17 December 2004

Company Announcements Office
Australian Stock Exchange Limited
20 Bridge Street
SYDNEY NSW 2000

STATEMENT BY MANAGING DIRECTOR

Please find attached a statement to be made by Mr David Graham, Managing Director of DDH Graham Limited, the Responsible Entity of Peppercorn Investment Fund (Stock Exchange code PIV) at the Unitholder Meeting to be held today.

Tony Keating
Company Secretary
DDH Graham Limited
Responsible Entity

Peppercorn Investment Fund

ARSN 102 955 939 ABN 58 102 955 939 Responsible Entity DDH Graham Limited

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Good Morning Ladies and Gentlemen. My name is David Graham and I am the Chairman of DDH Graham Limited, the Responsible Entity of Peppercorn Investment Fund.

I am pleased to welcome you here for this important meeting. We have some special guests who I would like to introduce:

- Mr Eddie Groves and Mr Martin Kemp of A.B.C Learning Centres Limited;
- Mr John Humphrey and Ms Leisel Moorhead from Mallesons Stephen Jacques, who are PIF's legal advisors;
- Mr Tim Crommelin, Roger Clarke and David Oakley from ABN AMRO Morgans, financial advisors to PIF;
- Mr Gordon Young from BellRock Investments Limited;
- Mr David McDougall and Peter Hoare of KPMG Corporate Finance, authors of the independent experts report;
- Mr Kevin Rowe and Ms Lori Lowther from ASX Perpetual Registry Services;
- Mr Andrew Clarkson from William Buck who will act as Scrutineer; and
- Mr Vin Harink of Austock Corporate Finance Limited, advisors to ABC.

I would also like to introduce my fellow directors, Mr Peter Lockhart, Mr Ugo Di Girolamo and the Secretary of DDH Graham Limited, Mr Tony Keating.

Subject to the vote today, DDH Graham Limited will retire as the Responsible Entity and that role will pass to a nominee of ABC, Bellrock Investments Limited. The Fund is effectively in transition with regards to its governance and it has been decided that it would be appropriate for the meeting to be chaired by a person who has no connection with either DDH Graham Limited or BellRock.

Accordingly DDH Graham Limited, as the current Responsible Entity, has appointed Mr Ian Prentice as the Chairman of the meeting and any adjournment thereof. Mr Prentice is a Solicitor and former Member of Parliament. I will hand over to Mr Prentice shortly and he will formally open and chair the proceedings.

Today's meeting is the culmination of a very intense period of negotiations between ABC Learning Centres and Peppercorn Investment Fund, through its Responsible Entity, DDH Graham Limited. It is a very complex transaction as evidenced by the number of legal documents you will see referred to in the Explanatory Memorandum.

When ABC announced its proposed acquisition of Peppercorn Management Group, which is currently the lessee and manager of Peppercorn Investment Fund's centres, ABC provided Peppercorn Investment Fund the opportunity to consider a major restructure of the Fund which would transform it from a fund which owned business operations to one which was more aligned to a traditional property trust. After a great deal of analysis, advice and negotiations with ABC, DDH Graham Limited reached a decision that the proposal presented by ABC was in the best interests of unitholders.

The Fund will continue in its present legal form and will continue to own child care properties, that is, the bricks and mortar in which child care businesses will be operated. Previously these were leased to Peppercorn Management Group on a basis of receipt of operating income after Peppercorn Management Group's management fees were deducted. In the new model the leases will be re-written as triple net leases with contracted set lease payments. Broadly, triple net leases are leases where the lessee is responsible for outgoings, property maintenance and statutory costs. This will provide greater certainty of income to unitholders. ABC's announced intention is to provide additional properties to the Fund and has provided important rental subsidies for a period until the Fund is fully invested.

It is necessary to look at the transaction in its entirety and to focus especially on the income stream that is expected going into the future. When all the facts were known and analysed, especially the proposal in relation to the future income stream, DDH Graham Limited reached the view, assisted by its financial advisors, that this proposal was in the best interests of the Fund and its unitholders. The same conclusion was arrived at by the independent expert, KPMG Corporate Finance.

It also seems to be well supported by the market as there has been a good increase in the price of units since the announcement with a substantial volume traded. The feedback from most of the unitholders we have spoken to has been positive.

In this transaction and the lengthy negotiations, and in the documentation, DDH Graham Limited was supported by an extremely competent team made up of ABN AMRO Morgans and Mallesons, both of whom made a very major contribution which I would like to acknowledge.

While the transaction itself has been analysed and well documented in the Explanatory Memorandum and Independent Expert's Report, there will be an opportunity for unitholders here to ask questions of representatives from DDH Graham Limited, ABC Learning Centres Limited and BellRock Investments Limited, in the formal part of the meeting.

With that I would like to hand over to Mr Prentice but again thank you for your attendance here and your support of the Fund. Although the Fund has been in operation only for a relatively short period we have got to know a number of you. I hope to have the opportunity to catch up after the meeting to thank you personally.

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