

ASX Announcement

3 June 2024

Revocation of PDF Status

Generation Development Group Limited (ASX: GDG) refers to its ASX announcement dated 31 May 2024 which advised that it had applied to have its pooled development fund registration revoked. That announcement stated that it was expected that the revocation would occur on 3 June 2024. A Shareholder Letter has been sent to shareholders with details in the form attached to the 31 May 2024 ASX announcement. A further copy of the Shareholder Letter is **attached**.

GDG advises that its pooled development fund registration has been revoked. A letter confirming the revocation is **attached** which was received after 4pm today.

As detailed in the Shareholder Letter, GDG shareholders who were shareholders prior to the revocation will be taken to have acquired their pre-revocation shares in GDG for Australian capital gains tax cost base purposes at the time of revocation. The GDG share price at this time was \$2.25.

GDG shareholders may wish to provide this information to their tax advisors together with the Shareholder Letter, as any subsequent disposal by shareholders of their GDG shares should have regard to this cost base.

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

Authorised by the board of directors of Generation Development Group Ltd and contact for further information:

Terence Wong
Chief Financial Officer

Telephone: +61 3 8601 2021
Email: twong@genlife.com.au

31 May 2024

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.

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Australian Government

Department of Industry,
Science and Resources

Mr Robert Neil Coombe
Level 17, 447 Collins Street
Melbourne VIC 3000
investorrelations@genlife.com.au

Dear Mr Coombe

**Revocation of pooled development fund registration declaration
under s46 of the *Pooled Development Funds Act 1992*
Generation Development Group Limited [ACN 087 334 370]**

On 3 June 2024 the delegate of Industry Innovation and Science Australia (the Board) agreed to revoke Generation Development Group Limited's (GDG's) pooled development fund (PDF) registration declaration under s46 of the *Pooled Development Fund Act 1992*.

Date of effect

The revocation is recorded as occurring on a specified date, that being, 3 June 2024.

Requirement to notify shareholders

GDG is required under s49 of the PDF Act to notify its shareholders if it ceases to be a PDF as soon as practicable. There are important provisions relating to the taxation arrangements for shareholders when a company ceases to be a PDF and these can be found in s124ZR of the *Income Tax Assessment Act 1936*.

Gazettal of the decision

In accordance with s48 of the PDF Act, the department, on behalf of the Board, will publish a notice in the Government Notices Gazette stating GDG's name and advising GDG is no longer hold a PDF registration declaration from 3 June 2024 because its registration declaration was revoked on that date.

The department will provide you notification when the publication occurs.

Other matters

Please note the department cannot provide legal or taxation advice and would encourage GDG and its shareholders to consider seeking such advice if it has any questions of this nature.

Please contact venturecapital@industry.gov.au if you have any questions in relation to this matter.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'SK' with a large loop.

Sarah Kosciuk
Director
Venture Capital

3 June 2024

| industry.gov.au

Department of Industry, Science and Resources
GPO Box 2013 Canberra ACT 2601 ABN: 74 599 608 295

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