PEPPERCORN INVESTMENT FUND
(PIF)

ARSN 102 955 939

Prospectus

AN INVESTMENT IN THE BUSINESS OF CHILDCARE

Offer of 13,282,000 Units in PIF at an issue price of $1.20 per Unit
Responsible Entity: DDH Graham Limited ABN 28 010 639 219

Lessee/Operator: Peppercorn Holdings No 4 Pty Ltd ABN 84 101 236 766
(a wholly owned subsidiary of Peppercorn Management Group Limited ABN 15 087 155 860)

Lead Manager: Wilson HTM Corporate Finance Limited ABN 65 057 547 323

CONTENTS

Prospectus

This Prospectus is dated 17th October 2003 and was lodged with the Australian Securities and Investments Commission (ASIC) on that date. The expiry date of this Prospectus is 10th March 2004. No securities will be allotted or issued on the basis of this Prospectus later than the expiry date. This Offer is subject to Unitholder approval of various resolutions as described in section 8.2, which are to be considered at a Unitholder meeting on 12th November 2003. DDH Graham Limited (the Issuer) will apply for listing and quotation of the Units on the Australian Stock Exchange (ASX) within 7 days after the date of this Prospectus. ASIC and ASX take no responsibility for the contents of this Prospectus. No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Responsible Entity in connection with the Offer.

Defined terms and abbreviations included in the text of this Prospectus are explained in the Glossary in section 14.

This Prospectus contains important information and you are advised to read it carefully. Investors participating in this Offer will have all the risks of ownership associated with owning this type of investment including competing childcare centres, vacancy rates of childcare centres, capital expenditure, fee levels and selling risks. Refer to section 10 for further detail regarding risk factors of the investment.

DDH Graham Limited does not guarantee the success of PIF nor a particular rate of return of income or capital.

This Offer of Units under this Prospectus is provided to you as a professional investor or sophisticated investor, pursuant to section 708 of the Corporations Act.

The Offer of Units under this Prospectus is available to Australian residents. The Offer does not constitute an offer in any jurisdiction other than Australia. The Offer is not an offer to any person or an offer in any place, to which or in which it is unlawful to make such an offer.

This Prospectus has been prepared so that section 707(3) of the Corporations Act does not apply in respect of any on-sales of the Units issued pursuant to the Offer.

The purpose of the on-sale provisions is to ensure adequate disclosure to retail clients acquiring financial products as a result of certain on-sales of securities within 12 months of their issue, where they were issued without disclosure to investors under Part 6D.2 of the Corporations Act. The Units issued under this Prospectus will have been issued pursuant to a disclosure document under that Part.

If you have any questions, please contact Wilson HTM Corporate Finance Limited on (07) 3212 1333 or the Responsible Entity of Peppercorn Investment Fund, DDH Graham Limited on (07) 3210 2277.

1. Investment overview

- This Prospectus is to raise $15.94 million to fund the acquisition of an additional 31 operating Centres.
- This is the second prospectus issued by PIF, after having successfully raised $20.8 million through the IPO Prospectus dated 10 April 2003, and $30 million through a pre-listing offer of Converting Debt Securities in December 2002.
- PIF was admitted to the official list of the ASX on 20 May 2003 and official quotation of PIF Units commenced on 22 May 2003 (ASX code PIV).
- PIF is a specialist childcare centre owner which will, upon completion of the acquisition of the 31 Centres described in this Prospectus, hold approximately $135 million of total assets, allowing investors an efficient means of accessing the relatively high returns available within this sector through an ASX listed entity. An investment in PIF is an investment in the business of childcare.
- PIF is an asset rich, strong growth investment vehicle with an attractive yield.
- PIF is a unit trust. It acquires childcare businesses (and associated plant and equipment), and acquires tenure to the land, buildings, fixtures and fittings either on a freehold basis or a long term lease arrangement. The Operator is contractually bound to enter into a Management Lease for each Centre acquired by the Fund, hold the childcare licences and employ all staff in the Centres.
- PIF outsources the management and sourcing of its Centres to a subsidiary of Peppercorn Management Group Limited ("Peppercorn"). The Peppercorn Group is the largest operator of childcare centres in Australia. Peppercorn is listed on the ASX and has a market capitalisation of over $150 million. It has a demonstrated ability and contractual obligation to source freehold childcare centres for PIF.
- PIF has acquired or will acquire 84 Centres using funds raised through the IPO and has acquired or intends to acquire a further 31 Centres using funds raised pursuant to this Prospectus which are to be operated by Peppercorn Holdings No 4 Pty Ltd, a wholly owned subsidiary of Peppercorn Management Group Limited.

PIF - Summary Forecast Financial Performance

Year to June:	**2004(f)**	**2005(f)**
Net Profit from Ordinary Activities ($mill)	6.66	8.72
Earnings per Unit (cents)	9.80	11.97
Price earnings multiple(x) at Issue Price	12.2	10.0
Distribution per Unit (cents)	9.70	11.76
Comprising:		
Franked distribution per Unit (cents)	8.29	11.76
% Franked	65%	74%
Tax deferred distribution per Unit (cents)	1.41	0.00
Franked Yield at Issue Price	8.1%	9.8%

For further details regarding the assumptions used in the above forecasts refer to Section 6 of this Prospectus.

- The acquisition of these Centres is consistent with PIF's strategy of acquiring Centres that have strong financial performance, achieving value for Unitholders.
- Despite competitive pressures on acquisitions, PIF has been able to maintain centre acquisition multiples (see financial forecasts in section 6.2.3). There is continued rationalisation of the childcare industry, however there are still attractive opportunities.
- Peppercorn has continued to provide a pipeline of assets for inclusion in PIF pursuant to the Operations Management Agreement.
- PIF is a public trading trust and pays tax at the corporate rate and as a consequence pays franked distributions.
- Half-yearly distributions payable in February and August each year. As foreshadowed in the IPO Prospectus no distribution was made in August 2003. It is anticipated that the first distribution will be made in February 2004.
- Units issued pursuant to this Prospectus will rank equally with Units already on issue for the February 2004 distribution (subject to Unitholder approval).
- The management fee charged by the Operator is largely performance related.
- The Commonwealth Government's childcare funding program supports a growing flow of funds into the childcare industry.
- The Responsible Entity has fixed the interest rate on the initial Fund borrowings of $40.1 million for a five year term and will have the option to fix the interest rate on new borrowings. The intended long-term gearing of the Fund will be approximately 40% (debt to total assets) but may periodically be higher on a short term basis to facilitate childcare centre acquisition opportunities.
- Investors in the Fund are not personally liable for any borrowings undertaken by the Fund.

2. Executive summary

2.1 The Offer

The Offer is for 13.282 million fully paid Units in Peppercorn Investment Fund ("PIF" or "the Fund") at an Issue Price of $1.20 per Unit.

The Offer is subject to Unitholder approval. A Unitholder meeting has been set down for 12 November 2003 to consider, and if thought fit, approve the resolutions described in section 8.2.

2.2 Key Offer information

Number of Units offered under this Prospectus	13,282,000
Number of Units currently issued	59,600,525
Number of Units on issue following completion of the Offer	72,882,525
Issue price per Unit offered under this Prospectus	$1.20
Amount being raised under this Prospectus	$15,938,400

The forecasts have been prepared by the Issuer. The achievement of forecast returns is uncertain. See Section 6 for further information about the assumptions on which the forecasts are based and the effect on the forecasts if the assumed outcomes are not attained. Also refer to section 10 for further detail regarding risk factors of the investment.

2.3 Key dates

12 November 2003	Unitholder Meeting
13 November 2003	Deadline for messages to be exchanged with the Lead Manager for DvP settlement
14 November 2003	Settlement of Units
20 November 2003	Expected commencement of trading of Units on ASX

All dates are indicative only and subject to change. DDH Graham Limited reserves the right to close the Offer earlier or to extend the closing date without notice.

2.4 The investment

Through the Offer it is intended to raise additional equity for PIF to assist in funding the acquisition of an additional 31 Centres. The funds raised pursuant to PIF's initial public offering were used to fund the acquisition of 84 Centres. Of the 84 Centres, 83 have been settled and are generating income for the Fund with the remaining Centre scheduled to settle by the end of October 2003.

The management of Centres acquired by PIF is undertaken by Peppercorn Holdings No 4 Pty Ltd (referred to in this Prospectus as "the Operator") under long term Management Lease arrangements. The Operator is a wholly-owned subsidiary of Peppercorn Management Group Limited, the ultimate parent company of the Peppercorn Group. The Peppercorn Group is an experienced and successful operator of Long Day Care Centres. It is the largest in Australia, currently providing management services to over 260 childcare centres. Peppercorn Management Group Limited is listed on the ASX and has a market capitalisation of over $150 million.

The Directors of the Responsible Entity are satisfied that upon the successful completion of the Offer, the Fund will have sufficient working capital to meet its objectives.

2.5 Investment structure

PIF is a unit trust. It acquires childcare businesses (and associated plant and equipment), and acquires tenure to the land, buildings, fixtures and fittings either on a freehold basis or a long term lease arrangement. The Operator is contractually bound to enter into a Management Lease for each Centre acquired by the Fund, hold the childcare licences and employ all staff in the Centres.

For taxation purposes PIF is treated as a public trading trust.

PIF receives revenue equivalent to the operating income of the Centres less the management fee payable to the Operator. The Operator's management fee consists of a base management fee per centre operated per month (indexed annually by the CPI) plus a percentage of gross revenue (freehold centres only) and a percentage of net operating income (after deducting the base fee and any percentage of gross revenue). Refer to section 11.4 for further information.

The Responsible Entity of the Fund is DDH Graham Limited.

2.6 Investment strategy

PIF will only invest in childcare centres. The Centres that have been acquired or which have been identified for acquisition with funds raised pursuant to this Prospectus involve the acquisition of freehold title (25 Centres) and leasehold title (6 Centres) to the land, building, fixtures and fittings.

Subject to underlying market conditions it is expected that PIF will acquire between 30-50 additional centres per annum.

2.7 Rationale for investment

The security, stability and magnitude of the Commonwealth Government's childcare funding program supports a growing flow of funds into the childcare industry.

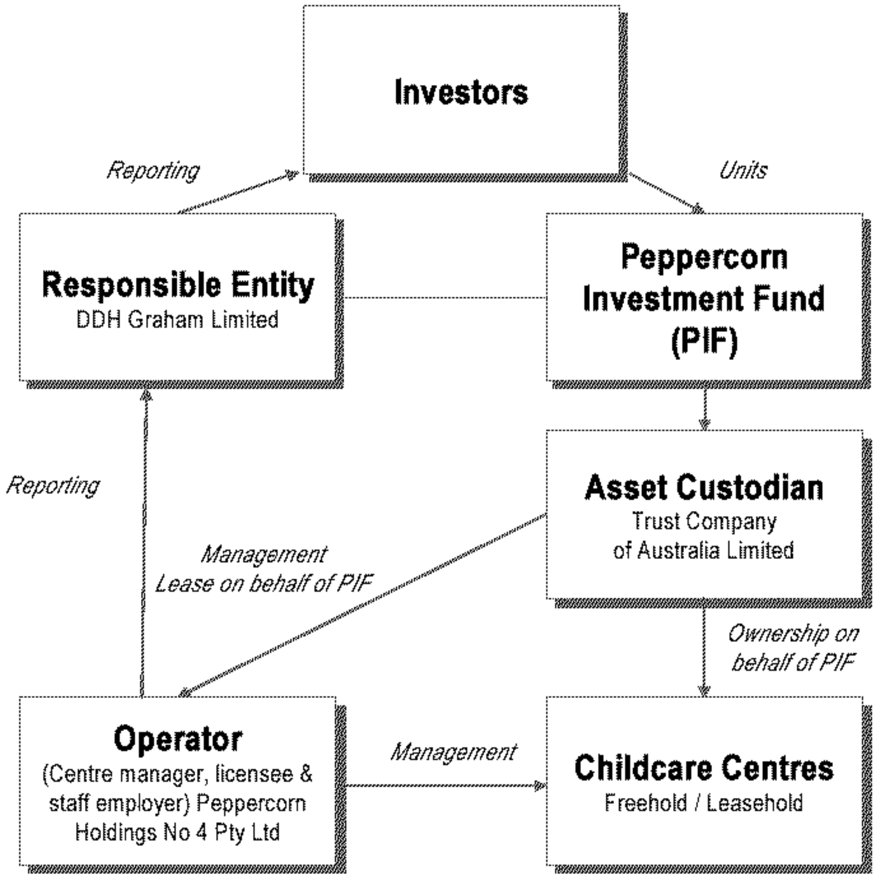
The industry is relatively simple in its structure, has low volatility and is predictable in its operations. However it is fragmented in its ownership structure and is characterised by a large number of small operators and owners. By utilising specialist management, investment in PIF allows investors an efficient means of accessing the relatively high returns available within this sector.

2.8 Risk factors

An investment in PIF involves the assumption by investors of certain risks, including those generally related to investment in the sharemarket. The achievement of the financial forecasts contained in section 6 is dependent on a number of assumptions and subject to a number of risks. A description of the major assumptions underlying the forecasts is contained in section 6 and section 10 outlines the key business and investment risks relevant to an investment in PIF.

3. Structure of the Fund

The structure and participants in PIF are as follows:



3.1 Key elements of the structure

Ownership

PIF owns or has a long term leasehold interest over the land, buildings, fixtures and fittings of each Centre, and it owns the plant and equipment of the Centres.

Management

The Operator enters into long term Management Lease agreements (10 x 10 year) to operate the Centres, acquired by PIF, holds the childcare licences and employs all staff.

The Management Leases require the Operator to remit to PIF all net income from the childcare businesses less a portion which it retains as its management fee (refer section 6.7.1).

3.2 The Operator

For information on Peppercorn, holding company of the Operator of the Centres, refer to section 5.

3.3 The Responsible Entity

The Responsible Entity is DDH Graham Limited, a Queensland based merchant banking and funds management firm, which has been conducting transactions since 1986 and has a strong history of involvement with Queensland and national clients in the private and public sectors. DDH Graham Limited presently operates in three divisions being funds management and administration, corporate advisory and managing a money market fund. It has in excess of $750 million in assets under management.

DDH Graham Limited has relevant experience in trust management and administration. The trust management function commenced in 1989 and currently extends to several trusts including CPT-1 which was established in 2001 and CPT-2, CPT-3 and PIF which were all established in 2002.

DDH Graham Limited is the holder of an Australian Financial Services Licence (Licence No. 226319).

3.3.1 *Responsible Entity's duties and obligations*

The role of DDH Graham Limited as Responsible Entity is defined by the Corporations Act and is specifically detailed in the Fund Constitution and the Compliance Plan.

Broadly, the role of the Responsible Entity is to manage the Fund and to protect the interests of Unitholders. In performing this role, DDH Graham Limited will undertake a number of tasks to ensure the Fund complies with the Corporations Act, the Fund Constitution and the Compliance Plan. DDH Graham Limited will also perform a range of administrative and accounting functions, including the payment of distributions to Unitholders.

For a summary of the Constitution, refer to section 11.1.

3.3.2 *Directors of the Responsible Entity*

The Directors of DDH Graham Limited are:

Name and qualifications	Age	Experience and special responsibilities
Mr David D H Graham Chairman and Managing Director Bachelor of Commerce Bachelor of Economics (Hons) Master of Business Administration Fellow of CPA Australia	61	Managing Director since 1986. Extensive experience in financial advisory and trust management services. Non-executive director of Centro Properties Group, Prime Property Management Limited and Stradbroke Ferries Limited.
Mr Peter B Lockhart Bachelor of Economics Master of Business Administration	49	Director of the Company since 1988. Extensive experience in financial advisory and trust management services. Member of Compliance and Audit Committee for the Fund.
Mr Ugo C Di Girolamo Associate Diploma in Business Member of Finance & Treasury Association Limited	41	Director of the Company since 2000. Over 20 years experience in financial markets including 7 years in an executive money market role.

4. The Centres

Funds raised pursuant to this Prospectus will be applied to purchase or refinance 31 additional Centres which have been acquired or identified for acquisition from various vendors. The Centres have been identified after an extensive selection process. Following identification a due diligence process is conducted on each Centre. Neither the Responsible Entity nor any entity in the Peppercorn Group is vending any Centres into the Fund. The completion of the acquisition of a number of the Centres is also subject to various conditions, including a condition that satisfactory due diligence investigations are completed. Should the acquisition of any of these Centres not proceed then it is intended that replacement centres will be sourced which will provide a similar financial outcome to PIF to that contained in the forecast.

4.1 Centres acquired

A total of 7 of the 31 childcare Centres have already been acquired at the date of this Prospectus using debt funding. Of the remaining 24 Centres to be purchased, 17 have been contracted and 7 are still subject to contract finalisation as at the date of this Prospectus. Summary information is presented as follows:

Location	No of Centres	Licence capacity (No of childcare places)
Queensland	2	140
Western Australia	14	818
Victoria	3	194
New South Wales	10	561
Tasmania	2	85
Total	**31**	**1,798**

4.2 Summary of Centres

	No of Centres	Licence capacity (No of childcare places)
IPO Portfolio	84	5,175
Centres to be acquired with funds raised pursuant to this Prospectus	31	1,798
Total	**115**	**6,973**

The above total of 115 centres consists of 109 centres in respect of which PIF has (or will have) freehold title over the land, buildings, fixtures and fittings and 6 centres in respect of which PIF has (or will have) long term lease tenure over the land, buildings, fixtures and fittings. All of the leasehold centres are included in the 31 centres acquired or to be acquired with funds raised pursuant to this Prospectus.

5. Peppercorn - the Operator

Peppercorn Management Group

5.1 Background

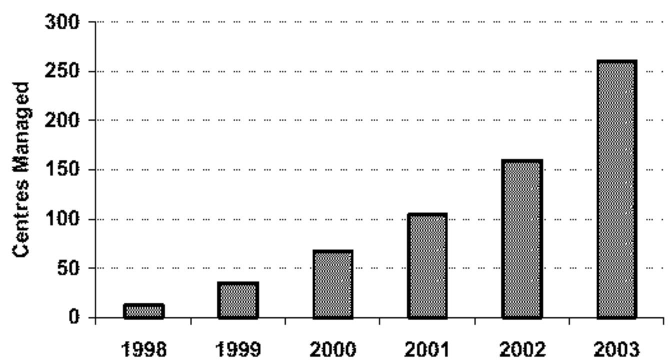
The Operator is a subsidiary of Peppercorn, the ultimate parent company of the Peppercorn Group. The Peppercorn Group business was formed in 1993 to address the need for quality childrens' care in Australia, at a time when demand for such services far exceeded supply.

As the Peppercorn Group's reputation in successfully operating childcare services grew, so did the demand for the Peppercorn Group to provide management services to other operators.

By 1998 centres under management had grown to such a level that Peppercorn decided to operate predominantly as a management company, to take over existing contracts and to service continued demand. The Peppercorn Group currently manages over 260 childcare centres throughout Australia. These centres draw on the extensive practical experience and proven management approach offered by the organisation.

Peppercorn listed on the ASX on 6 November 2002 and currently has a market capitalisation in excess of $150 million.

Centres under Management 1998 - 2003



(Source: Peppercorn Management Group Limited)

5.2 Peppercorn's business

The Peppercorn Group is an industry leader in the development of professional childcare management in Australia.

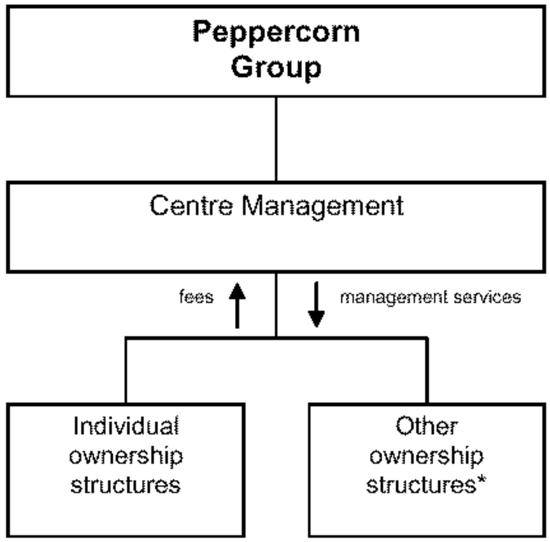
Over a period of ten years the Peppercorn Group has:

- Built new childcare centres;
- Developed, sold and leased childcare centres;
- Purchased leaseholds (ie, business only, excluding the land component);
- Managed centres for owner operators and passive investors;

- Sourced centres for investors and facilitated purchases and sales of centres;
- Developed large scale corporate ownership and investment through approved managed investment schemes; and
- Moved from a Queensland base to a national portfolio of centres under management.

The Peppercorn Group has now focused its strategic direction on the management of centres.

Peppercorn Group operating structure



* Includes PIF, CPT's and other collective investment vehicles

The Peppercorn Group has extensive practical experience, customised computerised administrative systems and a large team of field based staff.

The timely generation of financial data together with key performance indicators, enables close monitoring and informed decision making designed to maximise centre performance.

The Peppercorn Group commits considerable resources to ensuring the quality of its centres under management is maintained at a very high level across a range of criteria which include:

- Centre childcare quality assurance;
- Centre statutory requirements;
- Centre financial position and administrative procedures;
- Centre staff management;
- Centre education/development programming; and
- Centre marketing and promotion.

The Peppercorn Group operates through a hierarchical management system wherein a number of centres in a region report to a locally based field consultant. Field consultants in turn report to area managers who in turn report to the General Manager. Area managers travel continuously to monitor regional performance.

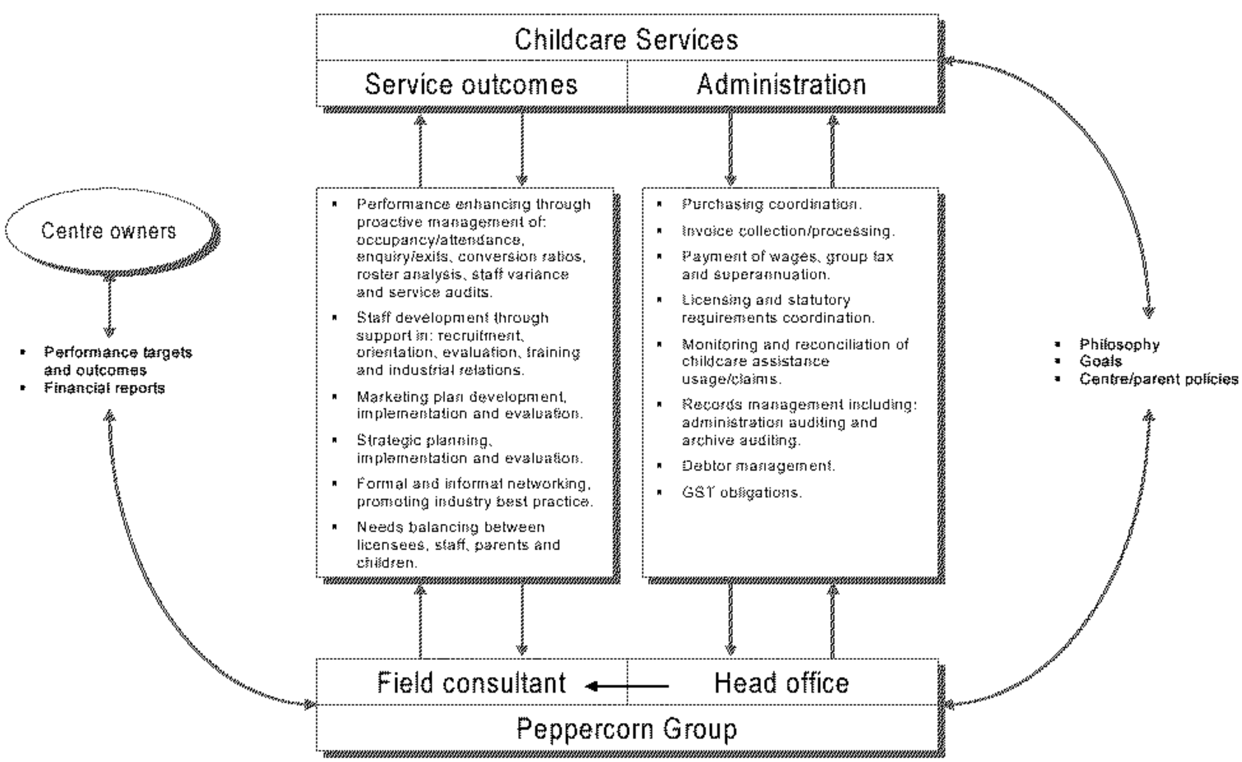
Regular meetings take place between executive directors of the Peppercorn Group, senior management personnel, field based area managers and field consultants. A specialist senior operations manager works closely with local staff when a new centre's management is taken on by the Peppercorn Group. The performance of the centre is closely monitored by the development team until it conforms to the Peppercorn Group's performance standards, after which it becomes the responsibility of the area manager, field consultant and centre based staff.

The benefits to a childcare centre owner of outsourcing the management of that centre to the Peppercorn Group include:

- Providing professional support and development in achieving quality care outcomes;
- Control of operating costs in line with benchmarked levels;
- Improving occupancy rates and enhancing retention of existing clientele; and
- Freeing up employees from non productive administrative work.

The diagram below indicates the business model which the Peppercorn Group has successfully implemented in its core management operations:

Peppercorn Group support model for long day care services



5.3 Peppercorn Group – Directors and senior management

Board of Directors

Name and qualifications	Age	Experience and special responsibilities
Ross M Petfield Non-executive Chairman Master of Security & Derivatives Industry Association Fellow Securities Institute of Australia Fellow Australian Institute of Management Fellow Australian Institute of Company Directors Senior Associate Australasian Institute of Banking & Finance	59	Mr Petfield has over 30 years experience in the stockbroking and securities industries. He was a director of the Australian Stock Exchange Limited from 1992 to 1998 and is a past Queensland President and past National President of the Securities Institute of Australia. He is currently a Director of Childcare Centres Australia Ltd and a number of private companies.
Michael Gordon Managing Director	40	Mr Gordon instituted the business model on which the Peppercorn Group has based its growth. In the early part of his career Mr Gordon worked in the rural sector and eventually became involved in rural debt mediation before becoming an area manager for the Primary Industry Bank of Australia. He has over 10 years management experience in the child care industry. In his role as the Managing Director of Peppercorn Management Group Limited, Mr Gordon has particular responsibilities for strategic planning, business planning and systems integration. He is also a Director of Childcare Centres Australia Ltd.
Richard Serisier Non-executive Director	51	Mr Serisier is a co-founder of the Peppercorn Group with Mr Gordon. He worked previously for the Primary Industry Bank of Australia as a credit manager, rural debt mediator, and as a senior executive with the New South Wales Rural Assistance Authority. Mr Serisier has previously had responsibilities for facilitating the settlement process of new centres for the Peppercorn Group and has moved to a non-executive role as of 4 August 2003.
Frederick John (Jack) Lunn Non-executive Director Bachelor of Economics Diploma of Journalism Associate Securities Institute of Australia	64	Mr Lunn was Deputy Chairman of Queensland Press Pty Ltd from 1991 to 2002. Nationally he has served on the boards of the Newspaper Advertising Bureau, the Publishers National Environment Bureau, and on the Committee of the Audit Bureau of Circulation. Mr Lunn has previously served as a Director of the Brisbane Broncos Limited and of Brisbane merchant banker DDH Graham Limited.

6. Financial information

In this section forecast financial information on PIF for the 2004 financial year and the 2005 financial year is provided assuming the completion of the issue of Units contemplated by this Prospectus.

The forecasts are based on a number of assumptions which are subject to uncertainty. The forecasts represent the Responsible Entity's considered assessment of the relevant economic, operating and financial conditions likely to apply over the period and the expected financial performance of PIF in this business environment.

No warranty is given as to achievement of the forecasts and investors should be aware that the performance of PIF can be expected to vary from the forecasts if actual economic, operating and financial conditions differ from those assumed in preparing the forecasts.

The forecast financial information contained in this section should also be read in conjunction with the risk factors applying to an investment in PIF (refer section 10).

6.1 Investment parameters

The Responsible Entity has adopted the following principles relating to the acquisition of Centres by PIF:

- Each Centre must be independently valued. The Responsible Entity must be satisfied that the purchase price of each Centre relative to the independent valuation is within acceptable commercial tolerance having regard to the Fund's aggregate purchase price and aggregate valuations.
- All Centres must currently be operating with established income streams.
- A geographic spread of Centres throughout Australia is to be achieved.

6.2 Financial forecasts and assumptions

Financial forecasts for the year ending 30 June 2004 and the year ending 30 June 2005, and the assumptions underlying their compilation are shown below.

6.2.1 *Specific assumptions*

Specific assumptions underlying the financial forecasts in relation to the 31 Centres to be acquired using funds raised pursuant to this Prospectus are as follows:

- **The portfolio of Centres to be acquired using funds raised pursuant to this Prospectus will total 31, as described in section 4. The forecasts for the years ended June 2004 and June 2005 contained in this Prospectus relate to the returns expected to be generated by the IPO Portfolio of 84 Centres together with the 31 Centres acquired using funds raised pursuant to this Prospectus i.e. no allowance has been made for any future acquisitions of centres by PIF in these forecasts.**

- Centre revenue earned depends on the number of centres, the occupancy level, the average number of weeks attendance per child and the level of fees charged. The forecast assumes occupancy consistent with recent occupancy levels achieved by Peppercorn and that Centre occupancy will remain stable over the forecast period at an average of between 93%-94% of the Centre capacity.

- Daily fees at PIF owned centres are in line with industry averages at approximately $41 per place per day (2004 financial year) and a moderate view is taken in forecasting average future fee levels viz. an increase of approximately $2 per place per day in 2005 (equivalent to an annual increase of approximately 5% in 2005).

- Centre expenses are largely comprised of employee wages, which typically account for around three-quarters of total operating expenses. Through long experience the Peppercorn Group is adept at optimising the scheduling of staff to achieve cost improvements while maintaining a high standard of service quality. A wages expense ratio of approximately 49% (wages:centre revenue) has been incorporated in the forecasts. Other operating expenses have been escalated at a rate of 5% per annum over the forecast period.
- The management fee payable to the Operator is as described in section 6.7.1.
- Interest expense on loan funds has been calculated using a forecast weighted average interest rate payable of 6.46% per annum. As described in section 11.5.1, the Responsible Entity has fixed the interest rate on the initial loan facility of $40.1 million at 6.30% and will have the option to fix the interest rate on new borrowings for the term of the forecast period. The assumed interest rate on new borrowings is 6.80%.
- Interest income has been calculated using a forecast interest rate of 4.50% per annum on cash balances.
- Depreciation and building allowances have been estimated based on previous experience of the Responsible Entity, pending receipt of an independent assessment of these allowances by a firm of quantity surveyors.
- The management fee payable to the Responsible Entity is as described in section 6.7.2, being a fee equivalent to 0.5% per annum of the Total Tangible Assets of PIF.
- Other trust expenses comprise custodian, audit, and administration fees (each CPI indexed annually), Centre evaluation costs, land tax and ASX and registry costs. These forecast fees are based either on quotations received or previous experience of costs incurred by the Responsible Entity.
- A start-up loss after tax of $0.17 million was incurred for the year to 30 June 2003. This loss was largely attributable to the write-off of substantial start-up and establishment costs but was lower than the loss forecast in the IPO Prospectus due to earlier settlement of Centres prior to year end and lower than expected interest costs. The accumulated loss will reduce the ability of PIF to distribute all of its profit after tax in the year ended 30 June 2004. In order to provide Unitholders with a distribution which is more representative of the underlying profit for the year ended 30 June 2004, an allowance has been made in the forecast for a tax deferred distribution of capital of 1.41 cents per Unit to be paid to Unitholders for the year ending 30 June 2004.
- The 31 Centres identified for acquisition using funds raised pursuant to this Prospectus will all have been acquired by 29 February 2004.

6.2.2 *General assumptions*

The Responsible Entity has adopted the following general assumptions in compiling the forecasts for the years ended 30 June 2004 and 30 June 2005:

- Where reference is made to the Consumer Price Index (CPI), a figure of 3% per annum has been adopted.
- There are no material changes in the business environment in which Peppercorn operates, including changes in the Commonwealth Government's Childcare Benefits Scheme and State and Territory regulatory requirements.
- There are no material changes to the accounting policies of PIF or to Australian Accounting Standards or other mandatory professional reporting requirements which would have a material effect on the financial results of the Fund.
- Income tax expense will apply to PIF at the company tax rate of 30% in the years to 30 June 2004 and 30 June 2005.
- The Offer will be fully subscribed and in line with the key dates set out in section 2.3 of the Prospectus.

6.2.3 *Financial forecasts*

PIF Summary Statistics				
	Existing (IPO) Forecast (1)		Revised Forecast (2)	
Year to June:	**2004(f)**	**2005(f)**	**2004(f)**	**2005(f)**
Financial Performance:	**($ mill.)**	**($ mill.)**	**($ mill.)**	**($ mill.)**
Centre revenue	48.86	51.85	59.46	72.21
Centre expenses	(32.64)	(34.27)	(40.23)	(48.48)
Centre Operating Income	16.22	17.58	19.23	23.73
Peppercorn management fee	(4.27)	(4.52)	(5.10)	(6.09)
Net Rental Income	11.95	13.06	14.13	17.64
Interest income	0.13	0.10	0.26	0.12
Interest expense	(2.63)	(2.63)	(3.66)	(3.99)
Depreciation	(0.67)	(0.67)	(0.81)	(0.90)
Responsible Entity's fee	(0.51)	(0.53)	(0.60)	(0.70)
Other trust expenses	(0.32)	(0.33)	(0.48)	(0.41)
Profit before income tax	7.95	9.00	8.83	11.75
Income tax expense	(1.99)	(2.30)	(2.18)	(3.03)
Net Profit after tax	**5.97**	**6.70**	**6.66**	**8.72**
Distribution	5.35	6.70	6.04	8.57
Earnings per Unit (EPU cents**)** (3)	**10.00**	**11.20**	**9.80**	**11.97**
Distribution per Unit (cents) (4)	9.70	11.20	9.70	11.76
Comprising:				
Franked distribution per Unit (cents)	9.00	11.20	8.29	11.76
% Franked	69%	72%	65%	74%
Tax deferred distribution per Unit (cents)	0.70	0.00	1.41	0.00
Franked Yield at Issue Price			**8.1%**	**9.8%**
EPU Accretion/(dilution)			**(2.0)%**	**6.8%**
Centre Acquisition Multiples (5)				
IPO Centres	5.95x	5.48x		
Acquisitions (2)				5.25x
Debt/Total Assets at:				
IPO	40.4%			
Post Acquisitions (2)			43.4%	

Note: The figures above may not total in all cases due to rounding.

(1) As per IPO Prospectus, April 2003

(2) Including 31 Centres to be acquired or refinanced with funds raised pursuant to this Prospectus and assumed to settle between September 2003 and February 2004.

(3) 2004 based on weighted number of units on issue during the year

(4) 2004 based on total number of units on issue during the year

(5) Multiple = (Total purchase price + acquisition costs)/centre operating income

PIF Summary Statistics				
	Existing (IPO) Forecast (1)		Revised Forecast (2)	
Year to June:	**2004(f)**	**2005(f)**	**2004(f)**	**2005(f)**
Operating:				
No. Centres owned	84	84	115	115
Available places	5,175	5,175	6,659	6,973
Average occupancy	93%	94%	93%	94%
Average weeks utilisation p.a.	51	51	47	51
Average daily fee	$40.00	$42.00	$41.23	$43.32
Annual fee increase		5.0%		5.1%
Wages : revenue (%)	49.0%	48.5%	49.2%	48.7%

Note: The figures above may not total in all cases due to rounding.
(1) As per IPO Prospectus, April 2003
(2) Including 31 Centres to be acquired or refinanced with funds raised pursuant to this Prospectus and assumed to settle between September 2003 and February 2004.

6.3 Growth Prospects

6.3.1 *Organic Growth*

The forecasts contained in this Prospectus relate only to the IPO Portfolio of childcare Centres together with the 31 Centres to be acquired or refinanced using funds raised pursuant to this Prospectus. Organic growth within this portfolio is expected to occur through on-going fee increases, opportunities to improve occupancy rates and prudent management of operating expenses.

Over the financial years 2004-2005 net profit after tax is forecast to grow from $6.66 million to $8.72 million.

6.3.2 *Growth in number of centres under management*

PIF intends to continue to expand by the acquisition of further childcare centres with freehold title or other suitable long-term tenure arrangements over the land, buildings, fixtures and fittings.

PIF intends to be able to increase the number of centres it owns. Subject to underlying market conditions it is expected that PIF will acquire between 30-50 additional centres per annum. Other than the 31 Centres to be acquired or refinanced using funds raised pursuant to this Prospectus, the impact of any further centre acquisitions has not been included in the Prospectus forecasts because neither the timing nor terms of those acquisitions can be accurately predicted at this time.

It is expected that the long-term funding of future acquisitions will be made on terms consistent with PIF's existing gearing policy (approximately 40% debt to total assets).

6.4 Key accounting policies

The key policies which have been adopted in the preparation of the preceding financial information are outlined below to assist in its general understanding.

6.4.1 *Basis of preparation*

The financial information has been prepared under the convention of historical cost accounting and, except where stated, does not take into account current valuations of non-current assets.

6.4.2 *Valuation of investments*

Investment properties are measured under the cost basis. The carrying amount of the Properties is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed from the Properties' current market value.

The Properties are expected to be revalued to market by an independent valuer at least once every three years or earlier where there is significant change in market value. The revaluation will be based on market value that represents the price at which the Properties could be sold at the date of revaluation, assuming a reasonable exposure to the market and settlement period, and must be prepared in accordance with the Corporations Act.

Revaluation increments will be credited directly to an asset revaluation reserve. Revaluation decrements will be recognised as a charge against the Fund's net income and then transferred to a capital reserve before arriving at a distributable amount, unless a revaluation increment was previously credited to and is still included in the asset revaluation reserve, when it will be debited to that reserve.

6.4.3 *Depreciation*

Land and buildings have the function of an investment and are regarded as composite assets. In accordance with applicable Accounting Standards, an investment property is not subject to depreciation. Accordingly, the buildings and any component thereof (including integral plant and equipment) are not depreciated. Items of furniture, fixtures and fittings not integral to the buildings are carried at cost and depreciated on a straight-line basis over their estimated useful lives.

6.4.4 *Income tax*

PIF will, broadly speaking, be taxed on a similar basis to a company. Accordingly, PIF will be subject to income tax at the prevailing corporate rate, currently 30%.

Distributions to Unitholders out of profit are treated as dividends for tax purposes and may be franked to the extent franking credits are available. Thus, such distributions are taxed at an investor's marginal tax rate subject to the level of franking credits attaching to the distributions. Distributions which exceed the profit of the Fund are treated as a return of capital for tax purposes. Returns of capital are not assessable but reduce the Unitholder's cost base for the purposes of determining any liability for capital gains tax on disposal of the Units.

6.4.5 *Repairs and maintenance costs*

Repairs and maintenance costs relating to the Properties are charged against revenue as incurred. These repairs and maintenance costs consist of those that, under the relevant Management Lease agreements, are non-recoverable from the Operator.

6.4.6 *Net rental income*

Net rental income represents income earned from the rental of the Properties and is brought to account on an accrual basis.

6.4.7 *Capital reserve*

The capital reserve represents amounts transferred to the distribution account in order to pay distributions where the Fund's taxable income exceeds its accounting income.

6.4.8 *Issue costs*

Costs incurred directly in connection with the issue of Units are netted against the funds raised to determine Unitholders' equity. For income tax purposes only, these amounts are deductible over five years.

6.4.9 *Borrowing costs*

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with arrangement of borrowings. Borrowing costs are expensed as incurred. For income tax purposes costs in respect of borrowings to fund the acquisition of the Properties will be amortised over five years.

6.4.10 *Distributable income*

Under the provisions of the Fund Constitution, distributable income is defined as net taxable income together with any capital amount arising from the net proceeds of realisation of investments (to the extent that it is not included in net taxable income) or representing other capital of the Fund howsoever arising or representing amounts deducted for depreciation. Where the net accounting income exceeds the net taxable income, distributable income will be the net accounting income or some amount greater than the net taxable income but less than the net accounting income.

6.5 Financial position of PIF

6.5.1 *Source and application of funds*

The forecast source and application of funds after the close of the Offer are as follows:

Source and application of funds	
Source of funds	**($m)**
Application monies from the Offer	15.94
Debt funding	20.04
Total	**35.98**
Application of funds	
Acquisition or refinance of Centres	29.08
Estimated Centre acquisition costs	3.21
Cash at bank	2.84
Borrowing Costs	0.25
Costs of the issue	0.60
Total	**35.98**

6.5.2 *Proforma Statement of Financial Position*

The proforma statement of financial position shown below has been prepared to present to investors the anticipated financial position of PIF based on the following transactions which have occurred to date and the following assumptions:

Assumptions

- Successful completion of the equity raising in the amount of $15.94 million less equity raising expenses pursuant to this Prospectus;
- The acquisition of the 31 Centres as proposed in this Prospectus;
- Advance of the increased bank loan facility to PIF as described in this Prospectus.

Proforma statement of financial position
as at October 2003
Peppercorn Investment Fund

	($m)
Current assets	
Cash	4.66
Other current assets	1.94
Total current assets	**6.60**
Non-current assets	
Investment properties (incl leasehold centres and also furniture, fittings & equipment)	128.71
Other	0.25
Total non-current assets	**128.96**
Total assets	**135.56**
Current liabilities	
Payables	1.74
Total current liabilities	**1.74**
Non-current liabilities	
Borrowings	58.84
Total non-current liabilities	**58.84**
Total liabilities	**60.58**
Net assets	**74.98**
Equity	
Unit capital	75.15
Accumulated losses	(0.17)
Total equity	**74.98**

6.6 Capital expenditure

Other than capital expenditure identified and provided for in the due diligence process for centre acquisitions, ongoing capital expenditure requirements are forecast to be minimal. Any such expenditure is expected to be funded from the Fund's existing cash reserves.

6.7 Management fees

6.7.1 *Operator*

The management fee payable to the Operator for the management of each Centre is dependent on the type of title which PIF has over the land, buildings, fixtures and fittings for a particular centre (ie. freehold or leasehold).

6.7.1.1. The freehold centre fee comprises the following components:

- $1,900 per Centre operated per month (to be indexed annually by the Consumer Price Index (CPI) from 1 July 2003) plus
- 2% of gross revenue; plus
- 10% of net operating income (after deducting the base fee and 2% of gross revenue).

6.7.1.2 The leasehold centre fee will comprise the following components:

- A base fee of $2,000 per Centre operated per month (to be indexed annually by the Consumer Price Index (CPI) from 1 July 2004) plus
- 10% of net operating income (after deducting the base fee).

6.7.2 *DDH Graham Limited*

DDH Graham Limited, as Responsible Entity receives a fee equivalent to 0.50% per annum of the Total Tangible Assets of PIF.

6.8 Other fees

6.8.1 *Peppercorn*

- Peppercorn receives a fee of $10,000 per centre (indexed annually by the CPI from 1 July 2003) to complete due diligence and to procure all appropriate licensing requirements for all centres acquired. The fee is payable at the point of settlement of the acquisition of each centre.

6.8.2 *DDH Graham Limited*

- DDH Graham Limited will receive a fee of $50,000 for its services in relation to preparation of the Prospectus and management of the Issue.
- DDH Graham Limited receives a fee of $5,000 per centre acquired (indexed annually by the CPI from 1 July 2003). The fee is payable at the point of settlement of each centre.
- DDH Graham Limited receives a debt arrangement fee of 0.5% on the increased bank debt component from $50.1 million to $60 million.

7. Overview of the childcare sector in Australia

7.1 Introduction

The childcare sector in Australia has grown rapidly over the course of the last decade to occupy a significant place in Australia's socio-economic structure. The industry is characterised by the active involvement of Government (both State and Federal), community based interest groups and private enterprise, as befits a sector where the quality of care undertaken and financial support available to ensure widespread access are key components of the nation's childcare program.

Approximately 721,000 children now attend some form of Government approved childcare service.

7.2 Structure of the sector

7.2.1 *Types of childcare*

A number of different types of care are available in Australia, the major forms being:

a. Long Day Care Centres (LDC Centres)

Long day care centres offer childcare and developmental opportunities for children aged predominantly from six weeks of age to below school age, in premises specially built or adapted for childcare. They provide flexible, quality all-day or part-time care for working families and cater for an average of 74 children per centre.

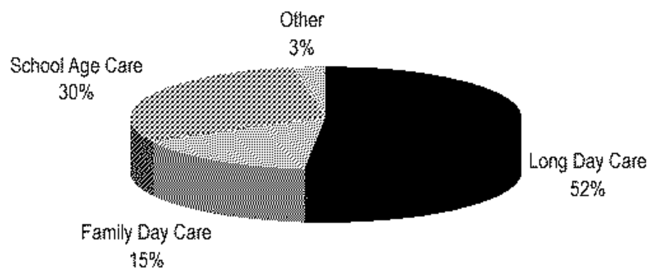
Some long day care centres also provide care for limited numbers of primary school children before and after school, and during school holidays.

To be eligible to participate in the Commonwealth's Child Care Benefit Scheme (refer section 7.3.2), long day care centres must, amongst other requirements:

- operate at least eight hours per working day for at least 48 weeks per year;
- be licensed by the relevant State or Territory licensing authority;
- register with the National Childcare Accreditation Council and participate in the Quality Improvement and Accreditation System (QIAS). Following a major review, a revised quality standards programme was implemented in January 2002.

In mid 2001 there were 4,053 accredited LDC centres in Australia. LDC centres account for the majority of centres, catering for over half of the children in Commonwealth Government approved childcare in Australia.

Distribution of Children by Centre Type 1999



Source: 1999 Census of Child Care Services, Dept of Family and Community Services

b. Family day care schemes

A family day care scheme is a network of experienced carers who provide care and developmental activities in their own homes for other people's young children.

c. School age care

This category covers Outside School Hours Care and Vacation Care Services for primary school children. Since January 2001, private providers have been permitted to operate an Outside School Hours Care service.

d. Preschools and Kindergartens

Preschools (called 'Kindergartens' in some States) provide a range of educational and developmental experiences for children in the year or so before they enter school. Establishment and ongoing operational funding for sessional preschools rests with State and Territory Governments.

e. Other forms of childcare

These include:

- Occasional care services
- Playgroups
- Multifunctional childrens' services
- Multifunctional Aboriginal childrens' services (MACS)
- Mobile childrens' services and toy libraries

Peppercorn is only involved with managing in the long day care and school age care sectors.

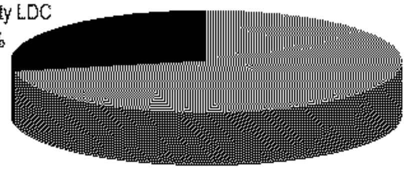
7.2.2 *Types of operators*

LDC centres may be run by private operators, local councils, religious and charitable bodies, community organisations, employers, non-profit parent cooperatives and other non-profit services such as TAFE institutions and hospitals.

LDC centres can be classified as either:

- Private: run on a for-profit basis; or
- Community based: run on a not-for-profit basis.

Long Day Care Centre Composition 1999



Source: 1999 Census of Child Care Services, Dept of Family and Community Services

Private LDC centres dominate the LDC sector, accounting for almost three-quarters of the children in long day care (and almost 40% of all children in care) in Australia.

7.3 The role of Government

The Australian childcare sector is financially supported by the Commonwealth Government and regulated by both the Commonwealth and the States. The relevant Commonwealth department is the Department of Family and Community Services (FACS).

A key objective of the Commonwealth's program is to assist families with dependent children to participate in the workforce and the general community by supporting the provision of affordable quality childcare.

In the LDC sector the proportion of work related care has risen from 81% in 1993 to 91% in 2001. The out-of–pocket costs to parents of childcare as a proportion of weekly disposable income are reduced significantly as a result of the Government assistance. For a middle income family (earning approximately $45,000 per annum) with two children such assistance covers around 60% of the average full-time care fee in long day care centres. For a low income family with two children around 72% of the average fee is covered.

Commonwealth Government spending on childcare is significant:

- $4.7 billion has been spent over the four years to 2000/01.
- $1.4 billion was allocated in 2001/02.
- In excess of $8 billion is projected to be spent over the four years from 2002/03 to 2005/06.

7.3.1 *Government and the providers of childcare*

The Commonwealth encourages the various types of funded childcare services to provide quality care that meets the physical, emotional and developmental needs of children. The services are also encouraged to consult parents on policies affecting the care of their children.

All Commonwealth-funded childcare services must comply with relevant State or Territory Government licensing regulations (refer section 7.3.3). These cover matters such as the number of children the service can care for, safety requirements and the qualifications of carers.

To be eligible for Commonwealth funding, childcare services must undertake to meet certain conditions of funding. For long day care centres this includes participating in the QIAS.

Additionally the Commonwealth provides funding to ensure that services have access to appropriate resources and in-service training.

7.3.2 *Commonwealth Government assistance to families – the Childcare Benefit (CCB)*

As part of the New Tax System applying from 1 July 2000, the Commonwealth Government combined the two previous childcare payments available to families (Childcare Assistance and the Childcare Rebate) into one payment, the Child Care Benefit (CCB).

All Australian residents using childcare provided by approved childcare services or registered informal carers are eligible for the Child Care Benefit, with entitlement based on family income. Currently approximately 486,000 Australian families receive the CCB. Families using approved formal care and with income below $31,755 per annum receive the maximum assistance of up to $137 per week for one non-school child in 50 hours of care. A sliding scale of benefits exists depending on the number of children in the family and income levels, but even above the upper limit ($91,035) families receive $23 per child per week. These rates are applicable for the period July 2003 – June 2004 and are indexed annually.

The CCB payment (which is GST free) is paid direct to childcare service providers, on behalf of families although families have an option to elect to receive payment as a lump-sum at the end of the financial year.

It is estimated that 38% of families receiving the CCB are receiving the maximum CCB, 49% are receiving a partial CCB and 13% are receiving the minimum CCB.

As at the date of this Prospectus, the most recent FACS Census of Child Care Services data available is for 1999. However, surveys commissioned by the FACS indicate a significant increase in the number of children attending Commonwealth approved formal day care and higher utilisation rates in centres as a result of the introduction of the CCB in July 2000.

7.3.3 *State Government requirements – the Queensland example*

In Queensland, the relevant legislation, the Child Care Act 2002, is administered by the Department of Families. The Child Care Act provides for two types of childcare services, being centre-based childcare and home-based childcare. Childcare services are either required to be licensed or are required to meet set standards. Centres which fall under the description of being long day care, limited hours care, occasional care or kindergarten centre are required to be licensed under the Child Care Act.

The Childcare Act 2002 and related regulations specify the minimum quality standards that need to be met in order to be licensed and thereby legally operate a childcare service in Queensland. Key areas covered include:

- staff training and qualifications;
- group size and adult to child ratios;
- parent rights and responsibilities;
- health and safety matters;
- physical environments; and
- licensee functions and responsibilities.

The licensing of prescribed childcare services in Queensland involves:

- an application for licence, accompanied by the prescribed fee;
- provision of appropriate documentation (eg criminal history disclosures and checks, plans in the case of a new childcare centre); and
- completion of a licence report on the proposed service taking into account the ability of the licensee to provide a safe and suitable service including facilities, staffing and other operational aspects to regulate standards.

A childcare licence is issued for a period of up to three years.

8. Details of the Offer

8.1 The Offer

The Offer is for 13,282,000 Units and will raise a total of $15,938,400. The offer is only being made to sophisticated or professional investors, as those terms are defined in section 708 of the Corporations Act.

8.2 Unitholder approval

This Offer is subject to Unitholder approval of resolutions to be considered at the Unitholders' meeting to be held on 12th November 2003. Some of these resolutions relate to amendments to the Fund's constitution (which are described in section 11.1 of this Prospectus). In addition, the Issue of the Units offered under this Prospectus requires Unitholder approval for the purpose of the ASX Listing Rules and the Corporations Act.

8.3 Issue price of PIF

The issue price is $1.20 per Unit.

8.4 Half yearly distributions

The Trust will make half yearly distributions to investors in February (in respect of the six month period to 31 December) and August (in respect of the six month period to 30 June). As foreshadowed in the IPO Prospectus no distribution was made in August 2003. The first distribution is expected to be made in February 2004.

8.5 Allotment of Units

The Responsible Entity reserves the right to allot less than the number of Units applied for, or to decline to accept any application. In those cases, any surplus Application Monies will be returned to the Applicant as soon as practical after the Offer closes.

8.6 Maximum subscription

The maximum subscription is $15,938,400 which is sufficient to allow for expansion plans as detailed in section 4.

8.7 Over subscription

Over subscriptions will not be accepted.

8.8 Substitution of Centres

In the event that the acquisition of any of the Centres specified for purchase in section 4 does not proceed then replacement centres may be included in the Fund provided that their financial performance produces an investment outcome not materially different from the financial forecasts contained in this Prospectus.

8.9 Liability of Unitholders

The Constitution contains provisions designed to limit a Unitholder's liability in respect of the Fund to the amount, if any, which remains unpaid in relation to the Unitholder's subscription for their Units. However, the Australian courts have not finally determined the liability of Unitholders in a unit trust.

8.10 ASX Listing

PIF Units were admitted to the official list following the successful completion of the initial public offering. The Units commenced official quotation on 22 May 2003.

Application will be made to the ASX within 7 days after the date of this Prospectus for quotation of the additional Units offered under this Prospectus. If granted, quotation of the Units will commence on a date determined by ASX.

If the additional Units are not officially quoted within three months of the date of this Prospectus, any allotment of Units in response to an application made under this Prospectus will be void, and all Application Monies received under this Prospectus will be returned to Applicants. Interest will not be paid on any Application Monies refunded.

The issue of Units to Applicants will occur as soon as practicable after Applications and Application Monies have been received for all the Units, following which statements of unitholding will be despatched. It is the responsibility of Applicants to determine their allocation prior to trading in the Units. Applicants who sell Units before they receive their Unitholder statements will do so at their own risk.

8.11 Allocation policy

The Responsible Entity will attempt to treat all Applications on a consistent basis, however, reserves the right to reject any Application or to allocate to any Applicant a lesser number of Units than those applied for.

If an Application is not accepted, or is accepted in part only, the relevant part of the Application Monies will be refunded. Interest will not be paid on Application Monies so refunded. Successful Applicants will be sent their statement of holdings as soon as practicable after allocation has taken place.

8.12 CHESS and holding statements

The Fund participates in the Clearing House Electronic Sub-register System ("CHESS") and, in accordance with the ASX Listing Rules and the SCH Business Rules, maintains an electronic issuer–sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together make up PIF's principal register of Units.

The Fund will not issue certificates to Unitholders. Following the issue of Units to successful Applicants, Unitholders who elect to hold Units on the issuer-sponsored sub-register will be provided with an initial holding statement (similar to a bank account statement) which sets out the number of Units allocated to them in the Offer. Unitholders who elect to hold Units on the CHESS sub-register will be provided with an advice that sets out the number of Units allocated to them in the Offer and at the end of the month, SCH (acting on behalf of PIF) will provide Unitholders with a holding statement that confirms the number of Units held.

A holding statement (whether issued by SCH or PIF) will also provide details of a Unitholder's Holder Identification Number (HIN) in the case of a holding on the CHESS sub-register or of their Unitholder Reference Number (SRN) in the case of a holding on the issuer-sponsored sub-register. Following distribution of these initial holding statements to all Unitholders, a holding statement will also be provided to a Unitholder at the end of any subsequent month during which the balance of the Unitholder's holding of Units changes.

8.13 Overseas investors

No action has been taken to register or qualify the Units or the Offer, or otherwise permit a public offering of the Units, in any jurisdiction outside Australia. The Units have not been and will not be registered under the United States Securities Act of 1933 (the "U.S Securities Act") and may not be offered or sold in the U.S. or to, or for the account or benefit of, US persons except in transactions exempt from the registration requirements of the U.S Securities Act.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws.

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

Where this Prospectus has been dispatched to any persons domiciled outside Australia, and where that country's securities code and legislation require registration, this Prospectus is provided for information purposes only.

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

8.14 Withdrawal

The Responsible Entity can in its absolute discretion withdraw this Prospectus at any time prior to allotment of Units issued pursuant to this Prospectus.

8.15 Privacy

When an Applicant completes and submits the Application Form, PIF will be collecting important personal information from the Applicant. PIF will not be able to process a submitted Application Form unless the Applicant provides all information required by the Application Form.

PIF needs to collect personal information from investors for the primary purpose of processing Applications and issuing Units in the Fund. There are also a number of related purposes for which the personal information will be used and these are to administer Unitholder details and comply with Australian taxation laws and other regulatory requirements.

The information that an Applicant provides to PIF may be disclosed to certain organisations. The types of organisations or persons to whom PIF may disclose the information provided by Applicants include:

- the Australian Taxation Office, CHESS, SCH, ASIC, ASX and other Government or regulatory bodies as required by law;
- the Applicant's advisor or advisor dealer group;
- any third party service provider engaged by PIF to provide unit registry, administration, custody, technology, auditing, mailing or printing services.

An Applicant has a right to access their personal information, subject to some exceptions allowed by law. If an Applicant would like to do so, they need to let PIF know. PIF reserves the right to charge a fee for searching for and providing access to an Applicant's information.

9. How to apply

All applications for units in the Fund must be made by sophisticated or professional investors using an application form found at the back of this Prospectus. Please note that all applications need to be made through the Lead Manager.

The Issue will be settled via DvP, with settlement instructions to be supplied to successful applicants by the Lead Manager prior to the settlement date.

9.1 Important information

Before investing in PIF, you should read this Prospectus in full.

Units will settle, as per instructions provided to successful sophisticated or professional investors, after the Unitholder Meeting to be held on Wednesday 12 November 2003. The proposed settlement timetable will be as follows:

Unitholder Meeting	12 November 2003
Deadline for messages to be exchanged with the Lead Manager for DvP settlement	13 November 2003
Settlement of Issue Units	14 November 2003
Units expected to commence trading on ASX	20 November 2003

9.2 Where to send your application form

The payment due on application for each Unit offered by this Prospectus is $1.20.

Completed Application Forms should be mailed, delivered or faxed to one of the following addresses:

mailed to:

Wilson HTM
Att: Peppercorn Investment Fund Placement
GPO Box 240
Brisbane, Qld 4001

or delivered to:

Wilson HTM
Level 21
123 Eagle Street
Brisbane, Qld 4000

faxed to:
(07) 3212 1002

10. Risk factors

Investors should be aware that an investment in PIF is subject to risks of various types which have the potential to influence the future performance of the Fund and the probability of achieving forecasts. A number of these risks are able to be mitigated through management actions but a number are essentially external to the Responsible Entity and the Operator and not subject to their influence. Investors should take into account these risk factors before making a decision to apply for Units in PIF. The main factors which may impact on the financial performance of PIF and on the value of investors' Unitholdings include, but are not limited to, the following general and specific risks.

10.1 General economic conditions

A prolonged downturn in the economy particularly as it impacts on the labour markets and the demand for childcare may adversely affect the operations of the childcare industry and of PIF's Centres.

10.2 Share market conditions

Fluctuations in the price of PIF Units will be attributable both to macro level conditions (including the performance of other stockmarkets, local and international economic conditions, government policy and actions) and investors' general perceptions of the market, together with sector and stock specific factors. Investors should be aware that the price of Units in PIF may trade at higher or lower levels than the Issue Price.

10.3 The regulatory environment

The childcare industry is subject to a number of regulatory influences. Changes to State Governments' policies on the regulation of childcare and on the structure of the early childhood education system will have a direct impact on PIF's Centres. A reduction in the Commonwealth Government's financial assistance to the sector would reduce the affordability of childcare to parents and hence occupancy levels and ultimately profit to PIF would be adversely affected. The Responsible Entity is not aware of any adverse changes proposed to the regulatory environment.

10.4 The early-years demographic structure of the Australian population

The decline in the 0 – 4 age bracket of the Australian population evident in recent years is expected to continue over the next decade, after which a recovery is expected. As the underlying demand for childcare is driven by the numbers of children in this age bracket, changes in the expected numbers of children in this bracket will have an impact on the sector and on PIF.

Similarly the increasing labour force participation rate of women with children in this age bracket will be a key determinant of the market for childcare and childcare management services.

10.5 Barriers to entry and competition

There are few formal barriers to entry in the childcare industry and increased competition may reduce forecast revenue and profit of PIF.

10.6 Industry risk

The long day care sector of the Australian childcare industry comprises a large number of childcare centres in a diverse number of locations. It is possible that an event occurring in a centre or a number of centres which may not be owned by PIF (such as the outbreak of sickness or a labour relations problem), may negatively affect investor perceptions of the industry and the business of PIF.

10.7 Interest rates

PIF will have long term borrowings. However, not all the borrowings may be at a fixed rate and rates could vary. As long term borrowings are renewed changes in interest rates may occur. The forecasts incorporate an interest rate estimated on new borrowings at the date of this Prospectus. This may vary from the actual interest rate fixed after this Offer closes.

10.8 Reliance on Peppercorn's Management

The Peppercorn Group's success as a specialist manager is in part attributable to its field supervision network and to the strategic development programme implemented by its senior management.

The loss of one or more members of the senior management team of the Peppercorn Group could have a negative impact on Peppercorn's ability to produce acceptable returns to PIF. However, it should be noted that Peppercorn Management Group Limited's Managing Director, Michael Gordon, has an employment agreement in place which continues until June 2007. He is also a 56% owner in Peppercorn.

10.9 Growth opportunities

PIF expects future growth will be derived from both organic and acquisition sources. The success of any future acquisitions of childcare centres will depend on a number of factors including the availability of childcare centres, the terms of the acquisition, and the financial position of PIF. No assurance can be given that PIF will be able to successfully undertake further acquisitions of childcare centres.

10.10 Property market

In common with property investment generally, changes in the property market may affect the value of the Fund's Properties and hence the Fund's performance.

11. Summary of material contracts

This section is a summary of certain material legal documents relating to PIF. These include:

- Constitution of PIF;
- Custody Agreement;
- Compliance Plan;
- Management Leases;
- Loan Agreement;
- Childcare Centre Operations Management Agreement;
- Placement Agreement.

These summaries are not intended to be exhaustive.

11.1 Constitution of PIF

PIF is a registered managed investment scheme under the Corporations Act, and DDH Graham Limited is PIF's Responsible Entity. The main rules governing the operation of PIF are set out in the Fund's Constitution which is dated 8 July 2002 and was amended by three amending deeds dated 13 December 2002, 8 April 2003 and 13 May 2003. The Corporations Act, the Listing Rules, the Compliance Plan and the general law of trusts are also relevant to the rights and obligations of the Responsible Entity and of Unitholders. As PIF is a registered managed investment scheme, the Constitution has been lodged with ASIC.

Proposed changes to the Constitution are to be considered by Unitholders and, if thought fit, approved at a meeting of Unitholders to be held on 12 November 2003. These proposed amendments are described in the notice of meeting and accompanying explanatory notes, which were despatched to Unitholders on 17 October 2003. The effect of the proposed amendments is described below.

- Issue price of Units in a placement

  An amendment to the Constitution is required so that the Responsible Entity has the requisite discretion to set the issue price for Units to be issued in an off-market placement, including the issue price for the Units offered pursuant to this Prospecuts.

- Entitlements to distributions

  An amendment is proposed so that the Responsible Entity can issue Units which will rank equally for distribution entitlements, even if the Units are issued part-way through the relevant half-yearly period (currently such Units only have a pro-rata entitlement to a distribution).

Capitalised terms in the following paragraph 11.1 which are not defined in this Prospectus have the same meaning as in the Constitution.

The Constitution deals with a wide range of matters, including:

- application procedures;
- the life of PIF and Unitholders' entitlements on winding up;
- complaints;
- the nature of a Unitholders' interest in PIF;
- income entitlements;
- the Responsible Entity's powers;
- Unitholders' meetings;
- liability of the Responsible Entity and its right of indemnity;
- liability of Unitholders; and
- the Responsible Entity's fees and right to be reimbursed for expenses.

The Constitution of PIF is incorporated by reference in this Prospectus. Copies are available free of charge until the Offer closes and can be obtained by contacting the Responsible Entity. The following summary sets out the main provisions of PIF's Constitution that deal with the principal rights and obligations attaching to Units in PIF and the powers, duties and responsibilities of the Responsible Entity. This summary is not exhaustive and is not a definitive statement of the rights and liabilities of Unitholders. The Constitution is subject to the Listing Rules at any time that PIF is listed on ASX.

11.1.1 *The Responsible Entity*

DDH Graham Limited is the Responsible Entity and trustee of PIF, and is responsible to Unitholders for its operation.

The Responsible Entity may retire in the circumstances set out in the Corporations Act. Unitholders may also remove the Responsible Entity by following the procedures set out in the Corporations Act.

11.1.2 *Nature of Units and transferability*

Each fully paid Unit in PIF represents an equal undivided beneficial interest in the assets of PIF. The Constitution contemplates the issue of options and partly paid Units, but this is not proposed as part of the Offer.

Units in PIF may be transferred in accordance with the Listing Rules and CHESS (for CHESS approved securities) by instrument in writing which complies with the Corporations Act, the Listing Rules and the SCH Business Rules.

11.1.3 *Acceptance of applications*

Application for Units may be accepted or rejected by the Responsible Entity in whole or in part at the absolute discretion of the Responsible Entity.

11.1.4 *Redemption of Units*

There are no redemption arrangements in place.

11.1.5 *Valuation*

The Constitution provides as to when and how the assets of PIF or any other assets are required to be valued.

11.1.6 *Income entitlements and other distributions*

Subject to certain adjustments, the distributable income of PIF is its net taxable income. The Responsible Entity will determine the distributable income of PIF for each half yearly distribution period ending 30 June and 31 December.

Unitholders on the Unit Register of PIF at the close of business on the last day of a distribution period are presently entitled to the distributable income for that period.

The Responsible Entity may keep separate accounts of different categories or sources of income, and may allocate income, deductions or credits from a particular category or source to Unitholders.

11.1.7 *Deductions*

The Responsible Entity may deduct from any amount to be paid to a Unitholder, any amount of tax or duty (or an estimate of it), which the Responsible Entity is required or authorised to deduct in respect of that Unitholder by law, or which the Responsible Entity considers should be deducted, whether the amount is paid or payable.

11.1.8 *Rights and powers of the Responsible Entity*

The Responsible Entity is given very wide powers under the Constitution. It has all the powers in respect of PIF that it is possible under the law to confer on a trustee and as though it were the absolute owner of the property and assets of PIF and acting in its personal capacity.

The Responsible Entity may appoint agents and delegates pursuant to the Constitution.

The Responsible Entity and its associates may hold Units in PIF subject to the Corporations Act.

11.1.9 *Meetings of Unitholders*

The Constitution provides that:

- the Responsible Entity may convene meetings of Unitholders and must do so when required by the Corporations Act. The Constitution sets out the manner in which such meetings will be conducted; and
- each Unitholder will be entitled to receive notice of meetings of Unitholders; and
- resolutions passed at meetings duly convened and conducted bind all Unitholders, whether or not they were present at the meeting.

Meetings of Unitholders are also regulated by the Corporations Act which, inter alia, provides that each Unitholder will have one vote for each dollar of value of the total interests they have in PIF (on a poll). On a show of hands, each Unitholder has one vote.

11.1.10 *Limitation of liability and indemnity*

The Constitution contains provisions which allow the Responsible Entity to take and act on various opinions, statements and documents without being liable to Unitholders, where it has acted in good faith.

The Constitution provides that the Responsible Entity is not liable for any loss, costs, damages or expenses arising out of any act or omission on its part, except where the act or omission is fraudulent, negligent or in breach of trust or any duty imposed on the Responsible Entity by deed or implied by law.

The Responsible Entity is entitled to be indemnified out of the assets of PIF for any liability, costs or expenses reasonably incurred by it in properly performing or exercising any of its powers or duties in relation to PIF. To the extent permitted by the Corporations Act, the indemnity includes any liability incurred as a result of any act or omission of a delegate or agent appointed by the Responsible Entity.

To the extent permitted by the Corporations Act, members of PIF's compliance committee may be indemnified out of the assets of PIF if they incur a liability in good faith.

11.1.11 *Liability of Unitholders*

The Constitution contains provisions designed to limit a Unitholder's liability in respect of PIF to the amount, if any, which remains unpaid in relation to the Unitholder's subscription for their Units. However, the Australian courts have not finally determined the liability of Unitholders in a unit trust.

11.1.12 *Remuneration and expenses of the Responsible Entity*

Under the Constitution, the Responsible Entity is entitled to fees as follows:

- a fee equivalent to 0.5% per annum of the total tangible assets of PIF.
- a fee of $5,000 per centre (CPI indexed from 1 July 2003) for due diligence on each centre acquired by PIF. The fee is payable only when the acquisition of a centre is completed.
- a fee of 0.5% for the arrangement of all debt funding arranged for the Fund.

Except as disclosed elsewhere in this Prospectus no other fees will be payable.

The Constitution provides that the Responsible Entity may be reimbursed by PIF for all expenses incurred in relation to the proper performance of its duties and the administration of PIF.

The fees described above do not include any amount referable to Goods and Services Tax (GST). If the Responsible Entity becomes liable to pay GST in respect of any matter arising under the Constitution, then in addition to any other amount to which the Responsible Entity is entitled, the Responsible Entity is also entitled to be paid or reimbursed from the assets an amount equal to the amount of the GST liability.

11.1.13 *Termination of the Fund*

PIF will terminate on the earliest of the following events:

1. the passing of an Extraordinary Resolution by Unitholders to wind up PIF;

2. the date on which PIF terminates by Law; and

3. 8 July 2082.

Upon termination, the Responsible Entity must realise the assets of PIF. This must be completed within 180 days if practical and in any event as soon as possible after that.

The net proceeds of realisation, after making allowance for all liabilities of PIF (actual and anticipated) and meeting the expenses (including anticipated expenses) of the termination and the fees referred to above, must be distributed pro-rata to Unitholders according to the number of Units they hold.

11.1.14 *Complaints*

Unitholders may lodge any complaints in relation to the Responsible Entity's conduct in its management or administration of PIF by writing to the Responsible Entity. The Constitution contains provisions governing how complaints must be dealt with.

11.2 Custody Agreement

The Responsible Entity has entered into a Custody Agreement in respect of the Fund with Trust Company of Australia Limited.

The Custodian is to enter into contracts to purchase and hold assets (including the Properties) on the Responsible Entity's behalf. The Custodian's duties also include opening and maintaining bank accounts to hold Application Monies and rent and other income of the Fund, entering into leases of land on behalf of the Responsible Entity and maintaining proper records and making reports to the Responsible Entity. The Custodian's liability under the Custody Agreement is limited, except in the case of fraud, negligence or breach of the Custody Agreement by the Custodian.

The Custodian is entitled to compensation for expenses incurred in connection with the performance of its duties and the exercise of its powers.

The Custodian is entitled to receive an annual fee of 0.025% of the total value of the gross assets payable quarterly in arrears, but not less than $20,000 per annum (adjusted annually in accordance with changes in CPI). The above fee is exclusive of GST.

The agreement continues until terminated. Either party may terminate the agreement on 90 days written notice unless a different period is agreed. Either party may terminate the agreement immediately on the occurrence of certain other events, including changes in corporate control, acts of insolvency, and material breaches of the agreement.

11.3 Compliance plan

The Responsible Entity has established a Compliance Plan for the Fund which is monitored by the Fund's Compliance Committee. The Compliance Plan addresses compliance with laws, regulations, the Fund's Constitution and the Responsible Entity's ethical standards and comprises structural, operational and maintenance elements.

Matters covered by the Compliance Plan include procedures for complaints handling, applications and distributions, monitoring and resolution of suspected breaches of the Corporations Act, audits, fees, related party transactions, conflicts of interest and disclosure and reporting requirements.

The Compliance Plan is incorporated by reference in this Prospectus. Copies are available free of charge until the Offer closes and can be obtained by contacting the Responsible Entity.

11.4 Management Leases

Each childcare centre when acquired will be leased or sub-leased to Peppercorn Holdings No 4 Pty Ltd ("the Operator") for a period of 10 years with a right for the Operator to exercise a further 10 year option. Each Management Lease will be on similar terms (subject to variation in accordance with each State's requirements). A summary of terms of the Management Leases is:

11.4.1 *Rent*

Rent is paid monthly in arrears and is calculated as Net Operating Income of the Centre less:

i. The base fee of $1,900 per month for freehold Centres (as adjusted annually for CPI variations from 1 July 2003) and $2,000 per month for leasehold Centres (as adjusted annually for CPI variations from 1 July 2004)

ii. In respect of freehold Centres, 2% of Gross Revenue.

iii. 10% of (Net Operating Income less (i) and (ii) above).

(the retention of items i, ii and iii comprising the Operator's management fee).

Rent is to be reconciled half yearly by audit certificate, and is exclusive of GST.

The Operator must conduct the business to maximise the Net Operating Income.

11.4.2 *Maintenance*

PIF is responsible for all repairs and maintenance to each of the childcare centres as well as the furniture, fittings and equipment (at the cost of PIF) so as to maintain each of the premises at an appropriate level to carry on its business.

11.4.3 *Outgoings*

The Operator is responsible for all outgoings relating to the business and must employ all employees required to conduct the business. These outgoings are, however, relevant for calculating the revenue payable to PIF.

11.4.4 *Assignment*

The Operator may assign the lease with the consent of the Responsible Entity provided, amongst other things, the Operator satisfies the Responsible Entity that the incoming lessee is a respectable and financially responsible person of proven ability to conduct the business to the same standard as the Operator. A change in control in the Operator also requires the consent of the Responsible Entity.

11.4.5 *Expiration of Management Lease*

Upon the expiration of the Management Lease, the Operator is required to transfer the various assets required to conduct the business to a person nominated by the Responsible Entity for nominal consideration.

11.4.6 *Security*

The obligations of the Operator to the Custodian are secured by a mortgage debenture over all of the assets and undertakings of Peppercorn Holdings No 4 Pty Ltd.

11.4.7 *Right of First Refusal*

In the event that PIF decides to sell or receives an offer to purchase any property, the Operator will have a right of first refusal in relation to the property.

11.4.8 *Termination*

The Management Lease may be terminated in the event of default by the Operator under the Management Lease. The events of default include failure by the Operator to pay any money payable under the Management Lease, failure by the Operator to perform any other provisions of the Management Lease and insolvency events.

11.5 Loan agreement

11.5.1 *Bank facilities*

The Responsible Entity has obtained a loan facility from National Australia Bank Limited (ABN 12 004 044 937) for an aggregate amount of $60 million as follows:

Original Facility - $40.1 million

The original facility was applied to the acquisition of the IPO Portfolio of 84 childcare Centres.

Facility Increase - $19.9 million

The increase to the original facility is to be used to payout the Fund's standby facility (which has been cancelled at the request of the Fund) and assist with the acquisition of the additional Centres identified in this Prospectus.

The facility expires on 30 June 2008. The Responsible Entity has fixed the interest rate on the original loan facility of $40.1 million for the term of the facility at 6.30% and will have the option to fix the interest rate on the new borrowings for the term of the facility.

The facility will be 'interest only' during the term. Interest will be paid by the Responsible Entity out of the income or capital of PIF. The facility is repayable in full on its maturity and will be repaid from refinancing the facility or from the net proceeds from the sale of the Centres.

The maximum approved loan to valuation ratio (LVR) for freehold Centres is 55% until 30 June 2005 then reducing to a maximum of 45% thereafter. The maximum approved LVR for leasehold Centres is 25%.

Security

Both facilities are secured by a first ranking registered mortgage over the Centres and by a first ranking fixed and floating charge over the assets and undertakings of PIF. The bank's recourse in the event of default under the facility is limited to the Centres and other assets of PIF.

11.6 Childcare centre Operations Management Agreement

11.6.1 *Parties*

This Agreement is between DDH Graham Limited as Responsible Entity, Peppercorn Holdings No 4 Pty Ltd as Operations Manager and Peppercorn Management Group Limited.

11.6.2 *Management Leases*

The Operator is required to enter into a 10 year Management Lease for each of the Centres acquired with an option for extension for a further 10 years (at the Operator's election).

11.6.3 *Due diligence*

With respect to all acquisitions of freehold or leasehold property by the Fund, the Agreement provides for Peppercorn Management Group Limited to complete due diligence and to procure all appropriate licensing requirements. In the event that Peppercorn Management Group Limited does not recommend the acquisition then the acquisition must not proceed.

A fee of $10,000 per Centre (CPI indexed from 1 July 2003) is to be paid by PIF to Peppercorn Management Group Limited in respect of the services it provides under the Childcare Operations Management Agreement. However, this fee is only required to be paid once each Centre has been acquired.

11.6.4 *Right of first refusal*

Peppercorn Management Group Limited and the Operator grant to the Responsible Entity the exclusive right of first refusal with respect to all freehold centres identified by Peppercorn Management Group Limited or the Operator as suitable for acquisition. The Responsible Entity grants to Peppercorn Management Group Limited and the Operator the exclusive right of first refusal to manage all centres to be acquired by PIF.

11.6.5 *Business of Fund*

In acknowledgement of PIF's primary investment policy, the Responsible Entity undertakes that all investment in assets by PIF must be related to long day care childcare activities.

11.7 Placement Agreement

The Responsible Entity has entered into an agreement with Wilson HTM Corporate Finance Limited ("**Lead Manager**") dated on or about 13 October 2003, in relation to the Offer ("**Placement Agreement**").

Under the terms of the Placement Agreement, the Lead Manager agrees to use its best endeavours to place a minimum of 13,282,000 Units (and a maximum of 13,282,000 Units) with sophisticated or professional investors ("**Placement**"). The Responsible Entity must pay the following fees to the Lead Manager:

- a placement fee equal to 2.5% of the Placement Amount; and
- a management fee equal to 0.5% of the Placement Amount.

The Placement Amount is the Application Monies received pursuant to the Offer. The Lead Manager is also entitled to be reimbursed for its reasonable costs and expenses in relation to the Placement.

Nothing in the Placement Agreement requires the Lead Manager to underwrite the Placement or subscribe for Placement Units.

The Responsible Entity has given standard form representations and warranties, and the Placement Agreement imposes various obligations on the Responsible Entity which are typical in agreements of this type. The Responsible Entity has indemnified the Lead Manager and its officers, employees, advisers and related bodies corporate against all claims, demands, damages, losses, costs, expenses and liabilities suffered or incurred directly or indirectly as a result of:

- a breach of the Placement Agreement;
- the imposition of duty or taxes which might be payable on the issue of the Units; and
- this Prospectus and any advertising or publicity of the Placement issued with the knowledge and prior written consent of the Responsible Entity.

The indemnity is subject to usual limitations in cases of fraud, negligence, default, dishonesty or breach of the Placement Agreement by the indemnified parties.

The Placement Agreement is conditional on the lodgement of this Prospectus, and on unitholder approval being obtained to the resolutions described in section 8.2. Settlement under the Placement Agreement is to occur 3 trading days after the unitholder approval has been obtained.

The Placement Agreement can be terminated by the Lead Manager at any time before the allotment of the Placement Units if any one or more of the following occur:

(a) the Responsible Entity fails to lodge the Prospectus in relation to the Placement with ASIC on or before 17 October 2003;

(b) the Responsible Entity issues Units in PIF, other than as anticipated under the Prospectus, without the prior written consent of the Lead Manager;

(c) unitholder approval is not obtained to the resolutions described in section 8.2;

(d) PIF's constitution or any other constituent document of the Responsible Entity or any related body corporate of the Responsible Entity is amended (other than on the basis proposed at the unitholder meeting) without the prior written consent of the Lead Manager;

(e) the ASX advises the Responsible Entity in writing that official quotation of the Placement Units on the ASX will not be granted, or such official quotation is not granted by the settlement date, or if granted such official quotation is subsequently withdrawn, qualified or withheld;

(f) a change in the senior management or the board of directors of either of the Responsible Entity or any related body corporate occurs;

(g) the Responsible Entity suspends payment of the debts of PIF generally or, in the reasonable opinion of the Lead Manager, will be unable to pay PIF's debts as and when they are due;

(h) the ASX All Ordinaries Index falls to a level more than 10% below its level as at the close of trading on the trading day immediately before the date of the Placement Agreement;

(i) the Responsible Entity fails to comply with:

  (i) PIF's constitution or compliance plan;

  (ii) the Corporations Act, the Listing Rules or any other applicable law;

  (iii) a requirement, order or request, made by or on behalf of ASIC or any governmental or semi-governmental agency, authority, tribunal or other body; or

  (iv) any agreement entered into by it;

(j) there is a fresh outbreak or significant escalation of hostilities (whether or not war has been declared) after the date of the Placement Agreement involving any of Australia, New Zealand, Japan, the United Kingdom, Indonesia, the United States of America, the states of the former USSR, North Korea or the Peoples' Republic of China;

(k) the Responsible Entity is in default of any of the terms and conditions of the Placement Agreement or breaches any warranty or undertaking given or made by it under the Placement Agreement;

(l) any adverse change occurs in the condition, business, operations, assets, liabilities, financial position and performance, profits, losses, prospects or value of PIF or the Responsible Entity;

(m) any person is appointed under any legislation in respect of companies to investigate the affairs of PIF or the Responsible Entity; or

(n) any warranty, representation or statement by the Responsible Entity in relation to the Placement is or is found to be false, misleading or incorrect when made or regarded as made.

The termination events in (c) to (n) only permit the Lead Manager to terminate the Placement Agreement if the Lead Manager has reasonable grounds to believe that the event has or is likely to have a material adverse effect on the outcome of the Placement or the price at which the Placement Units will trade. The termination events in (a) and (b) are not subject to those qualifications.

11.8 Limitation of liability

The liability of the Custodian and Responsible Entity is limited to the assets of PIF. There is no right of recourse against the Custodian or the Responsible Entity personally except in the case of fraud, negligence, breach of trust or breach of duty by the Custodian or Responsible Entity, respectively.

11.9 Inspection of material contracts and consents

Copies of the following documents are available for inspection during usual business hours at the office of the Responsible Entity referred to in the Directory:

- The documents summarised in this section;
- The consents to the issue of this Prospectus.

12. Additional information

12.1 Interests of the Responsible Entity and its directors

Except as set out below or elsewhere in this Prospectus:

- the Responsible Entity does not have, nor has it at any time in the two years prior to lodgement of this Prospectus with ASIC had, any interest in:
  - the formation or promotion of PIF; or
  - the Offer; or
  - any property acquired or proposed to be acquired in connection with the Offer or the formation or promotion of PIF;
- no amounts (whether in cash, Units or otherwise) have been paid or agreed to be paid to the Responsible Entity to procure acquisitions of interests in PIF, or for services provided under PIF's Constitution;
- no director of the Responsible Entity has, or has in the two years prior to lodgement of this Prospectus with ASIC had, any interest in:
  - the formation or promotion of PIF;
  - the Offer; or
  - any property acquired or proposed to be acquired in connection with the Offer or the formation or promotion of PIF; and
- no amounts (whether in cash, Units or otherwise) have been paid or agreed to be paid to any director of the Responsible Entity either to induce him to become, or to qualify him as, as director or otherwise for services rendered by him in connection with the Offer or the promotion or formation of PIF.

1. The Responsible Entity has an interest in the promotion of this Prospectus in that it currently owns 80,020 Units in PIF.
2. The Responsible Entity received fees for the establishment of the Fund, preparation of the IPO Prospectus, debt arrangement and management of the initial issue of $500,500.
3. The Responsible Entity receives a fee of $5,000 per centre acquired (indexed annually by the CPI from 1 July 2003) for Centres acquired subsequent to those which comprised the Fund's 14 foundation Centres.
4. The Responsible Entity will receive a fee of $100,000 for its services in relation to preparation of this Prospectus, debt arrangement and management of the Issue.
5. The Responsible Entity receives a fee for the management of the Fund. The basis upon which this fee is calculated is in accordance with section 6.7.2.
6. The Responsible Entity received a sub-underwriting fee of $25,875 in relation to the IPO Prospectus.

7. Directors of the Responsible Entity receive their ordinary remuneration and other entitlements as a director of the Responsible Entity.

8. The directors of the Responsible Entity or their associated entities have an interest in the promotion of this prospectus in that each currently owns Units as detailed below:

   DDH Graham Limited holds 80,020 Units
   Mr D D H Graham holds 350,005 Units
   Mr P B Lockhart holds 47,500 Units
   Mr U C Di Girolamo holds 32,500 Units

9. The directors of the Responsible Entity or their associated entities are the beneficial holders of shares in Peppercorn Management Group Limited as follows:

   - Mr P B Lockhart holds 9,000 shares;
   - Mr U C Di Girolamo holds 10,000 shares.

12.2 Interests of the Peppercorn Group and its directors

Except as set out below or elsewhere in this Prospectus, no promoter of PIF has, or has at any time in the two years prior to lodgement of this Prospectus with ASIC held, any interest in:

- the formation or promotion of PIF; or
- the Offer; or
- any property acquired or proposed to be acquired in connection with the Offer or the formation or promotion of PIF

and no amounts, whether in cash, Units or otherwise, have been paid, or are agreed to be paid, in the last two years by any person to any promoter of PIF in connection with:

- the formation or promotion of PIF;
- the Offer; or
- any property acquired or proposed to be acquired in connection with the Offer or the formation or promotion of PIF.

1. the Peppercorn Group will receive the following fees:

   a) Management fees
   A base management fee of $1,900 per freehold centre (indexed annually by the CPI from 1 July 2003) and $2,000 per leasehold centre (indexed annually by the CPI from 1 July 2004) operated per month plus 2% of gross revenue (freehold only) and 10% of net operating income (after deducting the base fee and 2% of gross revenue) is payable to the Operator.

   b) Prospectus Preparation
   With respect to assistance in preparation of the IPO Prospectus the sum of $100,000 was paid by PIF to the Peppercorn Group.

   c) Commitment Fee

Peppercorn received a commitment fee of $128,000 being 4% of the value of the CDS subscribed ($3.2 million) by Peppercorn to fund the acquisition of the Fund's 14 foundation Centres.

d) Due Diligence
With respect to acquisition of each Childcare Centre, the Childcare Centre Operations Management Agreement provides for Peppercorn to complete due diligence and to procure all appropriate licensing requirements.

A fee of $10,000 per Centre (indexed annually by the CPI from 1 July 2003) is to be paid by the Fund to Peppercorn upon settlement of the acquisition of each centre.

2. Peppercorn Management Group Limited holds a total of 2.2 million Units in PIF.

3. Mr Ross Petfield and associates have a beneficial interest in 110,000 Units in PIF.

4. Interests associated with Mr Ross Petfield received brokerage fees totalling $900 in relation to the offer of Converting Debt Securities in December 2002.

5. Mr Jack Lunn has a beneficial interest in 30,000 Units in PIF.

6. Mr Richard Serisier has a beneficial interest in 30,000 Units in PIF.

7. Six of the Centres acquired by PIF under the IPO Prospectus were purchased from entities in which the executive directors of Peppercorn have an interest.

8. Mr Michael Gordon has a controlling interest in Peppercorn Management Group Limited and has an interest in Clayplay Pty Ltd which provides craft lessons to children in centres managed by Peppercorn.

12.3 Interests of experts and other persons involved in the Offer

Except as set out below or elsewhere in this Prospectus, no underwriter or broker to the offer involved in the Offer, nor any person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this prospectus has, or has at any time in the two years prior to lodgement of this Prospectus with ASIC held, any interest in:

- the formation or promotion of PIF; or
- the Offer; or
- any property acquired or proposed to be acquired in connection with the Offer or the formation or promotion of PIF

and no amounts, whether in cash, Units or otherwise, have been paid, or are agreed to be paid, in the last two years by any person to any of those persons in connection with:

- the formation or promotion of PIF;
- the Offer; or
- any property acquired or proposed to be acquired in connection with the Offer or the formation or promotion of PIF.
- Trust Company of Australia Limited will receive remuneration and be reimbursed for certain expenses as set out in section 11.2.

- Malleson Stephen Jaques has acted as the legal advisor to the Fund in relation to the Offer under this Prospectus and is entitled to receive professional fees of up to $45,000 for these services. Mallesons also acted as the Fund's legal adviser in relation to the Fund's IPO and received fees of $109,500 for those services.

- Macrossans Lawyers has acted in relation to the acquisition of the Properties to be acquired by the Fund and will receive payment at the rate of $3,000 for each Centre located in Queensland plus an hourly fee of up to $300 per hour in relation to negotiation of each contract. With respect to Centres located in other jurisdictions Macrossans will receive fees of approximately $1,000 - $2,500 per Centre for supervision and liaison.

- Wilson HTM Corporate Finance Limited is entitled to receive a fee of 3% of the proceeds of the Issue for its services as Lead Manager to the Issue. Wilson HTM Corporate Finance Limited acted as broker to the issue in respect of the Fund's IPO and received a fee of $25,000 for those services.

12.4 Consents and disclaimers

The Responsible Entity is the Issuer of this Prospectus. None of the persons named below has authorised or caused the issue of this Prospectus.

None of the persons named below has, prior to the lodgement of this Prospectus with ASIC:

- withdrawn their written consent to be named in this Prospectus in the form and context in which they are named; or

- withdrawn their written consent to the inclusion in this Prospectus of the following information in the form and context in which it is included.

Peppercorn Holdings No 4 Pty Ltd has given its consent to be named as Operator in this Prospectus.

Peppercorn Management Group Limited has given its consent to being named as the parent company of the Peppercorn Group, and to the issue of this Prospectus with the inclusion of information about the Peppercorn Group.

Michael Gordon, Ross Petfield, Jack Lunn and Richard Serisier have given their consents to be named as directors of Peppercorn Management Group Limited.

Pitcher Partners Registry Services has given its consent to being named as the Unit Registry.

Wilson HTM Corporate Finance Limited has given its consent to being named as Lead Manager to the Issue.

Macrossans Lawyers has given its consent to be named as Solicitors in relation to acquisition of properties by the Fund.

Mallesons Stephen Jaques has given its consent to be named as Solicitors for the Offer.

National Australia Bank Limited has given its consent to be named as the Bank which is providing debt facilities to the Fund.

Trust Company of Australia Limited has given its consent to being named in this Prospectus as Custodian of PIF. The Custodian has had no involvement in the preparation of any part of the Prospectus. The Custodian expressly disclaims and takes no responsibility for any other part of this Prospectus. It makes no statement in this Prospectus and has not authorised or caused the issue of it. The Custodian does not guarantee the success of the Fund nor the repayment of capital or any particular rate of capital or income return.

13. Authorisation

This Prospectus is issued by the Responsible Entity.

Each Director of the Responsible Entity has consented to the lodgement of this Prospectus with ASIC.

14. Glossary

Applicant
A person or entity who submits an Application Form.
Application Form
The application form included in this Prospectus to be used by persons wishing to subscribe for Units in this Offer.
Application Monies
The monies payable by an Applicant, being $1.20 per Unit.
ASIC
Australian Securities and Investments Commission.
ASX
Australian Stock Exchange Limited or the market operated by it as the context requires.
CCB
Child Care Benefit payment.
CDS
An unsecured Converting Debt Security issued by the Fund which converted to an ordinary Unit on 20 May 2003.
Centres
The childcare centres on land and buildings which are owned or leased by the Fund, including those centres which are proposed to be acquired using funds raised pursuant to this Prospectus.
CHESS
Clearing House Electronic Sub-register System operated by the ASX Settlement and Transfer Corporation Pty Ltd for the clearing and settlement of transactions of CHESS approved securities, the transfer of securities and the registration of transfers.
Compliance Plan
The Compliance Plan of PIF dated 29 January 2003 summarised in section 11.3.
Constitution
The Constitution of Peppercorn Investment Fund being the deed poll dated 8 July 2002 (as amended).
Corporations Act
Corporations Act 2001 (Cwth)
CPI
The Consumer Price Index (All Groups) published by the Australian Bureau of Statistics.
CPT's
Childcare Property Trusts.
Custodian
The custodian (being Trust Company of Australia Limited ABN 59 004 027 749) of Peppercorn Investment Fund as appointed by the Responsible Entity.
Directors
The directors of the Responsible Entity.
FACS
Department of Family and Community Services.
Forecast Period
1 July 2003 to 30 June 2005.
Fund
Peppercorn Investment Fund (ARSN 102 955 939)
HIN
Holder Identification Number.
IPO
The Funds' initial public offering of Units which was undertaken prior to listing on ASX.
IPO Portfolio
The 84 Centres which were acquired or to be acquired with funds raised pursuant to the IPO Prospectus, as described in the IPO Prospectus.
IPO Prospectus
The Prospectus issued by the Responsible Entity dated 10 April 2003.
Issue
The issue to sophisticated or professional investors (as defined in section 708 of the Corporations Act) of Units in PIF pursuant to this Prospectus.

Issue Price
Price at which the Units in PIF will be issued pursuant to this Prospectus being $1.20 per Unit.

Issuer
DDH Graham Limited as Responsible Entity for Peppercorn Investment Fund.

LDC Centre
Long Day Care Centre.

Lead Manager
Being Wilson HTM Corporate Finance Limited (ABN 65 057 547 323)

Listing Rules
The listing rules of the ASX.

Management Leases
Leases or sub-leases to Peppercorn Holdings No 4 Pty Ltd for each Centre being the Childcare business and the title to the land, buildings, fixtures and fittings associated with it.

Offer
The offer of Units in PIF to professional or sophisticated investors (as defined in s 708 of the Corporations Act) pursuant to this Prospectus.

Operator
Peppercorn Holdings No 4 Pty Ltd (ABN 84 101 236 766), a wholly owned subsidiary of Peppercorn Management Group Limited.

Peppercorn
Peppercorn Management Group Limited (ABN 15 087 155 860).

Peppercorn Group
The companies which constitute the Peppercorn Group which provide childcare centre management services.

PIF
Peppercorn Investment Fund (ARSN 102 955 939).

Properties
Freehold and leasehold childcare centres owned by the Fund, including those centres which are proposed to be acquired using funds raised pursuant to this Prospectus.

Prospectus
This document dated 17 October 2003.

QIAS
Quality Improvement and Accreditation Scheme of the National Childcare Accreditation Council.

Responsible Entity
The Responsible Entity of a registered managed investment scheme is the company named in ASIC's records. In terms of the Offer, the Responsible Entity is DDH Graham Limited (ABN 28 010 639 219).

SCH
Securities Clearing House.

SCH Business Rules
The SCH business rules issued by ASX Settlement and Transfer Corporation Pty Limited.

SRN
Unitholder Reference Number.

Unit/s
A Unit/s in PIF.

Unitholder/s
A holder/s of Units in PIF.

Directory

Responsible Entity	**DDH Graham Limited** Level 18 344 Queen Street Brisbane Qld 4000
Directors of Responsible Entity	David DH Graham Peter B Lockhart Ugo C Di Girolamo
Childcare Centre Operator	**Peppercorn Holdings No 4 Pty Ltd** Level 6 232 Adelaide Street Brisbane Qld 4000
Solicitors to the Offer	**Mallesons Stephen Jaques** Level 30, Waterfront Place 1 Eagle Street Brisbane Qld 4000
Solicitors for Property Acquisitions	**Macrossans Lawyers** Level 23, AMP Place 10 Eagle Street Brisbane Qld 4000
Bank	**National Australia Bank Limited** Registered Office Level 24 500 Bourke Street Melbourne Vic 3000
Custodian	**Trust Company of Australia Limited** 213-217 St Pauls Terrace Spring Hill Qld 4006
Lead Manager	**Wilson HTM Corporate Finance Limited** Level 21 Riverside Centre 123 Eagle Street Brisbane Qld 4000
Unit Registry	**Pitcher Partners Registry Services** Level 21 300 Queen Street Brisbane Qld 4000