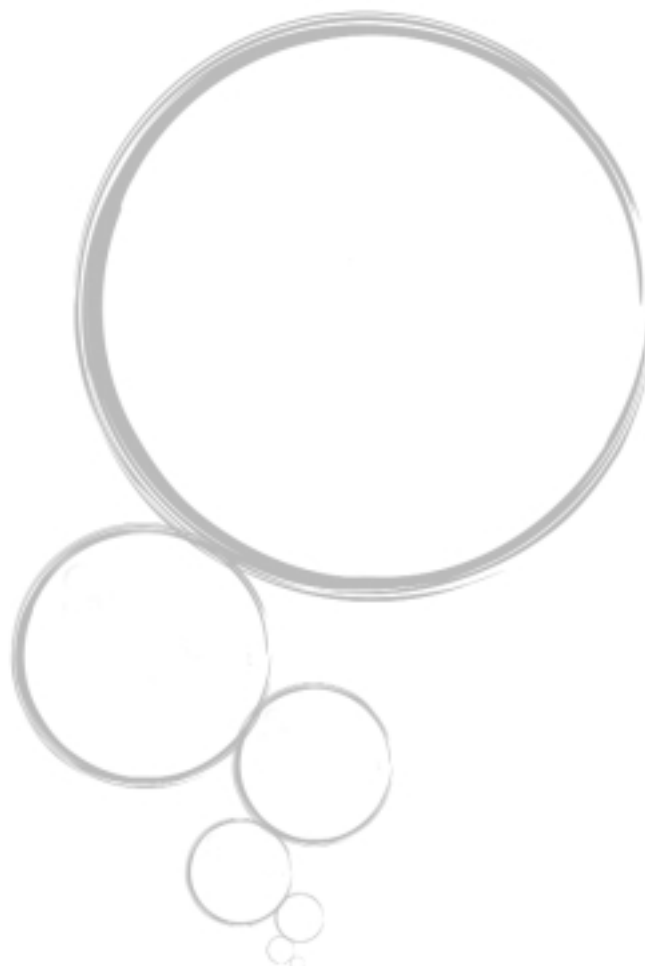
(d) Venture Capital Franked Dividends

Certain resident entities such as complying superannuation funds (excluding self managed funds), complying approved deposit funds, pooled superannuation trusts and life insurance companies that invest in PDFs are able to receive venture capital franking rebates. This regime was introduced to encourage eligible entities to invest in PDFs since it enabled these entities to effectively receive gains on venture capital investments through PDFs tax-free. The PDF maintains a separate venture capital account in its class C franking account to which it may raise venture capital credits in respect of tax payments that relate to CGT events relating to qualifying SME investments of the PDF. Venture capital franked dividends can be paid from this account to the extent permitted.

Eligible entities that receive a venture capital franked dividend are able to benefit from the rebate whilst the venture capital franked portion of the dividend is treated as exempt income. As a result, the venture capital gains are effectively exempt from tax. Non-eligible investors simply ignore the venture capital franking.

8.15 Note to Intending Investors

The taxation information in sections 8.13 and 8.14 is of a general nature and intending subscribers/investors should be aware that the ultimate interpretation of taxation laws in Australia rests with the Courts, and that such laws which may affect that information, may be amended at any time as a result of new decisions handed down by the Courts and/or legislative amendment.



9 Additional Information

9.1 Registration

SDF was registered in Victoria on 5 July 2000 as a public company.

9.2 Share capital

At the date of this Prospectus, the number of issued fully paid Shares is 27,684,000.

9.3 Rights attaching to shares

There is only one class of shares in SDF, fully paid ordinary shares. The rights attaching to Shares are:

- Set out in the Constitution of SDF; and
- Regulated by the Corporations Act, the Listing Rules, the PDF Act and the general law.

The principal rights, liabilities and obligations of the Shareholders are summarised below.

Voting

At a general meeting, every member present in person or by proxy, attorney or representative has one vote on a show of hands and one vote on a poll for each fully paid Share held (with adjusted voting rights for partly paid Shares). Voting at any meeting of Shareholders is by a show of hands unless a poll is demanded. A poll may be demanded by at least 5 Shareholders entitled to vote on the resolution, Shareholders with at least 5 per cent of the votes that may be cast on the resolution of the poll, or the chairperson. The chairperson has a casting vote on a show of hands or on a poll.

Dividends

The profits of SDF, which the Directors may from time to time determine to distribute by way of dividend, are divisible amongst the members in proportion to the number of fully paid Shares held by them, subject to the rights attaching to any shares with special dividend rights. No shares with special dividend rights are currently on issue.

Issue of further Shares

The Directors may (subject to the restrictions on the issue of shares imposed by the Constitution, the Listing Rules, the PDF Act and the Corporations Act) issue, grant options in respect of, or otherwise dispose of further shares on terms and conditions (including preferential, deferred or special rights, privileges or conditions, or restrictions) as they see fit.

Variation of class rights

The procedure set out in sub-section 246B(2) of the Corporations Act must be followed for any variation of rights attached to the shares. Under that sub-section, with the consent in writing of the holders of at least three quarters of the issued shares in the particular class, or the sanction of a special resolution passed at a meeting of the holders of shares in that class, the rights attached to a class of shares may be varied or abrogated. In either case, the holders of not less than ten per cent of the votes in the class of shares whose rights have been varied or abrogated may apply to a court of competent jurisdiction to exercise its discretion to set aside such variation or abrogation.

Transfer of Shares

Shareholders may transfer Shares by a proper instrument of transfer or an instrument in writing in any usual form or in any other form that the Directors approve. All transfers must comply with the Constitution, the Listing Rules and the Corporations Act. The Directors may refuse to register a transfer of Shares in circumstances permitted by the Listing Rules. The Directors must refuse to register a transfer of Shares where required to do so by the Listing Rules.

General meeting and notices

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of SDF and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution of SDF or the Corporations Act.

Winding up

Subject to any special resolution or preferential rights attaching to any class or classes of shares, members will be entitled on a winding up to a share in any surplus assets of SDF in proportion to the Shares held by them, less any amounts which remain unpaid on those Shares at the time of distribution.

Directors

The minimum number of Directors is 3 and the maximum is fixed by the Directors but may not be more than 12 unless the Shareholders of SDF pass a resolution varying that number. Directors are elected at annual general meetings of SDF. Retirement will occur on a rotational basis so that one third of the Directors plus any Director who has held office for 3 or more years or 3 or more

annual general meetings retire at each annual general meeting of SDF. The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of SDF. Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the chairman of the Board has a second or casting vote, unless there are only two Directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.

Officer's indemnity

SDF, to the extent permitted by law, indemnifies each officer of SDF on a full indemnity basis against any liability (including costs and expenses) incurred by the person as an officer of SDF or a related body corporate of SDF.

Amendment

The Constitution may be amended only by a special resolution passed by at least three quarters of the votes cast by Shareholders entitled to vote on the resolution. At least 28 days written notice specifying the intention to propose the resolution must be given.

9.4 Material Contracts

The Directors consider that there are a number of contracts which are significant or material to SDF or of such a nature that an investor may wish to have particulars of them when making an assessment of whether to apply for New Shares. The main provisions of each such contract are summarised below. These summaries do not purport to be complete and are qualified in their entirety by reference to the text of the contracts themselves.

(a) ARA Arrangements

(1) ARA Joint Venture Agreement

The shareholders in ARA have entered into a joint venture agreement dated 30 July 2002 governing the relationship between them as shareholders in ARA. The joint venture agreement contains provisions which are standard in an agreement of this nature, including:

- SDF is currently entitled to appoint 3 of the maximum of 5 directors of ARA;
- SDF is entitled to appoint the Chairman and Managing Director of the Board of Directors;

- A quorum for a meeting of Directors is 3 Directors of which at least two of whom must be directors appointed by SDF;
- Each Director is entitled to one vote, and each shareholder is entitled to one vote, for each share held;
- The quorum for a meeting of shareholders is a meeting at which all shareholders are present;
- Certain decisions (such as business decisions which are non-arms length or not in the ordinary course of business) require unanimous approval of the Board and other decisions (such as amendments to the constitution and other fundamental corporate changes to operations) require unanimous shareholder approval;
- The funding requirements of ARA will either be funded by shareholders (on a pro rata basis to their shareholdings) or by third party debt;
- There are restrictions on shareholders dealing with their shares;
- There is a pre-emptive rights procedure which requires each shareholder to offer their shares to the other shareholders before being able to transfer them to a third party;
- The Board will declare dividends to the extent the Board considers it appropriate to do so having regard to the profitability, cash flow and capital requirements of ARA;
- AOS has agreed not to compete in certain respects with the business of ARA for so long as it remains a shareholder in ARA and for 12 months after it ceases to be a shareholder in ARA;
- The shareholders' agreement contains dispute resolution provisions including forced sale and purchase requirements where there is an irreconcilable dispute;
- A shareholder will cease to be a party to the shareholders' agreement and must offer its shares to the other shareholders at a value which is at a discount to their market value if it commits a material breach of the shareholders' agreement which is not remedied within 30 days after notice of that breach, or if it becomes the subject of an insolvency event;

- The shareholders' agreement will remain in force until it is terminated by mutual agreement of the shareholders or until there is only one shareholder in ARA; and
- Victorian law governs the agreement.

(2) AOS Consultancy Agreement

ARA has entered into a consultancy agreement dated 1 September 2001 with AOS that has the following principal terms:

- Unless terminated earlier, the agreement has a term of 3 years commencing from 1 September 2001 and it continues after that period unless terminated by either party on one month's notice;
- Under the agreement, AOS is required to provide to ARA aviation related advice and services with respect to the acquisition and management of regional airports in Australia and elsewhere, at consultancy fees to be agreed between the parties;
- ARA may immediately terminate the agreement if AOS is charged with a criminal offence or does not remedy a breach of the agreement after one month's notice of the breach. AOS may terminate the agreement if ARA fails to pay consultancy fees or expenditures in respect of which AOS is entitled to be reimbursed;
- Either party may terminate the agreement if the other becomes insolvent; and
- The laws of Victoria govern the agreement.

(b) BAC Arrangements

(1) BAC Unitholders and Shareholders Agreement

ARA, Burnie City Council and BAC (as trustee of the Burnie Airport Corporation Unit Trust) have entered into a Unitholders and Shareholders Agreement dated 14 December 2001, which in addition to terms usually contained in such agreements has the following principal terms:

- BAC is the trustee of the Burnie Airport Corporation Unit Trust and its purpose is to conduct and develop the Burnie Airport and its business;
- Further financial requirements of BAC are to be provided by unit holders in proportion to their respective unit holdings (being ARA 49% and Burnie City Council 51%), or where third party debt is required, it must be guaranteed in those proportions;

- Any loans to the Trust must be on arm's length commercial terms but no unit holder is obliged to provide any loan;
- The management of the Airport will be conducted in accordance with the ARA Management Agreement;
- Transfers of units are governed by pre-emptive rights provisions and any transferee must sign a deed of assumption in the form attached to the agreement;
- Dispute resolution processes such as mediation provisions and deadlock resolution processes;
- A unit holder that fails to comply with its funding obligations is subject to default provisions such as an obligation to pay interest, a deemed offer of units to the other unit holder and loss of voting rights;
- If a unit holder suffers an insolvency event, a unit transfer notice is deemed to be issued and the transfer procedure initiated at market value;
- The agreement terminates by mutual agreement of all unit holders, on termination of the Trust, if BAC ceases to operate the business or upon the winding up of BAC; and
- The laws of Tasmania govern the agreement.

(2) Other Constituent Documents

The conduct of BAC is also governed by:

- (a) A unit trust deed dated 14 December 2001 between ARA as the initial unit holder and BAC as the trustee; and
- (b) The constitution of BAC.

Both these constituent documents contain standard provisions commonly found in documents of this type.

(3) ARA Management Agreement

BAC and ARA entered into a short form management agreement dated 13 December 2001 governing the first 18 months of the BAC joint venture and this management agreement continues until the parties are able to obtain a better understanding of operational issues and expenses and income from the joint venture. They then intend to negotiate a longer-term management agreement.

(c) Revised Auspep Holdings Subscription Deed

SDF entered into a revised subscription deed with Auspep Holdings dated 20 January 2003 ("**Revised Auspep Holdings Subscription Deed**"). Under this deed Auspep Holdings granted SDF the right to subscribe for 90% of the equity in Auspep Holdings for \$4,500,000.

SDF exercised the Revised Auspep Holdings Subscription Deed on 12 May 2003 and acquired 90% of the issued shares of Auspep Holdings. By agreement, only \$4,000,000 of the agreed subscription monies was then paid. It has also been mutually agreed that the balance of \$500,000 will be paid by SDF without interest on or before 31 December 2004. Commensurate with the new ownership of Auspep Holdings, its Board is now controlled by SDF.

(d) Option entitlement of Dr Robert Payne

Dr Payne, as Chief Executive Officer of SDF, is entitled, subject to the conditions referred to below, to exercise the 1,000,000 options (over shares in SDF) that have been issued to him for no cash consideration.

Dr Payne is entitled to exercise one third of these options on 3 June 2004, another one third on 3 June 2005 and the last third on 3 June 2006. The options are exercisable for 25 cents each and each option entitles Dr Payne to one Share. The options may be exercised at any time within the two-year period after they become exercisable. These options will not be listed on the BSX.

9.5 Interests of Directors, Advisers, Promoters and Others

Other than as stated in this section and elsewhere in this Prospectus:

(a) No amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a director, or proposed director, to induce them to become, or to qualify as, a director of SDF;

(b) None of the following persons:

- A director or proposed director of SDF;
- Each person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus; or
- A promoter of SDF;

Holds or held at any time during the last two years an interest in:

- The formation or promotion of SDF;
- Property acquired or proposed to be acquired by SDF in connection with its formation or promotion or the Offer of the Shares; or
- The Offer of the Shares; or was paid or given or agreed to be paid or given any amount or benefit for services provided by such persons in connection with the formation or promotion of SDF or the Offer of the Shares.

Interests of Directors

The Directors are not required to hold any Shares under the provisions of SDF's Constitution.

Set out below are details of the relevant interests of the Directors and their associates in Shares in SDF immediately before the lodgement of the Prospectus with the ASIC.

Director	Held in own name	Held by Associates
Sir Laurence Muir	24,000	
Legh Davis	Nil	
Peter King ¹	1,498,600 ⁴	2,502,800 ^{1,4}
John Nissen ²	1,498,600 ⁴	7,502,800 ²
Michael McDonald ³	1,818,800 ⁴	1200 ³

Notes:

¹ an entity associated with Peter King, being Rhys Securities Pty Ltd has a registered shareholding of 2,502,800⁴.

² entities associated with John Nissen being Rhys Securities Pty Ltd and Prime Endeavour Pty Ltd have registered shareholdings of 2,502,800⁴ and 5,000,000 respectively.

³ An entity associated with Michael McDonald, being Maclaw Pty Ltd has a registered shareholding of 1,200.

⁴ Shares that have been voluntarily escrowed until 3 December 2003

The Constitution of SDF provides that the non-executive directors of SDF are entitled to such remuneration, as determined by the Directors which remuneration must not exceed in aggregate the maximum amount determined by SDF in general meeting. Currently it has been determined that such remuneration will not exceed \$250,000, to be apportioned among the non-executive Directors as they determine in their absolute discretion. The Directors acknowledge that as SDF grows, the demands on the Directors will increase and the Directors' fees will be increased commensurate with their responsibilities and workload, as determined by the Board and approved by the members.

Notwithstanding the provisions of the constitution, no remuneration has been paid to or accrued by any of the directors of SDF in the last 2 years other than the issue of 1,498,600 shares to Messrs King, McDonald and Nissen, without cash payment by them, as compensation for past and future services.

Interests of Adviser

Bryan Cumming has acted as legal adviser to SDF in connection with the Offer and has performed work in relation to the due diligence enquiries on legal matters. SDF has agreed to pay \$20,000 for such services to the date of this Prospectus. Further amounts may be paid to Bryan Cumming in accordance with his time based charge-out rates.

All such payments have been paid or are payable in cash. SDF is also obligated to pay the out-of-pocket expenses of Bryan Cumming.

Brokers' Fee

Where the Application Form of an Applicant who receives Shares bears the code of a member organisation of a recognised Stock Exchange or stamp of a financial services licensee, that member organisation or licensee will be paid a fee of an amount up to 5% of the total amount paid by the Applicant for Shares allotted pursuant to the Application.

9.6 Consents and disclaimers of responsibility

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with the ASIC, had not been withdrawn by the following parties:

Bryan Cumming has given, and not withdrawn prior to the lodgement of this Prospectus with ASIC, his written consent to be named as Solicitor to SDF in the form and context in which he is so named.

Bryan Cumming has not authorised or caused the issue of the Prospectus and, except for references to his name to which he has consented, does not make or purport to make any statement in this Prospectus and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for this Prospectus.

PKF has given, and not withdrawn prior to the lodgement of this Prospectus with the ASIC, its written consent to be named as Auditor to SDF in the form and context it is so named and to the statement in this Prospectus of extracts from the audited financial statements of SDF and Auspep Holdings for the year ended 30 June 2003 and the statement in section 6.1 of the Prospectus that it has audited the financial statements of SDF for the 12 month period ended 30 June 2003 and has issued an unqualified audit opinion on them in the respective forms and contexts in which those statements appear. PKF has also given, and not withdrawn prior to the lodgement of this Prospectus with the ASIC, its written consent to the inclusion in this Prospectus by reference of the 2003

Financial Report and to a copy of that report being made available to anyone who asks for it during the Offer period. PKF has not authorised or caused the issue of the Prospectus and, except for statements in this Prospectus to which it has consented, does not make or purport to make any statement in this Prospectus and, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for this Prospectus.

Computershare Investor Services Pty Ltd has given and has not withdrawn its written consent to be named as the Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Ltd has had no involvement in the preparation of any part of the Prospectus other than being named as Share Registrar to SDF. Computershare Investor Services Pty Ltd has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

9.7 Costs of the Offer

The expenses connected with the Offer which are payable by SDF, including broker fees, accounting fees, legal fees, independent expert fees, share registry fees, Prospectus publishing costs, BSX fees and other miscellaneous expenses are estimated to be approximately \$80,000.

9.8 Litigation and claims

So far as the Directors are aware, there is no current or threatened litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which SDF is directly or indirectly concerned which is likely to have a material adverse effect on the business or financial position of SDF.

9.9 ASIC relief

Pursuant to Class Order 00/168 the ASIC has, for the avoidance of doubt, given relief so that a prospectus will not be subject to an exposure period under section 727(3) of the Corporations Act if the securities being offered are of a class already quoted. Whilst the New Shares offered under this Prospectus are not yet quoted, they are of a class (being ordinary shares), which has already been quoted. This Class Order therefore applies to this Prospectus.

Pursuant to Class Order 00/44 the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic Prospectus on the basis of a paper prospectus lodged with the ASIC and the publication of notices referring to an electronic Prospectus, subject to compliance with certain provisions.

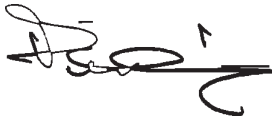
9.10 Statement of Directors

The Directors report that after due enquires by them, in their opinion, since the date of the financial statements in the Financial Overview in Section 6, there have not been any circumstances that have arisen or that have materially affected or will materially affect the assets and liabilities, financial position, profits or losses or prospects of SDF, other than as disclosed in this Prospectus.

The Prospectus is authorised by each Director of SDF who consents to its lodgement with the ASIC and its issue.

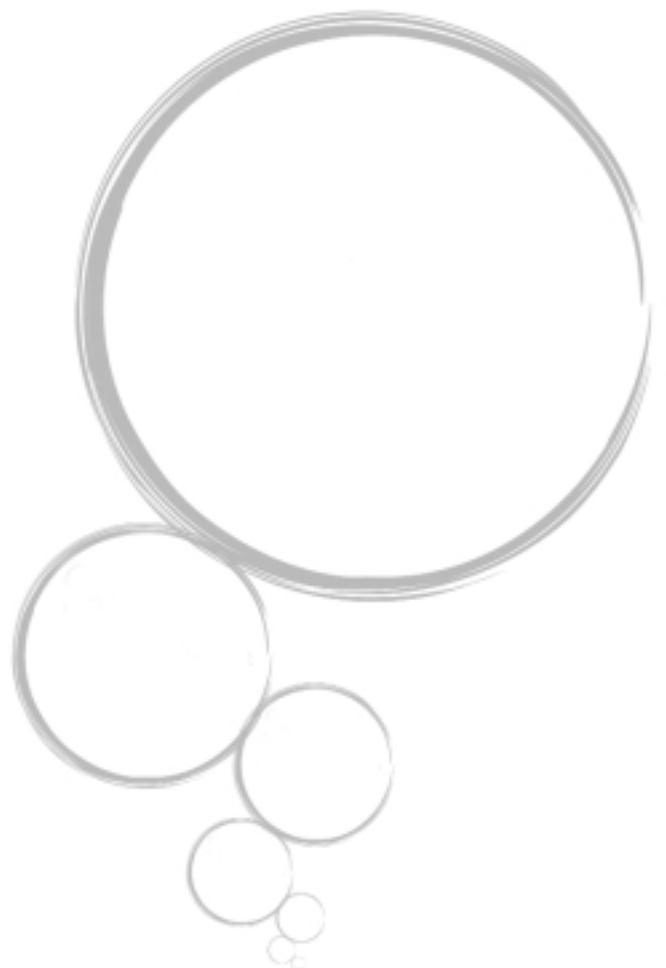
Dated: 3 October 2003

Signed by:

A handwritten signature in black ink, appearing to read 'Peter King', is written over a horizontal line.

Peter King

Director



11. Glossary of Terms

In this Prospectus the following expressions have the meanings set out below:

AOS	means AOS Airport Consulting Pty Ltd (ACN 076 798 297);
Applicant	means a person applying for Shares under this Prospectus;
Application Form	means the form of application for Shares attached to this Prospectus;
Application Monies	means the Offer Price multiplied by the number of Shares applied for;
ARA	means Australian Regional Airports Pty Ltd (ACN 085 129 559);
ASIC	means Australian Securities and Investments Commission;
ASX	means Australian Stock Exchange Limited;
BSX	means Bendigo Stock Exchange Limited;
Auspep	means Auspep Pty Ltd (ACN 006 673 347);
Auspep Holdings	means Auspep Holdings Pty Ltd (ACN 103 340 067);
BAC	means Burnie Airport Corporation Pty Ltd (ACN 099 026 392) the trustee of the BAC Unit Trust;
BAC Unit Trust	means the Burnie Airport Corporation Unit Trust established on or about 14 December 2001;
Board	means the board of Directors;
CEMark	means CEMark (Europe) a form of product manufacturing approval used in the European Community;
Closing Date	means the date by which Applications must be received by the Share Registry;
Constitution	means the constitution of SDF;
Corporations Act	means the Corporations Act 2001;
Directors	means the directors of SDF;
\$	means Australian dollars;
FDA	means Federal Drug Administration (USA);
GMP	means Good Manufacturing Practice;
Listing Rules	means the official listing rules of the BSX;
New Shares	means the Shares offered for subscription under this Prospectus;
Offer	means the invitation by SDF to subscribe for Shares under the Prospectus;
Offer Price	means 25 cents per Share;
Official List	means the official list of entities that BSX has admitted and not removed;
PDF	means a pooled development fund registered under the PDF Act;
PDF Act	means the Pooled Development Funds Act 1992 (C'th) (as amended);
PDF Board	means the Pooled Development Fund Registration Board established under section 5 of the PDF Act;
Prospectus	means this document;
Share	means an ordinary share in SDF;
Shareholder	means a shareholder of SDF;
Share Registry	means Computershare Investor Services Pty Limited of Level 12, 565 Bourke Street, Victoria 3000;

SDF or Company	means State Development Fund Limited (ABN 96 093 639 064);
Synthetic peptides	means proteins that have been synthetically or artificially altered;
Tax Acts	means the Income Tax Assessment Acts 1936 and 1997 (C'th);
Tax Law	means Australian income tax legislation, and established interpretations of that legislation; and
TGA	means Therapeutic Goods Association (Australia).

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STATE DEVELOPMENT
FUND LIMITED

BSX Code: SDF

ABN 96 093 639 064

Information 1300 850 505

Broker Code

Adviser Code

Broker Reference Stamp Only

APPLICATION FORM

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire Prospectus carefully before completing this Form.

OFFER CLOSES 9 January 2004

A Shares Applied for

No of Shares

X

Price per Share

A \$ 0.25

B

Total Application amount

A \$

Applications must be for a minimum of 2,000 Shares and thereafter in multiples of 2,000 Shares

C Write here the name(s) you wish to register the Shares in (see reverse for details)

Name of Applicant 1

Name of Applicant 2 or <Account Designation>

Name of Applicant 3 or <Account Designation>

D Write here the postal address you wish to register the shares at

PO Box/ Street Number/Street Name

Suburb/Town

State

Postcode

E Email Address (Optional)

F Cheque payment details

Please complete your cheque details and make your cheque payable to: "State Development Fund Share Offer Account."

Name of drawer of cheque	Cheque No.	BSB No.	Account No.	Amount A\$

G In case we need to contact you

BH ()

AH ()

Total Amount Enclosed \$

Guide to Completing the Application Form

- A** Enter the number of Shares you wish to apply for. Applications must be for a minimum of 2,000 Shares and thereafter in multiples of 2,000 Shares.
- B** Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for by \$0.25 per share.
- C** Enter the full name you wish to appear on the holding statement for your Shares. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable name. Applications using the wrong form may be **rejected**.
- D** Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- E** If you provide an email address, State Development Fund Limited will be able to inform you of BSX announcements at the time they are made.
- Make your cheque or bank draft payable to “**State Development Fund Share Offer Account**” in Australian currency and cross it “**Not Negotiable**”. Your cheque or bank draft must be drawn on an Australian Bank or financial institution.
- F** Complete the cheque details in the boxes provided. The amount must agree with the amount shown in box “B”.
- Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.
- Pin (do not staple) your cheque(s) to the Application Form where indicated.
- G** Enter your telephone number. This is not required but will assist us if there are any problems with your Application.

IT IS NOT NECESSARY TO SIGN THE APPLICATION FORM.

The Corporations Act prohibits any person from passing on to another person the Application Form which was attached to the electronic copy of the Prospectus unless the Application Form is included in or accompanied by a complete or unaltered copy of the electronic Prospectus.

The Share Registry or SDF will send you, at no charge, a paper copy of the electronic Prospectus if you ask for one during the offer period described in the Prospectus.

If you apply for shares on the basis of the Application Form included in or accompanied by the electronic Prospectus, you are deemed to declare to SDF that you received personally the electronic Prospectus, or a print out of it, which included or was accompanied by the Application Form, before applying for Shares.

Correct forms of Registrable name

Note that **ONLY** legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficial holder or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

BEFORE COMPLETING THE APPLICATION FORM, APPLICANT(S) SHOULD READ THE PROSPECTUS DATED 1 OCTOBER 2003 TO WHICH THE APPLICATION FORM RELATES. BY LODGING THE APPLICATION FORM, THE APPLICANT(S) AGREES THAT THIS APPLICATION FOR SHARES IN STATE DEVELOPMENT FUND LIMITED IS UPON AND SUBJECT TO THE TERMS OF THE PROSPECTUS AND THE CONSTITUTION OF SDF, AGREES TO TAKE ANY NUMBER OF SHARES THAT MAY BE ALLOTTED TO THE APPLICANT(S) PURSUANT TO THE PROSPECTUS AND DECLARES THAT ALL DETAILS AND STATEMENTS MADE ARE COMPLETE AND ACCURATE.

The Prospectus dated 3 October 2003 which accompanies this Application Form contains information about investing in State Development Fund Limited. You should read the Prospectus carefully before completing the Application Form. The Offer closes at 5.00pm Melbourne Time on 9 January 2004 and the expiry date of the Prospectus is 3 November 2004.

You can obtain a copy of the Prospectus free of charge by calling (03) 8686 5600 during the offer period described in the Prospectus. Any person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the Prospectus.

PRIVACY

Please refer to the important Notice on page 1 of the Prospectus for details about the collection, holding and use of your personal information. If you do not provide the information required on this form, the Company may not be able to accept or process your Application.

Lodgement of Applications

Return the Application Form with cheque(s) attached to:

State Development Fund Limited Share Offer
Suite 712, 530 Little Collins Street
MELBOURNE VIC 3000

Application Forms must be received at the above address.

Type of Investor	Correct Form	Samples of Incorrect Form
Individual • Use given names, not initials	John Alfred Smith	J.A Smith
Company • Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts • Use trustee(s) personal name(s), • Do not use the name of the trust	Janet Smith <Janet Smith Family A/C>	Janet Smith Family Trust
Deceased Estates • Use executor(s) personal name(s), • Do not use the name of the deceased	Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Partnerships • Use partners' personal names, • Do not use the name of the partnership	John Smith & Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names • Use office bearer(s) personal name(s), • Do not use the name of clubs etc.	Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds • Use name of trustee of fund, • Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund