STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

ACN 093 639 064

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2008

state development fund

Chairman's Report Monday, 2 February 2009

State Development Fund Limited ("SDF") reported a loss attributable to members of the parent entity of $1,015,993 for the full year ended 30 June 2008 compared with a loss of $21,348 for the previous period. This loss occurred after recognising an impairment loss of $654,724 in respect of the goodwill previously recognised in the group's investment in Burnie Airport Corporation Unit Trust.

SDF has two investments – an effective 33.81% interest in the Burnie Airport Corporation Unit Trust and a 76% interest in Auspep Holdings Limited.

BURNIE AIRPORT CORPORATION UNIT TRUST

Burnie Airport Corporation Unit Trust has enjoyed another successful year's trading recording a profit of $301,816. Revenue for the year on airport activities was some 3.4% lower than the previous year at $1.126 million despite a 9% increase in passenger throughput at 92,172 for the financial year

Land development and sales in excess of $760,000 also contributed to the profit. SDF will receive a dividend from these land sales in 2008/09.

We are very conscious of the difficult economic climate in which we are now operating. The first quarter results for 2008/09 show a 4.45% decline in passenger numbers but with the contracted land sales and expressions of interest in large tracts of industrial land being negotiated we are confident that another solid result will be achieved in the current financial year.

AUSPEP HOLDINGS LIMITED

Revenue for the year ending 30 June 2008 of $2.32 million was down by $0.82million compared to 2007 due mainly to Auspep Clinical Peptides major customer transferring their production from Australia to Europe during the first half of the financial year. Through this period no significant sales were recorded for this subsidiary.

This customer has all but completed the registration of their product in Europe and is tracking for US registration some time after 2010. This customer will have an ongoing, and increasing, requirement for large quantities of the Peptide raw material supplied by Auspep Clinical Peptides.

With production gearing up, initial orders totalling $US1.35 million for the 2008/09 year have been received. These are scheduled for delivery before April 2009. In addition, current projections indicate that an additional $US1.0 million of product will be required before December 2009.

The company has secured banking facilities of $1.0 million to facilitate the relocation of Auspep to the Tullamarine site and for the upgrading of equipment. At this stage it is anticipated that the relocation will be completed by April 2009. This relocation should reduce current overheads and will allow for better utilisation of resources.

Discussions are also proceeding for supply agreements with groups in the US, UK, and Australia. These negotiations have the potential to add significant revenues to the group and are being actively pursued.

Chairman's Report (Cont'd)

In the year to 30 June 2008 the board of SDF took several steps to reduce administrative costs. The Directors resolved to close the Melbourne Office of SDF and relocate to the Tullamarine headquarters of its subsidiary, Auspep Holdings Limited. It was also decided to cease listing SDF on the Bendigo Stock Exchange as no trading in SDF shares had occurred since January 2005. SDF also relinquished its Pooled Development Fund status in May 2008.

Peter Kral resigned as interim CEO and Secretary after two years of dedicated service.

On behalf of my Board I thank you for your continuing support.

Yours sincerely

Legh Davis

Legh Davis
Chairman
State Development Fund Limited

STATE DEVELOPMENT FUND LIMITED
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STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial year ended 30 June 2008.

Directors

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

Legh Hewitson Davis (appointed 30/07/02), Chairman since 30/6/05
John Andreas Nissen (appointed 05/07/00)
Colin John McKeown (appointed 08/01/09)
Peter King (appointed 05/07/00; resigned 01/08/07)
Dr Andrew Ludekens (appointed 08/12/03; resigned 21/11/07)
Michael David McDonald (appointed 5/07/00; resigned 8/01/09)

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

Principal Activities

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

State Development Fund Limited ("SDF") continued to act as a Pooled Development Fund ("PDF") providing financial and management support for its investee companies. The entity relinquished its PDF status on 11 May 2008.

Apart from relinquishing its PDF status no significant changes in the nature of the principal activities occurred during the financial year.

Results from Operations

The consolidated loss of the economic entity for the financial year after providing for income tax and eliminating outside equity interests amounted to $1,015,993 (2007: Loss $21,348). This loss was after recognising an impairment loss of $654,724 in respect of the goodwill previously recognised on the group's investment in Burnie Airport Corporation Unit Trust.

Review of Operations

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

SDF has two major investments. They are Auspep Holdings Limited and Australian Regional Airports Pty Ltd.

Auspep Holdings Limited ("AHL")

The Auspep group of companies, ("Auspep") is a leading Australian manufacturer and distributor of synthetic peptides for both *in vitro* and *in vivo* scientific research and commercial drug development. Today, this Australian owned company is an active participant in the custom peptide synthesis industry in Australia as well as establishing itself as a leading manufacturer of value added GMP grade product domestically and overseas.

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

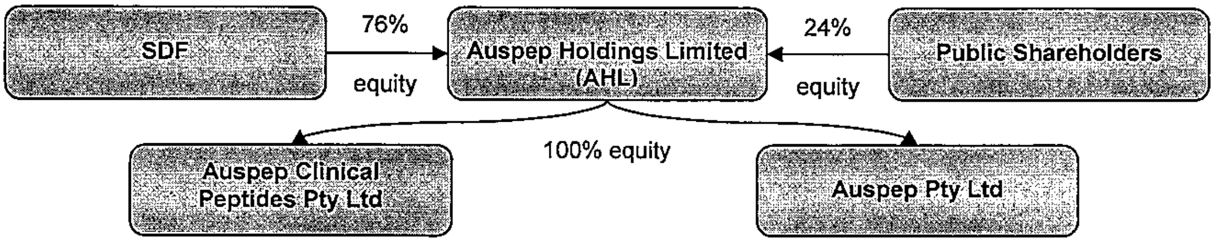
Potential applications of therapeutic peptides include the treatment of cancer, diabetes, osteoporosis and more rapid repair of human wounds and tissues. Peptides are promising drug candidates because they are potent, specific and have low toxicity.

SDF owns 76% of the share capital in AHL. Its corporate structure is outlined in Figure 1. Mr John Nissen is a director and shareholder of both AHL and SDF. Mr Nissen also holds 7.5% of AHLs' shares through a related entity.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

DIRECTORS' REPORT (Cont'd)

Figure 1: Auspep Shareholding Structure



Mr Richard Ryan, Mr Legh Davis and Professor Ian Smith were appointed to the AHL board on 30 November 2005.

Established in 1986, Auspep has assembled a team of skilled professionals at its manufacturing and administration complex in Tullamarine and 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 and supplying high quality peptides. Auspep's customer base includes major Australian and international Universities and Research Institutes, Biotech and Pharmaceutical companies.

In April 2007 Auspep was granted approval from the Therapeutic Goods Administration to produce peptide Active Pharmaceutical Ingredients (API). Manufacturing to the code of Good Manufacturing Practice ("GMP") at a purpose built facility at Tullamarine, these products are suitable for human clinical trial or as pharmaceutical raw materials. The board of Auspep intends to fully exploit the significant opportunity opened up by granting of this GMP accreditation, as the market for GMP quality peptides is growing and offers higher revenue opportunities when compared to non-GMP catalogue and custom peptides.

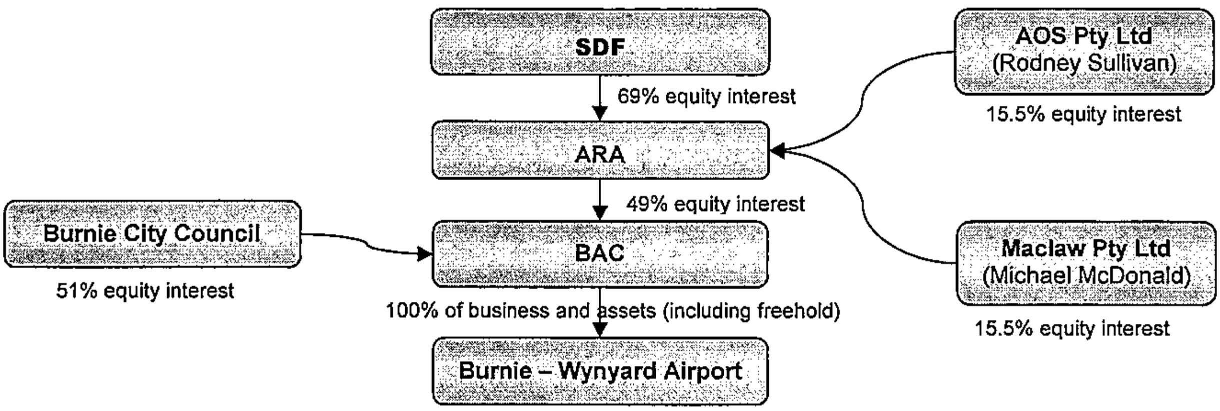
Australian Regional Airports Pty Ltd (ARA)

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.

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.

Figure 2 outlines SDF's ownership of 69% of ARA, which in turn owns 49% of the Burnie Airport Corporation Unit Trust ("BAC"), the 100% owner of the business and assets of the Burnie-Wynyard Airport. This means SDF has an effective 33.81% interest in BAC. Through their respective related entities, Mr Michael McDonald and Mr Rodney Sullivan are substantial shareholders in ARA. Mr McDonald was a director of SDF until his resignation on 8 January 2009.

Figure 2: ARA Shareholding Structure



**STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES**

DIRECTORS' REPORT (Cont'd)

Australian Regional Airports Pty Ltd (ARA) (Cont'd)

BAC acquired the business and assets of the Burnie-Wynyard Airport on 1 February 2002 for $2.5 million. An official valuation undertaken by Rawlinsons in October 2004, on behalf of BAC, valued the airport activities of BAC at between $5.6 - $5.8 million. This valuation did not include a premium for the value of the industrial and residential land owned by BAC. A second valuation of the Burnie Airport carried out by the Tasmanian Government in June 2005 valued all the property owned by BAC at $3.4 Million. After taking into account debt, the net book value of BAC assets is $8.65 million. SDF's 33.81% interest in this net value is $2.92 million. SDF has undertaken its own assessment of the value of BAC at 30 June 2008 based on current airport results and estimated values of excess land using current discount rates and the directors consider that the fair value of the 49% equity accounted investment in BAC is $2.178 million.

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

Financial Position

The net assets of the consolidated entity at 30 June 2008 are $5,993,483 (2007: $8,360,562).

Significant Changes in State of Affairs

During the year the company relinquished its PDF status. Other than this, no significant changes in the state of affairs of the parent entity occurred during the financial year:

Changes in Controlled Entities and Divisions:

There have been no changes in controlled entities and divisions.

After Balance Date Events

Since the end of the financial year a controlled entity, AHL, has obtained approval for leasing finance and loan funds of $1 million to acquire new equipment and facilitate the refurbishment of premises at Tullamarine. No other matters or circumstances have arisen since the end of the financial year which have significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Future Developments, Prospects and Business Strategies

The Board of SDF in conjunction with the directors of its investee companies are seeking to maximise the opportunities in their respective investments.

The Board of AHL is seeking to capitalise on the synergies of a single state of the art manufacturing facility in Tullamarine by transferring the operations of West Melbourne to Tullamarine and upgrading its equipment. Continued emphasis will be placed on expanding the throughput of the GMP facility to exploit the competitive advantage of being Australia's first GMP facility for the manufacture of synthetic peptides.

During 2008/9, BAC will be seeking to further develop land for resale and divest its holdings of residential and industrial land over the year while maintaining and expanding the Burnie Wynyard airport facility.

Environmental Issues

The economic entity complies with all significant regulations in relation to its disposal of waste materials as regulated under Commonwealth or of a State or Territory law.

STATE DEVELOPMENT FUND LIMITED
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DIRECTORS' REPORT (Cont'd)

Information on Directors

Current

Legh Hewitson Davis, LLB, B.EC, FCPA, SFFin – Chairman

Mr Davis is currently State Chairman of ABN AMRO Morgans in South Australia and a board member of Artbank.

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.

After lecturing in Law and Economics at the South Australian Institute of Technology, (now University of SA), 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 a former State President of the Securities Institute of Australia.

John Andreas Nissen

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 is 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, which specialised in capital raising 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 involved in the management of three timeshare resorts in Australia with a combined ownership base of approximately 8,000 members.

Mr Nissen is a director of ARA and a director and minority shareholder of AHL.

Colin John McKeown

Mr McKeown is an associate member of the Institute of Chartered Accountants and Australian Society of Accountants. He commenced his own accounting practice in 1988 and has over 30 years experience in the accounting profession.

Resigned

Peter King (resigned 01/08/07)

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.

Dr Andrew Ludekens MBBS ASIA (resigned 21/11/07)

Dr Ludekens is a general practitioner who completed his medical studies at Melbourne University in 1993. He is currently Managing Director of Lotus Capital Group Pty Ltd, a private equity investment group of companies founded by Dr Ludekens, with interests in property development, property services, and Australian agribusiness.

Michael David McDonald, BA, LL.B (resigned 08/01/09)

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.

STATE DEVELOPMENT FUND LIMITED
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DIRECTORS' REPORT (Cont'd)

Directorships of Other Listed Companies

Directorships of other listed companies held by the directors in the three years immediately before the end of the financial year are as follows.

Name:	**Company:**
John Nissen	Poltech International Limited (2003-2005)

Company Secretary

Colin John McKeown

Mr McKeown is an associate member of the Institute of Chartered Accountants and Australian Society of Accountants. He commenced his own accounting practice in 1988 and has over 30 years experience in the accounting profession.

Remuneration Report

This report details the nature and amount of remuneration for each director of SDF and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of SDF has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board of SDF believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration committee and approved by the board after seeking professional advice from independent external consultants. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives. The remuneration committee reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The key management are paid a fixed remuneration that is considered by the directors to fairly reflect their contribution to the company's performance.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of SDF profits and shareholders' value. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The executives receive a Superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Any remuneration paid to directors and executives is valued at the cost to the company and expensed.

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2008.

	2008	2007	2006	2005	2004
Last share sale price at start of year	$0.22	$0.22	$0.22	$0.17	$0.25
Last share price at end of year	$0.22	$0.22	$0.22	$0.22	$0.20
Basic earnings per share	(3.11)	(0.07)	(1.14)	(0.01)	(2.19)
Diluted earnings per share	(3.11)	(0.07)	(1.14)	(0.01)	(2.19)

STATE DEVELOPMENT FUND LIMITED
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DIRECTORS' REPORT (Cont'd)

Details of Remuneration for Year Ended 30 June 2008

The remuneration for each director and the key management personnel of the consolidated entity was as follows:

	Short Term Employee Benefits: Cash, Salary, Fees and Commissions $	Post Employment Benefits: Superannuation Contribution $	Other Employee Benefits $	Termination Benefits $	Share Based Payment Options $	Total $
Directors						
L Davis Non-Executive Chairman	30,000	-	-	-	-	30,000
J Nissen Non-Executive Director	60,000	-	-	-	-	60,000
P King Non-Executive Director	-	-	-	-	-	-
A Ludekens Non-Executive Director	-	-	-	-	-	-
M McDonald Non-Executive Director	15,000	-	-	-	-	15,000
Executives						
C Chandler Managing Director Auspep Holdings	165,636	17,754	-	-	-	183,390
R Bothof General Manager Auspep Clinical	76,743	14,775	8,109	-	-	99,627
P Kral Interim CEO	93,600	-	-	-	-	93,600
	440,979	**32,529**	**8,109**	**-**	**-**	**481,617**

Details of Remuneration for Year Ended 30 June 2007

The remuneration for each director and the key management personnel of the consolidated entity was as follows:

	Short Term Employee Benefits: Cash, Salary, Fees and Commissions $	Post Employment Benefits: Superannuation Contribution $	Other Long Term Employee Benefits $	Termination Benefits $	Share Based Payment Options $	Total $
Directors						
L Davis	45,000	-	-	-	-	45,000
J Nissen	60,000	-	-	-	-	60,000
P King	-	-	-	-	-	-
M McDonald	-	-	-	-	-	-
A Ludekens	-	-	-	-	-	-
Executives						
C Chandler	158,390	15,605	15,000	-	-	188,995
R Bothof	91,743	8,267	-	-	-	100,000
P J Kral	75,124	-	-	-	-	75,124
	430,257	**23,872**	**15,000**	**-**	**-**	**469,119**

STATE DEVELOPMENT FUND LIMITED
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DIRECTORS' REPORT (Cont'd)

Performance Income as a Proportion of Total Remuneration

Executive directors and executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The remuneration committee has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the economic entity. The remuneration committee will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit, to ensure use of the most cost effective and efficient methods. During the 30 June 2008 and 30 June 2007 years no bonuses have been paid.

Shareholdings of Directors and Executives

	Opening balance 1 July 2007	Granted as remuneration	On exercise of Options	Net Change other	Closing Balance 30 June 2008
Directors					
L Davis	16,000	-	-	-	16,000
J Nissen	6,650,000	-	-	-	6,650,000 (i)
M McDonald	1,820,000	-	-	-	1,820,000 (ii)
Executives					
C Chandler	-	-	-	-	-

(i) 6,650,000 shares are beneficially held in the name of William and John Nissen (A.T.F. Nissen Superfund A/C).
(ii) 1,820,000 shares are beneficially held in the name of Maclaw Pty Ltd (A.T.F. M&D McDonald Superannuation Fund).

All shareholdings are for ordinary shares in SDF. All equity transactions with specified directors and executives other than those arising from the exercise of remuneration options have been entered into under the terms and conditions no more favourable that those the entity would have adopted if dealing at arm's length.

The shareholdings in the above table remain unchanged at the date of this report.

Option Holdings of Specified Directors and Specified Executives

No options have been or are on issue during the year or since year end up to the date of this report.

Meetings of Directors

During the financial year, 6 meetings of directors (including committees of directors) were held. Attendances by each director during the year were:

	Directors' Meetings		Committee Meetings			
			Audit Committee (1)		Remuneration and Nomination Committee (1)	
	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended	Number Eligible to Attend	Number Attended
Directors						
L Davis	6	6	-	-	-	-
P. King	1	0				
J Nissen	6	4	-	-	-	-
M McDonald	6	2	-	-	-	-
A Ludekens	6	4	-	-	-	-

(1) during the year all matters usually dealt with by the Committees were dealt with at full Director's Meetings.

STATE DEVELOPMENT FUND LIMITED
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DIRECTORS' REPORT (Cont'd)

Indemnifying Officers or Auditor

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has entered into an agreement to indemnify directors and officers of SDF against any liability arising from claims brought by a third party against the company.

The company has paid premiums to insure all directors and officers of SDF against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The terms of the policy prevent disclosure of the amount of the premium.

Options

No options over issued shares or interests in the economic entity were granted by the company during or since the end of the financial year.

Proceedings on Behalf of Company

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

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

Non-Audit Services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's APES110 "Code of Ethics for Professional Accountants".

Details of amounts paid and payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 24 to the financial statements.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 11.

Corporate Governance and Best Practice

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

In line with the Australian Securities and Investment Commissions implementation of the Financial Services Reform ("FSR") regime, Pooled Development Funds ("PDF's") are held to be specialist investment companies where the Board is empowered to make investment decisions on behalf of its shareholders. Although there is no specific AFS licence for a PDF, SDF is confident that the Corporations Act (PF209, clause 1) defines PDF's as providing financial product advice in securities as well as dealing in financial products by issuing, applying for, acquiring, varying or disposing of securities. An AFS Licence is required when a company gives financial product advice and/or deals in financial products. SDF currently holds an Australian Financial Services Licence.

STATE DEVELOPMENT FUND LIMITED
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DIRECTORS' REPORT (Cont'd)

Corporate Governance and Best Practice (Cont'd)

In relation to its obligations both to the requirements of the AFS license and to good corporate governance, the Board has created an Audit and Compliance Committee, a Remuneration and Nomination Committee, Risk Management policies, Organisational Expertise processes, outsourcing arrangements, Human Resources policies and Financial Management policies. The committees mentioned are guided by their individual Charters in conjunction with the constitution of the company.

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

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

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

Leigh Davies

L Davis
Chairman and Director

Dated this 2nd day of February 2009

PKF

Chartered Accountants
& Business Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of State Development Fund Limited for the year ended 30 June 2008, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of State Development Fund Limited and the entities it controlled during the year.

R A Dean
Partner
PKF
East Coast Practice

2 February 2009
Melbourne

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STATE DEVELOPMENT FUND LIMITED
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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Economic Entity		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
Revenue	2	**2,323,885**	3,160,605	**125,880**	145,209
Expenses	3	**(2,798,371)**	(2,959,944)	**(245,742)**	(248,615)
Depreciation and amortisation expenses	3	**(224,846)**	(233,081)	-	(1,590)
Impairment of non current assets	3	**(654,724)**	-	-	-
Finance costs	3	**(6,113)**	(13,678)	-	-
Share of net profit of associate accounted for using the equity method	9	**144,130**	92,384	-	-
(Loss)/profit before income tax expense		**(1,216,039)**	46,286	**(119,862)**	(104,996)
Income tax benefit/(expense)	4	**131,132**	(40,964)	-	-
(Loss)/profit after income tax benefit		**(1,084,907)**	5,322	**(119,862)**	(104,996)
Attributable to:					
Equity holders of the parent		**(1,015,993)**	(21,348)	-	-
Outside equity interests		**(68,914)**	26,670		
		(1,084,907)	5,322	**(119,862)**	(104,996)
Basic and diluted earning per share - cents	23	**(3.11)**	(0.06)	-	-

The accompanying notes form part of these financial statements.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

BALANCE SHEET
AS AT 30 JUNE 2008

	Note	Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
CURRENT ASSETS					
Cash and cash equivalents	5	**63,425**	719,080	**20,530**	28,366
Trade and other receivables	6	**717,748**	272,873	**260,625**	218,000
Inventories	7	**198,441**	171,743	-	-
TOTAL CURRENT ASSETS		**979,614**	1,163,696	**281,155**	246,366
NON-CURRENT ASSETS					
Other financial assets	8	-	-	**4,803,250**	4,803,250
Investments accounted for using the equity method	9	**2,178,357**	4,013,792	-	-
Property, plant and equipment	10	**712,222**	867,285	-	-
Intangibles	11	**3,437,339**	4,092,063	-	-
Deferred tax assets	12	**219,256**	88,124	-	-
TOTAL NON-CURRENT ASSETS		**6,547,174**	9,061,264	**4,803,250**	4,803,250
TOTAL ASSETS		**7,526,788**	10,224,960	**5,084,405**	5,049,616
CURRENT LIABILITIES					
Trade and other payables	13	**813,689**	586,896	**310,923**	156,272
Financial liabilities	14	**68,426**	22,436	-	-
Provisions	15	**116,424**	87,557	-	-
Tax Liabilities	16	-	62,849	-	-
TOTAL CURRENT LIABILITIES		**998,539**	759,738	**310,923**	156,272
NON-CURRENT LIABILITIES					
Deferred tax liabilities	16	**418,983**	968,485	-	-
Financial liabilities	14	**4,797**	18,099	-	-
Provisions	15	**110,986**	118,076	-	-
TOTAL NON-CURRENT LIABILITIES		**534,766**	1,104,660	-	-
TOTAL LIABILITIES		**1,533,305**	1,864,398	**310,923**	156,272
NET ASSETS		**5,993,483**	8,360,562	**4,773,482**	4,893,344
SHAREHOLDERS EQUITY					
Contributed equity	17	**6,600,557**	6,600,557	**6,600,557**	6,600,557
Asset revaluation reserve		**674,563**	1,559,261	-	-
Accumulated losses		**(2,759,774)**	(1,743,781)	**(1,827,075)**	(1,707,213)
TOTAL PARENT ENTITY INTEREST		**4,515,346**	6,416,037	**4,773,482**	4,893,344
TOTAL MINORITY INTEREST	18	**1,478,137**	1,944,525	-	-
TOTAL EQUITY		**5,993,483**	8,360,562	**4,773,482**	4,893,344

The accompanying notes form part of these financial statements.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2008

	Economic Entity						Parent Entity		
	Attributable to Equity Holders of the Parent								
	Contributed Equity $	Accumulated Losses $	Asset Revaluation Reserve $	Total $	Minority Interest $	Total Equity $	Contributed Equity $	Accumulated Losses $	Total Equity $
Balance as at 30 June 2006	6,600,557	(1,722,433)	1,559,261	6,437,385	1,917,855	8,355,240	6,600,557	(1,602,217)	4,998,340
Profit/(Loss) for the period	-	(21,348)	-	(21,348)	26,670	5,322	-	(104,996)	(104,996)
Balance as at 30 June 2007	6,600,557	(1,743,781)	1,559,261	6,416,037	1,944,525	8,360,562	6,600,557	(1,707,213)	4,893,344
Impairment writedown against revaluation reserve (Note 9)	-	-	(884,698)	(884,698)	(397,474)	(1,282,172)	-	-	-
Profit/(Loss) for the period	-	(1,015,993)	-	(1,015,993)	(68,914)	(1,084,907)	-	(119,862)	(119,862)
Balance as at 30 June 2008	6,600,557	(2,759,774)	674,563	4,515,346	1,478,137	5,993,483	6,600,557	(1,827,075)	4,773,482

The accompanying notes form part of these financial statements.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008

	Note	Economic Entity		Parent Entity	
		2008 $	2007 $	2008 $	2007 $
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers and others		**2,635,103**	3,477,044	**77,375**	98,877
Payments to suppliers and employees		**(3,250,849)**	(2,984,730)	**(248,685)**	(210,012)
Interest received		**6,691**	4,167	**5,880**	3,806
Borrowing costs		**(4,657)**	(13,678)	**-**	-
Income tax paid		**(62,849)**	(20,985)	**-**	-
Net cash provided by/(used) in operating activities	19(b)	**(676,561)**	461,818	**(165,430)**	(107,329)
CASH FLOW FROM INVESTING ACTIVITIES					
Payment for property, plant and equipment		**(69,782)**	(15,761)	**-**	(256)
Net cash used in investing activities		**(69,782)**	(15,761)	**-**	(256)
CASH FLOW FROM FINANCING ACTIVITIES					
Repayments of borrowings		**(22,436)**	(20,287)	**-**	-
Amounts advanced by related parties		**58,000**	40,000	**157,594**	40,000
Net cash/provided by/(used in) financing activities		**35,564**	19,713	**157,594**	40,000
Net (decrease)/increase in cash held		**(710,779)**	465,770	**(7,836)**	(67,585)
Cash at the beginning of the financial year		**719,080**	253,310	**28,366**	95,951
Cash at the end of the financial year	19(a)	**8,301**	719,080	**20,530**	28,366

The accompanying notes form part of these financial statements.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

INTRODUCTION

The financial report covers State Development Fund Limited for the year ended 30 June 2008 as an individual parent entity and State Development Fund Limited and controlled entities as an economic entity. State Development Fund Limited is a company limited by shares, incorporated and domiciled in Australia.

The registered office and principal place of business is 15 Mareno Drive, Tullamarine, Victoria. The principal activity of the economic entity during the financial year was providing financial and management support for its investee companies. This activity was conducted as a Pooled Development Fund until 11 May 2008 at which date this registration was relinquished. The financial statements are presented in Australian dollars.

The financial report was authorised for issue by the Board of Directors of State Development Fund Limited on the date shown on the Declaration by the Board of Directors attached to the Financial Statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the economic entity's financial statements and notes of State Development Fund Limited, complies with International Financial Reporting Standards ("IFRS").

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

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

(a) Principles of Consolidation

A controlled entity is any entity controlled by State Development Fund Limited. Control exists where State Development Fund Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with State Development Fund Limited to achieve the objectives of State Development Fund Limited. Details of the controlled entities are contained in Note 20.

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

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

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

(b) Impairment

At each reporting date the Company reviews the carrying amounts of assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. The Directors are satisfied that the carrying amounts of assets do not exceed the net amounts that are expected to be recovered through the cash inflows and outflows arising from the continued use and subsequent disposal of the assets.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(c) Significant Judgements and Key Assumptions

No significant judgements have been made in applying accounting policies that have a significant effect on the amounts recognised in the financial statements.

The estimated cash flows to be generated from subsidiaries are based on current market evidence with an appropriate discount rate applied, or underlying assets of the subsidiary. Based on the factors described in note 11, the directors are confident the estimates are appropriate in the current market however if these cash flows are not realised there is a risk that the carrying value of goodwill would be impaired. Other than this, no key assumptions have been made concerning the future and there are no other key sources of estimation uncertainty at the balance date that the Directors consider have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(d) Investments in Subsidiaries

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

(e) Investments in Associates

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

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

(f) Property, Plant and Equipment

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

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

Class of Fixed Asset	Depreciation Rates	Depreciation Basis
Leasehold Improvements	Term of lease	Straight Line
Plant and Equipment	13%-20%	Straight Line
Motor Vehicles	22.5%	Diminishing Value

Impairment

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

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

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

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

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(g) Goodwill

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

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

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

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

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

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

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

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

(h) Employee Benefits

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

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

(i) Cash and Cash Equivalents

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

(j) Revenue

Revenue is recognised under the following conditions:

- Revenue from the sale of goods is recognised upon the delivery of goods to customers.
- Revenue from the delivery of a service is recognised upon the delivery of the service to the customers.
- Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

Any variations to estimates are recognised in the period that the variations became known.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(k) Goods and Services Tax (GST)

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

(l) Borrowing Costs

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

(m) Leases

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

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

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

(n) Income Taxes

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

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

(o) Foreign Currency Translation and Balances

(i) Translation of Foreign Currency Transactions

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

At each balance sheet date:

(a) foreign currency monetary items are reported using the closing rate;

(b) non-monetary items which are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

(c) non-monetary items which are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Foreign Currency Translation and Balances (Cont'd)

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

(ii) Translation of the Financial Statements of Foreign Operations

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

(a) assets and liabilities at the closing rate at the balance sheet date; and

(b) income and expense items at exchange rates at the dates of the transactions; and

(c) all resulting exchange differences recognised as a separate component of equity.

(p) Trade and Other Receivables

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and allowance for doubtful accounts. The collectability of debts is assessed at balance date and an allowance for doubtful balances made as necessary.

(q) Trade and Other Payables

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

(r) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being first-in first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(s) New and Revised Accounting Standards and Interpretations

State Development Fund Limited has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 July 2007.

The directors have given due consideration to new and revised standards and interpretations issued by the AASB that are not yet effective, and do not believe they will have any material financial impact on the financial statements of the Company or the consolidated entity.

The following standards, amendments to standards and interpretations applicable to the company will be adopted by the group during the first annual reporting period after the effective date of each pronouncement.

AASB 8 Operating Segments
AASB 8 will result in a change in the segment disclosures presented in the financial report such that the segments presented will not be based on primary and secondary segments but reflect those segments and amounts regularly reviewed by the entity's chief operating decision maker. While the amounts presented in the financial statements will not change the amounts presented in the segment reporting note may differ to those currently presented as a result of AASB 8 requiring the amounts presented to be based on those seen by the entity's chief operating decision maker.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(s) New and Revised Accounting Standards and Interpretations (Cont'd)

AASB 101 Presentation of Financial Statements (Revised)
The introduction of AASB 101 (Revised) will not have a material impact on the amounts presented within the financial statements but is likely to result in a substantial change in the presentation and terminology of the primary financial statements.

AASB 123 Borrowing Costs (Revised)
Adoption of AASB 123 (Revised) will result in a capitalisation of all interest expenses on qualifying assets. There will be no impact of this change on entity's financial report in the period of initial application.

AASB 3 Business Combinations (Revised)
Adoption of AASB 3 (Revised) is likely to result in substantial changes in the way in which the entity accounts for business combinations. The entity has been unable to assess the financial impact of this change on the entity's financial report in the period of initial application.

AASB 2008-7 Amendments to Australian Accounting Standards – Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate

AASB 2008-7:

(a) amends AASB 1 to allow first time adopters, in their separate financial statements, to use a deemed cost option for determining the cost of an investment in a subsidiary, jointly controlled entity or associate. The deemed cost of such an investment can be either its:

   (i) fair value at the entity's date of transition to Australian-equivalents-to-IFRSs; or
   (ii) previous GAAP carrying amount at that date.

A first time adopter may choose either deemed cost option to measure its investment in each subsidiary, jointly controlled entity or associate that it elects to measure using a deemed cost:

(b) removes from AASB 118 the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate. Therefore all dividends from a subsidiary, jointly controlled entity or associate are recognised by the investor as income;

(c) amends AASB 127 to require, in particular circumstances, a new parent entity established in a group reorganisation to measure the cost of its investment at the carrying amount of the share of the equity items shown in the separate financial statements of the original parent at the date of reorganisation. The relevant circumstances include that the reorganisation involves:

   (i) the new parent obtaining control of the original parent through an exchange of equity instruments;
   (ii) no change in the group's assets and liabilities; and
   (iii) no change to the owners' absolute and relative interests in the net assets; and

(d) amends AASB 136 to include recognising a dividend from a subsidiary, jointly controlled entity or associate, together with other evidence, as an indication that the investment in the subsidiary, jointly controlled entity or associate may be impaired.

The entity will need to assess the likely impact of this change depending on its current accounting policy in the period of initial application.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
NOTE 2: REVENUE				
- Sales Revenue	2,236,373	3,114,584	-	-
- Interest	6,691	4,167	5,880	3,806
- Other revenue	80,821	41,854	120,000	141,403
	2,323,885	3,160,605	125,880	145,209
NOTE 3: PROFIT/LOSS				
Profit/Loss before income tax expense has been determined after charging:				
Cost of sales	1,621,030	1,873,614	-	-
Consulting, accounting and audit fee	212,909	126,993	152,909	67,900
Employee benefits expense not included in cost of sales	586,672	709,679	-	75,124
Rental expense on operating leases	176,909	166,895	18,582	24,909
Exchange Loss	28,754	20,247	-	-
Other operating costs	172,097	62,516	74,251	80,682
	2,798,371	2,959,944	245,742	248,615
Finance costs:				
- other persons	6,113	13,678	-	-
Depreciation of non-current assets	224,846	233,081	-	1,590
Impairment of non current asset				
Goodwill	654,724	-	-	-
Employee Benefit expense	1,082,908	1,256,744	-	75,124
Defined Contribution Superannuation contribution	96,880	99,023	-	-
	1,179,788	1,355,767	-	75,124
NOTE 4: INCOME TAX EXPENSE				
Major components of income tax expense for the years ended 30 June 2008 and 2007 are:				
Current income tax (benefit)/expense	(135,478)	67,519	-	-
Changes in temporary differences	4,346	(26,555)	-	-
	(131,132)	40,964	-	-
The prima facie tax payable on profit/(loss) before income tax is reconciled to the income tax expense as follows:				
Prima facie income tax payable on profit/(loss) before income tax at:-				
- 15%	-	(16,320)	-	(16,320)
- 25%	-	952	-	952
- 30%	(364,812)	45,385	(35,958)	-
Add:				
Losses not brought to account	37,637	14,241	35,958	15,368
Tax effect of:				
Impairment of goodwill	196,417	-	-	-
Other non-allowable items	3,124	1,590	-	-
Unbooked tax losses of overseas subsidiaries utilised	(3,498)	(4,884)	-	
Income tax expense/(benefit) attributable to profit	(131,132)	40,964	-	-

The tax rates used in the above reconciliation are the corporate tax rates applicable to the Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 4: INCOME TAX EXPENSE (CONT'D)

Pooled Development Fund ("PDF") Status

The PDF board has advised that to maintain its PDF status after 11 May 2008 the company will need to dispose of its interest in BAC. This has not occurred and SDF has relinquished its PDF status.

Tax Consolidation

Relevance of tax consolidation to the consolidated entity

The subsidiary, Auspep Holdings Limited, and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Auspep Holdings Limited. The members of the tax-consolidated group are Auspep Holdings Ltd, Auspep Pty Ltd and Auspep Clinical Peptides Pty Ltd.

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Deferred tax asset arising from tax losses not recognized at balance date as the directors are not satisfied that the timing of the benefits are certain enough to regard realisation of the benefit as probable.	37,637	216,019	35,958	213,111
NOTE 5: CASH AND CASH EQUIVALENTS				
Cash on hand	502	502	-	-
Cash at bank	62,923	718,578	20,530	28,366
	63,425	719,080	20,530	28,366
NOTE 6: RECEIVABLES				
CURRENT				
Trade receivables	649,866	143,560	256,000	198,000
Sundry receivables	67,882	129,313	4,625	20,000
	717,748	272,873	260,625	218,000

Trade receivables are non-interest bearing and are generally on 30-60 day terms. As at 30 June 2008 the economic entity had debts that were past due but not classified as doubtful in the amount of $7,206 (2007: Nil). These trade receivables comprise trade receivables that have a good debt history and are considered recoverable. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment loss has been recognised by the economic entity or by the parent entity during the current or prior years.

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. No significant concentration of credit risk is present at 30 June 2008.

NOTE 7: INVENTORY

CURRENT				
Raw materials	-	38,705	-	-
Work in progress	94,777	60,058	-	-
Finished goods	103,664	72,980	-	-
	198,441	171,743	-	-

NOTE 8: INVESTMENTS

Auspep Holdings Limited – at cost (Note 20)	-	-	3,803,250	3,803,250
Australian Regional Airports Pty Ltd – at cost (Note 20)	-	-	1,000,000	1,000,000
	-	-	4,803,250	4,803,250

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 9: INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Interest in Associate	Balance Date	Ownership Interest held by Consolidated Entity		Economic Entity	
		2008	2007	2008	2007
		%	%	$	$
Burnie Airport Corporation Pty Ltd as Trustee for the Burnie Airport Corporation Unit Trust	30 June	49%	49%	2,178,357	4,013,792
Principal Activity					
Burnie Airport Corporation Pty Ltd owns and operates Burnie Wynyard regional airport in North-West Tasmania.					
Movement in Carrying Amounts of Investments in Associates					
Beginning of year		4,013,792	4,013,792	-	-
Share of associates net profit		144,130	92,384	-	-
Distributions Received/Receivable		(147,890)	(92,384)	-	-
Impairment (a)		(1,831,675)	-	-	-
Closing Value		2,178,357	4,013,792	-	-
Summary of Associates Assets and Liabilities					
Current assets		1,054,052	1,001,650	-	-
Non-current assets		6,221,329	7,201,073	-	-
Current liabilities		(1,043,210)	(789,125)	-	-
Non-current liabilities		(534,766)	(136,175)	-	-
Net Assets		5,697,405	7,277,423	-	-
Share of Associates net assets		2,178,357	4,010,032		
Retained profits of the consolidated entity attributable to associate					
Balance at the beginning of financial year		3,760	3,760	-	-
Share of associates net profit		144,130	92,384	-	-
Distributions received/receivable from associate		(147,890)	(92,384)	-	-
Balance at end of the financial year		-	3,760	-	-
Reserves of the consolidated entity attributable to associate					
Balance at the beginning of the financial year		2,259,799	2,259,799	-	-
Impairment (a)		(1,282,172)	-	-	-
Balance at the end of the financial year		977,627	2,259,799	-	-

(a) IMPAIRMENT

The directors have reviewed the carrying value of the equity accounted investment in Burnie Airport Corporation Unit Trust and have determined that a writedown to recoverable amount is required. The valuation of the airport operating activities is at value in use and land in excess to airport requirements is valued at fair value less costs to sell. Fair value less costs to sell have been estimated based on valuations and costings provided on surplus land uses. The loss is a result of using a revised discount rate for the airport to reflect current market conditions and due to development costs exceeding previous expectations with respect to surplus land disposals. The assets of the equity accounted investment had previously been the subject of a revaluation and the consolidated entity had recognised its share of that revaluation and a related deferred tax liability. The impairment of $1,831,675 in the equity accounted investment has been charged against this revaluation and has reduced the revaluation reserve by $1,282,172 and the deferred tax liability by $549,503. The consolidated entity has also written off the goodwill related to the investment of $654,724 to profit and loss in the current period.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 10: PLANT AND EQUIPMENT

	Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Motor Vehicles				
At Cost	82,581	82,580	-	-
Less Accumulated Depreciation	(46,435)	(35,939)	-	-
	36,146	46,641	-	-
Leasehold Improvements				
At Cost	299,965	299,965	-	-
Less Accumulated Depreciation	(149,275)	(104,283)	-	-
	150,690	195,682	-	-
Plant and Equipment				
At Cost	2,158,458	2,091,820	14,433	14,433
Less Accumulated Depreciation	(1,633,072)	(1,466,858)	(14,433)	(14,433)
	525,386	624,962	-	-
TOTAL PLANT & EQUIPMENT				
At Cost	2,541,004	2,474,365	14,433	14,433
Less Accumulated Depreciation	(1,828,782)	(1,607,080)	(14,433)	(14,433)
	712,222	867,285	-	-

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

	Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
MOTOR VEHICLES				
Balance at beginning of year	46,641	68,729	-	-
Additions	1	-	-	-
Depreciation expense	(10,496)	(22,088)	-	-
Carrying amount at end of year	36,146	46,641	-	-
LEASEHOLD IMPROVEMENTS				
Balance at beginning of year	195,682	240,676	-	-
Additions	-	-	-	-
Depreciation expense	(44,992)	(44,994)	-	-
Carrying amount at end of year	150,690	195,682	-	-
PLANT AND EQUIPMENT				
Balance at the beginning of the year	624,962	774,946	-	1,334
Additions	69,782	15,761	-	-
Depreciation expense	(169,358)	(165,745)	-	(1,334)
Carrying amount at end of year	525,386	624,962	-	-

NOTE 11: INTANGIBLE ASSET

	Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Goodwill				
Balance at the beginning of the financial year	4,092,063	4,092,063	-	-
Impairment	(654,724)	-	-	-
Balance at the end of the financial year	3,437,339	4,092,063	-	-

The useful life of the intangible asset was estimated as indefinite and the cost method was utilised for its measurement.

During the financial year, the company assessed the recoverable amount of goodwill, and determined that goodwill associated with the company relating to the investment in Auspep Holdings Limited is not impaired. The goodwill relating to the investment in Australian Regional Airports Pty Ltd was considered to be impaired and has been written off. The recoverable amount of the cash-generating units, being the assets of the company and goodwill for each of the two investments, was assessed by reference to the cash-generating units value in use.

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTE 11: INTANGIBLE ASSET (CONT'D)

$3,437,339 of the goodwill relates to the investment in Auspep Holdings Limited. The carrying amount of goodwill is allocated to the cash-generating unit of the company. A discount rate of 22.86% (2007: 20%) pre tax has been applied to the cash flow projections. The cash flow projections are based on management's five-year budget/forecast experiences with a terminal value based on the fifth year's cash flows inflated at 3% per annum.

$654,724 of the goodwill relates to the investment in Australian Regional Airports Pty Ltd. The carrying amount of goodwill is allocated to the cash-generating unit of the company. A discount rate of 15% (2007: 10%) pre tax has been applied to the cash flow projections. The cash flow projections are based on management's five-year budget/forecast experiences. The cash flow projections indicated that the economic entity's investment in Burnie Airport Corporation Unit Trust was impaired and writedowns were therefore processed (see Note 9a for details of the writedowns).

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
NOTE 12: TAX ASSETS				
The deferred tax asset consists of:				
Accruals	4,050	2,400	-	-
Capital costs	9,252	12,337	-	-
Provisions	74,223	67,690	-	-
Unrealised foreign exchange fluctuations	4,945	5,697	-	-
Losses	126,786	-	-	-
	219,256	88,124	-	-
NOTE 13: TRADE AND OTHER PAYABLES				
CURRENT				
Trade payables	338,038	253,234	77,310	116,272
Advance from related parties (Note 25)	98,000	40,000	197,594	40,000
Sundry payables	377,651	293,662	36,019	-
	813,689	586,896	310,923	156,272

Trade payables are non interest bearing and are normally settled on 30 day terms.

Due to the short term nature of these payables their carrying value is assumed to approximate their fair value.

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
NOTE 14: FINANCIAL LIABILITIES				
CURRENT				
Secured liabilities				
Bank overdraft (i)	55,124	-	-	-
Hire purchase liabilities	13,302	22,436	-	-
	68,426	22,436	-	-
(i) Secured by a mortgage debenture over the assets of the Auspep Holdings Limited group.				
NON-CURRENT				
Secured liabilities				
Hire purchase liabilities	4,797	18,099	-	-
NOTE 15: PROVISIONS				
CURRENT				
Employee benefits	116,424	87,557	-	-
NON-CURRENT				
Employee benefits	110,986	118,076	-	-
Aggregate employee benefits	227,410	205,633	-	-

STATE DEVELOPMENT FUND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
NOTE 16: TAX LIABILITY				
CURRENT				
Tax liability	-	62,849	-	-
NON-CURRENT				
Deferred tax liabilities	418,983	968,485	-	-

NOTE 17: SHARE CAPITAL

The company has unlimited authorised capital with no par value.

32,634,000 ordinary shares fully paid (2007: 32,634,000)	6,600,557	6,600,557	6,600,557	6,600,557

There are no restrictions on distribution of dividends and repayment of capital.

Capital Management

The directors and management control the capital of the economic entity in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and to ensure the economic entity can fund its operations and continue as a going concern:

The economic entity's debt and capital includes ordinary share capital and financial liabilities supported by financial assets.

There are no externally imposed capital requirements.

The directors and management effectively manage the economic entity's capital by assessing the entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by the directors and management to control the capital of the economic entity since the prior year. This strategy is to ensure the economic entity's gearing ratio remains under 40%. The gearing ratios for the year ended 30 June 2008 and 30 June 2007 are as follows:

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Total borrowings	73,223	40,535	-	-
Trade and other payables	813,689	586,896	310,923	156,272
Less cash and cash equivalents	(63,425)	(719,080)	(20,530)	(28,366)
Net debt	823,487	(91,649)	290,393	127,906
Total equity	5,993,483	8,360,562	4,773,482	4,893,344
Total capital	6,816,970	8,268,913	5,063,875	5,021,250
Gearing ratio	12%	0%	6%	3%

NOTE 18: MINORITY INTERESTS

Contributed equity	1,232,199	1,232,199	-	-
Reserves	303,066	700,538	-	-
Retained profits/(accumulated losses)	(57,128)	11,788	-	-
Outside equity interest	1,478,137	1,944,525	-	-

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 19: CASH FLOW INFORMATION

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Cash at bank	**63,425**	719,080	**20,530**	28,366
Bank overdraft	**(55,124)**	-	-	-
	8,301	719,080	**20,530**	28,366

(b) Reconciliation of cash flow from operations with profit/(loss) after income tax

	Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Profit/(Loss) after income tax	**(1,084,907)**	5,322	**(119,862)**	(104,996)
- Depreciation	**224,846**	233,081	-	1,590
- Impairment of non current assets	**654,724**	-	-	-
- (Increase)/decrease in receivables	**(444,875)**	(48,041)	**(42,625)**	(42,526)
- Increase/(decrease) in payables	**226,797**	184,579	**(2,943)**	38,603
- (Increase) /decrease in Inventory	**(26,698)**	48,330	-	-
- (Increase)/decrease in deferred tax assets	**(185,376)**	(26,555)	-	-
- (Decrease)/increase in tax liabilities	**(62,849)**	46,535	-	-
- Increase/(decrease) in employee provisions	**21,777**	18,822	-	-
Cash flow from/(used in) operations	**(676,561)**	462,073	**(165,430)**	(107,329)

(c) The economic entity acquired plant and equipment with an aggregate fair value of NIL (2007: $NIL) by means of hire purchase.

NOTE 20: CONTROLLED ENTITIES

State Development Fund Limited – Ultimate parent entity.

Subsidiary:	Auspep Holdings Limited
Country of incorporation:	Australia
Percentage owned:	76% (2007: 76%)

Controlled Entities of Auspep Holdings Limited:

Auspep Pty Ltd	Australia	100%
Auspep LLC	USA	100%
Auspep Clinical Peptides	Australia	100%

Subsidiary:	Australian Regional Airports Pty Ltd
Country of incorporation:	Australia
Percentage owned:	69% (2007: 69%)

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 21: SEGMENT REPORTING

BUSINESS SEGMENTS

	PDF Activities		Airport Management		Peptide Manufacturing		Eliminations		Total	
	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $	2008 $	2007 $
Revenue										
External Sales	-	-	-	9,000	2,236,373	3,105,584	-	-	2,236,373	3,114,584
Inter-segment Sales	-	-	-	-	-	-	-	-	-	-
Total Revenue	-	-	-	9,000	2,236,373	3,105,584	-	-	2,236,373	3,114,584
Other Income	125,880	145,209	118	-	81,514	39,013	(120,000)	(141,403)	87,394	42,819
Share of net profit of Associates	-	-	144,130	92,384	-	-	-	-	144,130	92,384
Total segment revenue	125,880	145,209	144,248	101,384	2,317,887	3,144,597	(120,000)	(141,403)	2,468,015	3,249,787
Result										
Segment Results	(119,862)	(104,996)	(664,077)	3,758	(300,968)	106,560	-	-	(1,084,907)	5,322
Depreciation	-	1,590	-	-	224,846	231,491	-	-	224,846	233,081
Assets										
Segment Assets	607,000	1,226,935	16,055	19,159	4,928,079	5,065,691	(221,862)	(100,617)	5,329,272	6,211,168
Investment in equity accounted associate – included in segment assets	-	-	2,178,357	4,013,792	-	-	-	-	2,178,357	4,013,792
Acquisition of non current assets	-	-	-	-	69,782	15,761	-	-	69,782	15,761
Liabilities										
Segment liabilities	310,923	156,272	418,983	968,485	850,810	687,454	(47,411)	51,883	1,533,305	1,864,094

GEOGRAPHICAL SEGMENTS

The economic entity operates predominantly in Australia. Peptide manufacturing sales are made in a number of overseas markets however no individual market is currently a significant portion of the business.

STATE DEVELOPMENT FUND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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	Economic Entity		Parent Entity	
	2008	2007	2008	2007
NOTE 22: EXPENDITURE COMMITMENTS	$	$	$	$
Non-cancellable rental operating leases contracted for but not capitalised in the financial statements:				
Payable				
- no later than one year	93,500	90,800	-	-
- later than one year but no later than five years	527,535	391,268	-	-
- later than five years	-	229,767	-	-
	621,035	711,835	-	-

	Economic Entity	
	2008	2007
NOTE 23: EARNINGS PER SHARE	$	$
Net Profit/(Loss)	(1,084,907)	5,322
Net Profit/(Loss) attributable to outside equity interest	68,914	(26,670)
Earnings used to calculate basis and diluted earnings per share	(1,015,993)	(21,348)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share	32,634,000	32,634,000

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
NOTE 24: AUDITOR'S REMUNERATION	$	$	$	$
Audit and review fees	99,128	56,628	25,000	29,650
Other services				
- tax return and consulting services	-	30,342	-	25,000
	99,128	86,970	25,000	54,650

NOTE 25: RELATED PARTY DISCLOSURES

Directors

The directors of the company during the year were:

Legh Davis
Dr. Andrew Ludekens
Michael McDonald
John Nissen
Peter King
Colin McKeown

Director-Related Entity Transactions

Current directors have loaned a total of $98,000 to SDF (2007: $40,000). The loans of $98,000 (2007: $40,000) are to fund the short term liquidity of SDF. The terms and conditions of the loans are that they will be either repaid by SDF on an interest free basis or converted into equity at the director's discretion. The conversion into equity must be approved by members at a general meeting and at a price on par with the next round of capital raising.

Loans

SDF borrowed $99,594 from Auspep Holdings Limited during the year to enable commitments to be met. Other than this, there are no loans made by the disclosing entity or any of its subsidiaries to any director or executive, including their personally related entities

Other Related Party Transactions

Management Fee Income – A management fee of $120,000 (2007: $50,000) was charged by State Development Fund Limited during the year to Australian Regional Airport Pty Ltd. At 30 June 2008, ARA owed the company $256,000 (2007: $198,000), the loan is non-interest bearing. In 2007 Auspep Holdings Ltd paid State Development Fund $51,403 related to external corporate advice that SDF had paid on behalf of Auspep Holdings Ltd and $40,000 for management services.

STATE DEVELOPMENT FUND LIMITED AND CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 26: STANDBY ARRANGEMENTS AND CREDIT FACILITIES

The economic entity has access to:

	Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Bank overdraft facility	100,000	100,000	-	-
Amount of facility used	(55,124)	-	-	-
Amount of facility unused	44,876	100,000	-	-

NOTE 27: KEY MANAGEMENT PERSONNEL COMPENSATION

The following table discloses the aggregate of key management compensation.

	Economic Entity 2008 $	Economic Entity 2007 $	Parent Entity 2008 $	Parent Entity 2007 $
Short-term employee benefits	449,088	445,257	93,600	75,124
Superannuation Contributions – Defined contribution funds	32,529	23,862	-	-
Total remuneration	481,617	469,119	93,600	75,124

Details of key management personnel remuneration are disclosed in the Director's Report accompanying the financial report.

NOTE 28: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Instruments

The economic entity's principal financial instruments comprise receivables, payables, bank overdraft, cash and cash equivalents. These activities expose the economic entity to a variety of financial risks: interest rate risk, currency risk, price risk, credit risk and liquidity risk.

Although the economic entity does not have documented policies and procedures, the directors and management manage the different types of risks to which it is exposed by considering and monitoring levels of exposure to interest rate and foreign exchange risk and by being aware of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, liquidity risk is monitored through general business budgets and forecasts.

STATE DEVELOPMENT FUND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 28: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

	Weighted Average Interest Rate		Variable Interest		Non-Interest Bearing		Fixed Interest 1 year or less		Fixed Interest 1 to 5 years		Total	
Consolidated	**2008 %**	**2007 %**	**2008 $**	**2007 $**	**2008 $**	**2007 $**	**2008 $**	**2007 $**	**2008 $**	**2007 $**	**2008 $**	**2007 $**
Financial Assets:												
Cash	0.1	0.5	63,425	719,080	-	-	-	-	-	-	63,425	719,080
Receivables			-	-	717,748	272,873	-	-	-	-	717,748	272,873
Total Financial Assets:			63,425	719,080	717,748	272,873	-	-	-	-	781,173	991,953
Financial Liabilities:												
Bank overdraft	13.3	-	55,124	-	-	-	-	-	-	-	55,124	-
Hire purchase agreements	8.2	8.2	-	-	-	-	13,302	22,436	4,797	18,099	18,099	40,535
Trade and other payables			-	-	813,689	586,896	-	-	-	-	813,689	586,896
Total Financial Liabilities:			55,124	-	813,689	586,896	13,302	22,436	4,797	18,099	886,912	627,431
Parent Entity	**2008 %**	**2007 %**	**2008 $**	**2007 $**	**2008 $**	**2007 $**	**2008 $**	**2007 $**	**2008 $**	**2007 $**	**2008 $**	**2007 $**
Financial Assets:												
Cash	0.1	0.1	20,530	28,366	-	-	-	-	-	-	20,530	28,366
Receivables			-	-	260,625	218,000	-	-	-	-	260,625	218,000
Total Financial Assets:			20,530	28,366	260,625	218,000	-	-	-	-	281,155	246,366
Financial Liabilities:												
Trade and other payables			-	-	310,923	156,272	-	-	-	-	310,923	156,272
Total Financial Liabilities:			-	-	310,923	156,272	-	-	-	-	310,923	156,272

The fair values of the financial assets and liabilities approximate the carrying values.

Risk Exposures and Responses

Interest Rate Risk

The effect of volatility of interest rates within expected reasonable possible movements would not be material.

Price Risk

The economic entity's exposure to commodity and equity securities price risk is minimal.

STATE DEVELOPMENT FUND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 28: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Currency Risk

At 30 June 2008 the economic entity had the following exposure to foreign currency that is not designated in cash flow hedges:

	Economic Entity		Parent Entity	
	2008	2007	2008	2007
	$	$	$	$
Financial Assets				
Bank	29,558	65,254	-	-
Trade and other receivables	388,812	23,947	-	-
Financial Liabilities				
Trade and other payables	(21,199)	(8,913)	-	-
Net exposure	397,171	80,288	-	-

The effect of volatility of foreign exchange rates within expected reasonable possible movements would not be material.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any allowance for doubtful debts, as disclosed in the balance sheet and notes to the financial report.

The economic entity trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the economic entity's policy to securitise its trade and other receivables. It is the economic entity's policy to consider the credit worthiness of all customers who wish to trade on credit terms.

In addition, receivable balances are monitored on an ongoing basis with the result that the economic entity's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

Liquidity Risk

The economic entity manages liquidity risk by monitoring cash flow and maturity profiles of financial assets and liabilities.

Maturities of Financial Liabilities

The table below analyses the economic entity's financial liabilities into relevant maturity groupings based on those remaining at the reporting date to the contractual maturity date. The amounts disclosed are the discounted cash flows.

	Economic Entity				
	0-6 months	6-12 months	1-2 years	2-5 years	Total
	$	$	$	$	$
Financial Assets					
Bank	63,425	-	-	-	63,425
Trade and other receivables	717,748	-	-	-	717,748
	781,173	-	-	-	781,173
Financial Liabilities					
Bank overdraft	55,124	-	-	-	55,124
Trade and other payables	813,689	-	-	-	813,689
Borrowings	6,651	6,651	4,797	-	18,099
	875,464	6,651	4,797	-	886,912
Net maturity	(94,291)	(6,651)	(4,797)	-	(105,739)

STATE DEVELOPMENT FUND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008

NOTE 28: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity Risk (Cont'd)

			Parent Entity		
	0-6 months $	6-12 months $	1-2 years $	2-5 years $	Total $
Financial Assets					
Bank	20,530	-	-	-	20,530
Trade and other receivables	260,625	-	-	-	260,625
	281,155	-	-	-	281,155
Financial Liabilities					
Trade and other payables	310,923	-	-	-	310,923
Net maturity	(29,768)	-	-	-	(29,768)

STATE DEVELOPMENT FUND LIMITED
AND CONTROLLED ENTITIES

DIRECTORS' DECLARATION

The directors of State Development Fund Limited declare that:

(a) in their opinion the accompanying financial statements and notes are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

(c) the remuneration disclosures that are contained in the Remuneration report in the Directors' report comply with Australian Accounting Standards AASB 124 Related Party Disclosure, the Corporations Act 2001 and corporations Regulations 2001; and

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

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

Legh Davis
Legh Davis
Director and Chairman

Dated this 2nd day of February 2009

PKF

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF STATE DEVELOPMENT FUND LIMITED

We have audited the accompanying financial report of State Development Fund Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both State Development Fund Limited and the consolidated entity comprising State Development Fund Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian Accounting Standards ensures that the financial statements and notes, comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of State Development Fund Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards, as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of State Development Fund Limited for the year ended 30 June 2008, complies with section 300A of the Corporations Acts 2001.

PKF
East Coast Practice

R A Dean
Partner

2 February 2009
Melbourne

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STATE DEVELOPMENT FUND LIMITED AND CONTROLLED ENTITIES

SHAREHOLDERS' INFORMATION AS AT 5 SEPTEMBER 2008

Total Issued Capital		**32,634,000**
Distribution of Shareholdings	**Holders**	**Shares**
1 – 1,000	0	0
1,001 – 5,000	8	30,300
5,001 – 10,000	42	351,000
10,001 – 100,000	40	1,272,700
100,001 and over	14	30,980,000
Total number of shareholders	**104**	**32,634,000**

Voting Rights: One vote for each ordinary share held

Shareholders holding less than a marketable parcel	0
Number of restricted securities on issue	0
Number of unquoted securities (options)	0
Number of holders of unquoted securities (options)	0

Top 10 Shareholders	**Number**	**% Issued Capital**
Nefco Nominees Pty Ltd	6,500,000	19.91
ANZ nominees Pty Ltd	6,000,000	18.39
Nissen Family Superfund A/C	5,000,000	18.38
Emlion Holdings Superfund A/C	3,250,000	9.96
Lotus Capital Holdings Pty Ltd	2,400,000	7.35
M&D McDonald Superfund A/C	1,820,000	5.58
Prime Endeavour Pty Ltd	1,650,000	5.06
Ms Wendy Ogler	1,600,000	4.90
Mr Issy Lissek	1,600,000	4.90
Moonlight Investments Pty Ltd	500,000	1.53
Top 10 Total	30,320,000	95.96
Remainder	2,314,000	7.09
Total	**32,634,000**	**100.00**