



**Starpharma Pooled Development Ltd**  
ABN 20 078 532 180

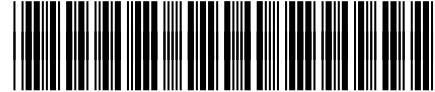
**All correspondence to:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia  
Enquiries (within Australia) 1300 850 505  
(outside Australia) 61 3 9615 5970  
Facsimile 61 3 9473 2555  
www.computershare.com



000001

MR JOHN SMITH  
FLAT 123  
123 SAMPLE STREET  
SAMPLEVILLE VIC 3030

SPL



Dear Shareholder

Enclosed is a Notice of Meeting and Explanatory Notes for a General Meeting of shareholders in relation to the status of the Company as a Pooled Development Fund (PDF).

Two resolutions are on the agenda for this meeting – the first resolution would give your Directors authority to apply to the PDF Registration Board at any time prior to the next Annual General Meeting of the Company to have the Company's PDF registration declaration revoked. The second resolution provides that on revocation of the PDF registration declaration, the Company would change its name to Starpharma Holdings Limited.

At our Annual General Meeting on 19 November 2003 we discussed the limitations of the PDF status in the context of corporate transactions for the future growth of the Company. We are now calling this General Meeting to ask shareholders to give the Board the discretion to relinquish the status of the Company as a PDF in order to give your directors maximum flexibility to explore all opportunities available to increase shareholder value.

Your Directors fully recognise the taxation benefits of the PDF structure and would be reluctant to give up the PDF status unless it was in the interests of shareholders to do so.

There are a number of practical considerations in relation to relinquishing PDF status for both the Company and its shareholders, particularly in respect of taxation. The tax consequences are discussed in part 5 of the Explanatory Notes. A key issue of shareholders is that of the taxation treatment of gains and losses on future disposals of shares held in the Company. While the Company is a PDF shareholders are exempt from tax on any gains on disposal of their shares; however if the Company ceased to be a PDF, any gains made after the Company ceased to be a PDF would be taxable. The market value of the shares at the time of deregistration becomes the cost base of the shares for future capital (or revenue) gain or loss purposes.

This is addressed in further detail in the attached Explanatory Notes. Shareholders are advised to seek independent advice in relation to their own particular circumstances.

The meeting will be held at the ASX Theatre, 530 Collins Street, Melbourne, Victoria on Thursday, 22 January 2004 at 3.00pm.

If you are attending this meeting, please bring this letter with you to facilitate registration into the meeting.

If you are unable to attend the meeting, you are encouraged to complete the enclosed proxy form. The proxy form should be returned in the envelope provided or faxed to our share registry on (03) 9473 2555 so that it is received by 3.00pm on Wednesday, 21 January 2004. Alternatively it should be returned to the Company's Registered Office, Level 6, Baker Heart Research Building, Commercial Road, Melbourne, Vic, 3004 or faxed to (03) 9510 5955.

Corporate shareholders will be required to complete a "Certificate of Appointment of Representative" to enable a person to attend on their behalf. A form of this certificate may be obtained from the Company's share registry.

I look forward to your attendance at the meeting.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'P. Bartels', written in a cursive style.

Peter T Bartels  
Chairman  
18 December 2003

Encl:



Starpharma Pooled Development Ltd  
ABN 20 078 532 180

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

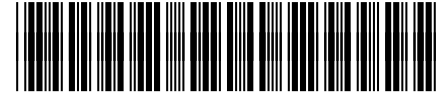
# Proxy Form

**All correspondence to:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia  
Enquiries (within Australia) 1300 850 505  
(outside Australia) 61 3 9615 5970  
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MR JOHN SMITH  
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SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)



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## Appointment of Proxy

I/We being a member/s of Starpharma Pooled Development Ltd and entitled to attend and vote hereby appoint



the Chairman  
of the Meeting  
(mark with an 'X')

OR

Write here the name of the person you are appointing if  
this person is **someone other than** the Chairman of the  
Meeting.

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Starpharma Pooled Development Ltd to be held at the ASX Theatre, 530 Collins Street, Melbourne, Victoria on Thursday, 22 January 2004 at 3.00pm and at any adjournment of that meeting.

## Voting directions to your proxy - please mark to indicate your directions

Item 1 Revocation of registration as a Pooled Development Fund

Item 2 Change of Company name

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

## Appointing a second Proxy

I/We wish to appoint a second proxy



Mark with an 'X' if you  
wish to appoint a second  
proxy.

AND

 %

OR

State the percentage of your voting rights or the number  
of securities for this Proxy Form.

## PLEASE SIGN HERE

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Individual/Sole Director and  
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

/ /

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1 P R



# How to complete the Proxy Form

## 1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

## 2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company.

## 3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

## 4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) indicate that you wish to appoint a second proxy by marking the box.
- (b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (c) return both forms together in the same envelope.

## 5 Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the securityholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

## Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 24 hours before the commencement of the meeting at 3.00pm on Thursday, 22 January 2004. Any Proxy Form received after that time will not be valid for the scheduled meeting.

### Documents may be lodged using the reply paid envelope or:

- by posting, delivery or facsimile to Starpharma Pooled Development Ltd share registry at the address opposite:

Starpharma Pooled Development Ltd share registry  
Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne Victoria 3001  
Australia  
Facsimile (03) 9473 2555

# STARPHARMA POOLED DEVELOPMENT LIMITED

ACN 078 532 180

Notice of general meeting to be held at the ASX Theatre, 530 Collins Street,  
Melbourne, Victoria at 3.00pm on Thursday 22 January 2003

This is an IMPORTANT DOCUMENT and requires your attention.  
If you are in any doubt as to how to deal with it, please consult  
your financial or other professional adviser.

# Notice of Meeting

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Notice is given that a general meeting of the shareholders of Starpharma Pooled Development Limited ACN 078 532 180 (Starpharma or Company) will be held at the **ASX Theatre, 530 Collins Street, Melbourne, Victoria at 3.00pm on Thursday, 22 January 2004.**

## Business

### 1. Revocation of registration as a Pooled Development Fund

To consider and if thought fit to pass the following resolution as an ordinary resolution:

That the shareholders approve the Company applying, if the directors choose to do so, at any time prior to the next annual general meeting of the Company, to the PDF Registration Board pursuant to section 46(1) of the Pooled Development Funds Act 1992 (Cth) to have the Company's pooled development fund registration declaration revoked.

### 2. Change of Company name

Subject to resolution 1 being passed by shareholders, to consider and if thought fit to pass the following resolution as a special resolution:

Subject to the revocation of the Company's pooled development fund registration declaration, that the Company change its name to Starpharma Holdings Limited.

## Voting Entitlements

For the purpose of the Corporations Act, the Company has determined that all securities of the Company that are quoted securities at 7.00pm Australian Eastern Standard Time on 20 January 2004 will be taken, for the purpose of the Meeting, to be held by the persons who held them at the time.

## Proxies

A shareholder has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. The Proxy Form must be deposited 24 hours prior to the commencement of the meeting, at the share registry of the Company, Computershare Investor Services Pty Limited, located at Level 12, 565 Bourke Street, Melbourne, Vic, 3000 or at the Company's Registered Office, Level 6, Baker Heart Research Building, Commercial Road, Melbourne, Vic, 3004 or by facsimile to Computershare on (03) 9473 2555 or to the Company on (03) 9510 5955.

If you appoint the chairperson of the meeting, or fail to appoint anyone, as your proxy and do not indicate how you wish to vote on the resolution, the chairperson will vote, as proxy for you, in favour of the resolution.

The sending of a proxy form will not prevent you from attending or voting at the general meeting.

**BY ORDER OF THE BOARD**



**B P Rogers**  
Company Secretary  
**18 December 2003**

# Explanatory Notes

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These explanatory notes are provided to explain the resolution to be considered at the general meeting of the Company's shareholders to be held at **the ASX Theatre, 530 Collins Street, Melbourne, Victoria at 3.00pm on Thursday, 22 January 2004**. These explanatory notes are included with and form part of the notice of meeting.

## 1. Background

The Company is a publicly listed company, registered under the Pooled Development Funds Act 1992 (Cth) (the **PDF Act**).

As a pooled development fund (**PDF**), the Company is required to comply with the investment guidelines and other rules imposed by the PDF Act. Your directors believe that these guidelines and rules limit the investment options of the Company as well as its ability to participate in initiatives to grow and develop the Company.

Accordingly, your approval is being sought to give your directors the discretion to elect to have the Company apply for its PDF registration to be revoked. This will give your directors maximum flexibility to explore all opportunities for the growth and development of the Company and to maximise shareholder returns.

## 2. Resolution 1

The proposal before shareholders is to approve the Company applying for deregistration as a PDF under the PDF Act, if the directors choose to do so, at any time prior to the next annual general meeting.

There is no formal requirement that shareholders approve an application by the Company to the PDF Board for deregistration. However your directors have decided to put the deregistration proposal before shareholders, by way of ordinary resolution, for a number of reasons. These include:

- as the Company has been a PDF since 1997, a number of shareholders may have subscribed for or acquired shares in the Company on the basis of its PDF status;
- the revocation of a PDF registration declaration is irreversible – once revoked, the Company will never again be eligible for PDF status; and
- revocation of PDF status has consequences (including potential tax consequences) both for the Company and for its shareholders (see below).

The proposed resolution gives your directors the flexibility to choose to apply for deregistration as a PDF at any time prior to the next AGM. Therefore, if shareholders pass the resolution, the actual application for deregistration may not be made for some time, if at all. Your directors will announce to ASX once a decision is made and will separately write to shareholders informing you of this decision.

### 2.1 Process of PDF Deregistration

Section 46(1) of the PDF Act allows the Company, as a registered PDF, to apply in writing to the PDF Registration Board to have its registration declaration revoked. The Company is required to notify its shareholders, in writing, that it has made the application and must also notify its shareholders, in writing, of the revocation as soon as practicable after it becomes aware that it has ceased to be a PDF.

### 2.2 Background to PDF status

The Company was registered as a PDF under the PDF Act on 23 July 1997. Its stated preferred investment is in companies whose activities are directed towards dendrimer based research, development and commercialisation.

As a PDF, the Company qualifies for concessional tax rates and tax treatment under the PDF Act. These concessions are given to PDFs to encourage the flow of private equity capital to finance the growth and development of small or medium-sized Australian companies (SMEs).

### **2.3 Rationale for Deregistration as a PDF**

Despite the tax concessions afforded to the Company and its shareholders under the PDF regime, your directors believe that the investment guidelines and compliance rules under the PDF Act limit the investment options of the Company as well as its ability to participate in initiatives to grow and develop the Company.

The aspects of the PDF Act investment guidelines that your directors feel have this effect include the following:

- The restrictions on investing in overseas companies or conducting follow-on investments in Australian companies that have migrated offshore. The Company invested in Dendritic Nanotechnologies (known as DNT) which has since relocated to the US. As a PDF, the Company is restricted from increasing its investment in DNT or participating in any capital raisings or US-based "spin offs".
- The restrictions on investing in companies whose total assets are greater than \$50 million. This severely limits the range of companies that the Company can invest in.
- The restrictions on making "secondary purchases" of securities in companies. This means that the Company may only undertake investments where it is subscribing for new capital – it cannot acquire shares from existing shareholders. This means the Company would be restricted from acquiring secondary securities at potentially attractive prices.

### **2.4 Consequences of deregistration**

There are various consequences for both the Company and its shareholders if the Company's PDF registration declaration is revoked. These consequences are described below in:

- Section 4 – General Consequences of Deregistration; and
- Section 5 – Tax Consequences of Deregistration.

These descriptions are provided to help shareholders decide whether or not to vote for or against the resolutions. The descriptions are general in nature and are not intended to be advice and should not be relied upon as such.

Individual shareholders may be impacted differently by the proposed deregistration of the Company as a PDF, particularly in respect of tax. On this basis, your directors recommend that you seek independent financial advice should you be uncertain of the implications.

## **3. Resolution 2**

The proposal before shareholders is to approve a change in the name of the company from "Starpharma Pooled Development Limited" to "Starpharma Holdings Limited". If passed, the resolution would only effect the name change as and when the Company ceased to be a PDF.

Your directors have proposed that, should the Company cease to be a PDF, the Company should change its name to signify its move away from its Pooled Development Fund heritage.

The Board believes that the Company should adopt the name Starpharma Holdings Limited.



## 4. General Consequences of Deregistration

Some of the consequences that arise as a result of the Company's PDF registration declaration being revoked are as follows:

- (a) the Company will no longer be subject to the reporting and other requirements imposed under the PDF Act; and
- (b) the Company will no longer be subject to the restrictions imposed under the PDF Act on its investment and capital raising activities and will not need to obtain PDF Registration Board approval before entering into certain transactions.

## 5. Tax Consequences of Deregistration

There will also be a number of taxation consequences for the Company and its shareholders if the Company's PDF registration declaration is revoked. Some of these consequences are described in the following general summary which compares the different positions of the company and its shareholders depending on whether or not the Company is registered as a PDF. As mentioned above, the summary is general in nature. It does not cover all situations and should not be viewed as constituting specific advice. Shareholders should seek their own professional advice before making a decision.

### 5.1 Consequences for the Company

#### (a) Income Tax Rates

*Company registered as a PDF*

If the Company is a PDF for the entire income year, its taxable income for the year is divided into two components. Its "SME income component" is taxed at the rate of 15% and its "unregulated investment component" is taxed at the rate of 25%.

*Company not registered as a PDF*

If the Company is deregistered as a PDF, its entire taxable income for the year in which it ceases to be a PDF and for subsequent years will be taxed at the general corporate tax rate (currently 30%).

#### (b) Tax Losses

*Company registered as a PDF*

The Company can only deduct tax losses it has made as a PDF in previous years if it is a PDF throughout the later income years in which those losses are sought to be deducted.

*Company not registered as a PDF*

If the Company ceases to be a PDF, such tax losses will no longer be deductible. At this stage the Company does not have any tax losses that would be affected by the change in PDF status.

Tax losses of the Company's subsidiaries would not be affected by the Company ceasing to be a PDF.

#### (c) Venture capital franking

*Company registered as a PDF*

While it is a PDF, the Company can maintain a venture capital franking account. This account may be credited with tax payments that are reasonably attributable to CGT events happening in relation to its qualifying investments in SMEs. The Company would be able to use any credits in such an account to venture capital frank any dividends it might pay in the future. These dividends are of benefit to "relevant venture capital investors" (see 6.2(b) below).

*Company not registered as a PDF*

If the Company ceases to be a PDF, it will not be able to maintain a venture capital franking account or pay venture capital franked dividends.

**(d) Ability to consolidate**

*Company registered as a PDF*

A PDF is unable to be a member of a consolidated group under the taxation laws. The Company is, therefore, unable to form a group with its subsidiary members while it remains registered as a PDF.

*Company not registered as a PDF*

If the Company ceases to be a PDF, it would no longer be prevented from forming a consolidated group with its subsidiary members. There may be potential advantages of electing to consolidate because, among other things, transactions (eg payments of dividends and transfers of assets) between members of the group are generally ignored for tax purposes. Furthermore, subject to satisfying certain requirements, the tax losses of its subsidiary members may be able to be transferred to it as the head company of the group and utilised in accordance with the specified loss utilisation rules.

**(e) Acquisitions**

*Company registered as a PDF*

The ability of the Company to undertake potential acquisitions by way of a "scrip for scrip" offer may be significantly hindered where the Company is a PDF.

*Company not registered as a PDF*

If the Company ceases to be a PDF, it will be able to undertake "scrip for scrip" offers. Furthermore, provided certain conditions are satisfied, shareholders in a target company may be entitled to claim capital gains tax ("CGT") roll-over relief where they exchange their shares in the target company for shares in the Company. This would make a potential acquisition by the Company under a "scrip for scrip" offer more attractive to target shareholders.

## **5.2 Consequences for Shareholders**

This section outlines some of the taxation consequences that arise for shareholders of the Company. It only focuses on the position of certain shareholders, namely resident individuals, resident companies and complying superannuation funds. It does not address the position of other shareholders, such as trustees and non-residents.

**(a) Disposal of shares in the Company**

*Company registered as a PDF*

Gains and losses made by shareholders on the sale or disposal of shares in a company that is a PDF at the time of the sale or disposal are disregarded for CGT purposes. They are also exempt from income tax and are not deductible.

*Company not registered as a PDF*

If the Company is deregistered as a PDF, the shareholders will be deemed to have disposed of their shares in the Company immediately before it ceases to be a PDF and to have immediately re-acquired the shares for their market value. The deemed sale or disposal will not, by itself, give rise to any tax liabilities for the shareholders.

The shares deemed to have been reacquired, however, will no longer be treated as PDF shares and gains and losses on the future sale or disposal of such shares will, therefore, no longer be disregarded. Depending on their particular circumstances, shareholders will generally need to account for future gains and losses (above or below the market value at the time of de-registration) upon the eventual sale or disposal of such shares under either the CGT rules (where they are held on capital account) or the general income tax rules (where they are held as trading stock or otherwise on revenue account). The following discussion focuses on the position of shareholders that hold their shares on capital account. Different consequences may apply to shareholders that hold their shares as trading stock or otherwise on revenue account.

For shareholders that hold their shares on capital account, a capital gain will arise from the disposal of the shares where the capital proceeds from the disposal exceed the cost base of the shares. A capital loss will arise where the capital proceeds from the disposal are less than the reduced cost base of the shares. The cost base and reduced cost base of the shares will be based on the market value of the shares immediately after the Company ceased to be a PDF.

Provided they have held their shares for at least 12 months from the date of the deemed reacquisition, individual shareholders and complying superannuation funds (but not companies) may be eligible to reduce any capital gain arising from the disposal of their shares by a "CGT discount" of 50% (for individuals) or 33 1/3% (for complying superannuation funds).

**(b) Dividends**

*Company registered as a PDF*

Resident shareholders are exempt from tax on unfranked dividends that are paid by the Company at a time when it is registered as a PDF.

In general, resident shareholders are also exempt from tax on franked dividends that are paid by the Company at such time. No franking credits are available in respect of these exempt dividends.

Resident shareholders, however, also have the choice of being assessed on franked dividends. In such a case, they will generally be required to also include the franking credits allocated to such dividends in their assessable income and they will be entitled to tax offsets for these franking credits. This option can benefit resident shareholders who pay tax at a rate that is lower than the general corporate tax rate of 30% as they will be able to offset the credit against tax on other income and may be entitled to refunds for excess franking credits. It would also benefit resident corporate shareholders, as they will obtain credits in their franking accounts equal to the amount of the franking credits allocated to the dividends. This will enable them to pass these dividends on to their shareholders as franked dividends.

Shareholders that are "relevant venture capital investors" (namely certain superannuation entities such as non-self managed complying superannuation funds) are exempt from tax in respect of dividends that are franked with "venture capital franking credits". These shareholders are, nevertheless, generally entitled to benefit from the venture capital franking credits allocated to such dividends.

Note that there are various anti-avoidance provisions in the tax legislation which deny shareholders the benefit of franking credits. This includes a "45 day holding period rule" which broadly provides that, unless a specific exemption applies, shareholders will only be able to benefit from franking credits where they have held their shares in a company "at risk" for at least 45 days.

*Company not registered as a PDF*

Dividends paid by the Company after it ceases to be a PDF will be included in the assessable income of resident shareholders.

Resident shareholders will also generally be required to include any franking credits allocated to such dividends in their assessable income and will be entitled to tax offsets for such franking credits assuming they satisfy the 45 day holding period rule.

Companies that receive franked dividends would be entitled to credit their franking accounts with an amount equal to the franking credit.