

# ASX Announcement

31 May 2024

## Application for Revocation of PDF Status

Generation Development Group Limited (ASX: GDG) advises that it has applied to have its pooled development fund registration revoked. A revocation occurs as soon as practicable after an application is made, and it is expected that the revocation will occur on 3 June 2024.

GDG has outgrown its PDF status and it is difficult for GDG to continue to maintain its PDF status having regard to various PDF restrictions. This revocation will allow GDG to continue to invest and support the growth of its subsidiary companies as well as remove limitations on GDG's ability to grow by acquisition.

Details in this regard are contained in a Shareholder Letter in the form set out **attached**. This letter is in the process of being sent to shareholders.

GDG's operational activities and other regulatory licences will not be impacted by the revocation.

A further ASX announcement will be made after the revocation has occurred and shareholders will also be advised.

## Authorised by the board and contact for further information:

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Chief Financial Officer

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31 May 2024

[gendevdevelopmentgroup.com.au](http://gendevdevelopmentgroup.com.au)

Dear Shareholder

**Notification of Application for Revocation of PDF Registration**

Generation Development Group Limited (GDG) advises that it has applied to have its pooled development fund (PDF) registration revoked. A revocation occurs as soon as practicable after an application is made, and it is expected that the revocation will occur on 3 June 2024. You will be advised after this has occurred.

GDG has outgrown its PDF status and it is difficult for GDG to continue to maintain its PDF status having regard to various PDF restrictions. In particular, as a PDF, GDG is prohibited from investing more than 30% of its committed capital in any one company, is unable to purchase pre-owned shares in a company without regulatory approval, may not invest in a company whose total assets exceed \$50 million and may not borrow money. Even though GDG has achieved considerable growth over the past few years, these restrictions will materially inhibit GDG's ability to achieve similar growth rates in succeeding years.

This revocation will allow GDG to continue to invest and support the growth of its subsidiary companies as well as remove limitations on GDG's ability to grow by acquisition.

GDG's operational activities and other regulatory licences are not impacted by the revocation.

The revocation will have taxation consequences which are set out in more detail in the **Attachment** and which are summarised as follows:

- GDG will cease to be entitled to a concessional tax rate on its income and gains with effect from the start of the current financial year.
- GDG shareholders will from hereon be subject to the usual dividend rules for taxation purposes, and any previous PDF dividend tax concessions will no longer be available.
- GDG shareholders will be taken to have acquired shares in GDG for capital gains tax purposes at the time of revocation. Any subsequent disposal by shareholders of their GDG shares will have potential taxation consequences having regard to this cost base.

We thank shareholders for their support over the years as we transition into the next phase of growth for GDG.

Please let us know if you have any queries.

Yours sincerely



Rob Coombe  
Chairman

## **Attachment – Tax Consequences associated with a Revocation of GDG's PDF Status**

GDG shareholders should obtain their own tax advice on the consequences for them of GDG ceasing to be a PDF. The following is a general Australian tax description only based on current tax laws and practice, and accordingly GDG shareholders may wish to provide a copy of this to their own tax adviser to confirm its applicability to their own circumstances.

### **1. GDG Tax Consequences**

GDG is currently eligible for various taxation concessions:

- GDG is entitled to a concessional tax rate of 15% for income and gains derived in relation to GDG's investments in small to medium enterprises.
- GDG is also entitled to a concessional tax rate of 25% on any other income and gains derived by GDG.

A revocation of GDG's PDF status has the effect that GDG will cease to be entitled to a concessional tax rate on its income and gains with effect from the start of the current financial year.

### **2. Shareholder Dividend Consequences**

Currently all dividends paid by GDG are exempt tax income in the hands of GDG shareholders. In addition, certain GDG shareholders including resident complying superannuation funds are entitled to an additional refundable tax offset where the dividends are franked with the venture capital franking credits, which effectively enable them to receive capital gains attributable to venture capital investments free of tax. Further, resident GDG shareholders have the option to elect to be taxed on the receipt of franked dividends received from GDG, which benefits resident corporate shareholders who can utilise the franking credits and can also benefit resident shareholders to pay tax at a rate that is lower than the general corporate tax rate.

A revocation of GDG's PDF status has the effect that the PDF dividend tax concessions enjoyed by GDG shareholders will no longer be available in respect of any dividends paid (which includes credited) on and from the date of revocation. From that date, the usual dividend rules will apply for taxation purposes.

### **3. Shareholder Disposal of Shares Consequences**

GDG shareholders are currently eligible for a tax concession whereby any gains or losses realised on a disposal of GDG shares can be disregarded by GDG shareholders for tax purposes. This is the case irrespective of whether the shares are held by a GDG shareholder on capital account or on revenue account.

A revocation of GDG's PDF status has the effect that GDG shareholders will be deemed to have disposed of their shares immediately before the revocation, and GDG shareholders are deemed to have reacquired their shares immediately afterwards with a cost base equal to the market value of the shares at that time. Any gain or loss realised on the deemed disposal of their GDG shares will be disregarded. This treatment applies regardless of whether the GDG are held on capital account or on revenue account. Any gain or loss on a subsequent disposal of the GDG shares will not be disregarded, but will be determined having regard to the cost base established immediately after the revocation.