



CPT-1

CHILDCARE PROPERTY TRUST NO 1

ARSN 095 469 177

Half-year financial report
31 December 2005



**DDH
GRAHAM
LIMITED**

CHILDCARE PROPERTY TRUST NO 1
DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

The directors of DDH Graham Limited, ("the Responsible Entity") the Responsible Entity of Childcare Property Trust No 1 ("the Trust") present their report together with the financial report of the Trust for the half-year ended 31 December 2005 and the independent auditors' review report thereon.

Directors of the Responsible Entity

The directors of DDH Graham Limited during or since the end of the financial half-year are:

Name	Period of directorship
■ Mr David D H Graham	Managing Director since 1986.
■ Mr Peter B Lockhart	Appointed 1988.
■ Mr Ugo C Di Girolamo	Appointed 2000.

Review of operations

The Trust properties are located as follows:

- Kirwan, Townsville, QLD
- Kings Langley, Sydney, NSW
- Algester, Brisbane, QLD
- Calamvale, Brisbane, QLD
- Parkinson, Brisbane, QLD
- Tinana, Maryborough, QLD
- Maryborough, QLD
- Salisbury Heights, Adelaide, SA
- Taigum, Brisbane, QLD

For further information on the properties, refer to Note 5 in the financial statements.

Each centre is leased to and managed by Peppercorn Holdings No 1 Pty Ltd, a wholly owned subsidiary of A.B.C. Learning Centres Limited ("ABC").

Results

The result for the half-year to 31 December 2005 was a net profit after income tax of \$2,327,644 which included a revaluation increment of \$1,930,255 (after allowance for capital gains tax). This is the first financial report prepared according to Australian equivalents to International Financial Reporting Standards ("AIFRS"). Under AIFRS changes in value of investment properties are recognised in income rather than in the asset revaluation reserve as was previously the case. For the corresponding period in 2004 the net profit after income tax was \$375,509.

Property Valuations

The Trust properties have been independently revalued and the new valuations incorporated into this half-year report. The revaluations resulted in a total increment of \$2.74 million, an increase of 20% on book value. This has increased the net asset backing of the Trust to \$1.37 per unit (after allowance for capital gains tax), up from \$1.12 per unit as at 30 June 2005.

CHILDCARE PROPERTY TRUST NO 1
DIRECTORS' REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Trading Performance

The first quarter of the financial year is generally one of minimal volatility in terms of the performance of the Trust's childcare centres. Families and centre managements are well settled into their routines for the year and centre occupancies tend to remain fairly stable throughout the period. However in the latter weeks of the second quarter, occupancy levels enter their traditional low period as summer holidays and the transition of older children to school occurs.

Whilst remaining mindful of the highly competitive nature of fees charged in some areas, fees were increased in early July in all centres by an average of \$4.00 per day. This coincided with the Family Assistance Offices' annual review and increase of the Child Care Benefit (CCB) payable to parents. The fee increase was necessary to cover escalating operating expenses and in particular to protect margins preceding the annual wage review which became operative in early September.

At the operational level the Trust's centres have continued to record a generally solid performance. Although centre by centre performance varies across the Trust's portfolio, average labour cost ratios of under 50% were maintained for the six month period and average occupancy levels remained consistent at just under 80%.

The distribution for the half-year to 31 December 2005 is 6.00 (2004: 6.00) cents per unit. This represents an annualised return of 12% based on an initial issue price of \$1.00 per unit. The income portion of 5.23 cents is franked to a level of 85%.

Auditor's Independence Declaration

The auditor's independence declaration is set out on page 3 and forms part of this directors' report for the half-year ended 31 December 2005.

Dated at Brisbane this 21st day of March 2006.

Signed in accordance with a resolution of the directors of DDH Graham Limited.

DDH Graham
Managing Director
DDH Graham Limited

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Unit holders of Childcare Property Trust No 1

I declare that, to the best of my knowledge and belief, in relation to the audit of Childcare Property Trust No 1 for the half year ended 31 December 2005 there have been:

- (i) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Signed at Brisbane on 21st March 2006

WILLIAM BUCK
Chartered Accountants

D W LANGDON
Lead Audit Partner

CHILDCARE PROPERTY TRUST NO 1
 INCOME STATEMENT
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	2005	2004
		\$	\$
Revenue			
Lease income		816,904	793,863
Increment on revaluation of Investment properties		2,742,378	-
Interest income		7,377	11,310
Total revenue		3,566,659	805,173
Expenses			
Borrowing costs		132,647	132,647
Responsible Entity's remuneration		51,746	51,793
Depreciation		54,986	46,381
Other expenses	2	40,449	60,913
Total expenses		279,828	291,734
Net Profit before income tax expense		3,286,831	513,439
Income tax expense		(959,187)	(137,930)
Net Profit after income tax expense		2,327,644	375,509
Earnings per unit:			
Basic (cents per unit)		30.63	4.94

There are no dilutive potential ordinary units, therefore diluted earnings per unit has not been calculated or disclosed.

CHILDCARE PROPERTY TRUST NO 1
BALANCE SHEET
AS AT 31 DECEMBER 2005

	Note	31 Dec 2005 \$	30 Jun 2005 \$
Assets			
Current assets			
Cash and cash equivalents		391,878	431,673
Trade and other receivables		398,745	302,675
Other current assets		65,251	68,631
Current tax assets		47,686	39,047
Total current assets		903,560	842,026
Non current assets			
Investment properties	5	15,432,063	12,640,880
Furniture, fixtures and fittings		603,139	612,740
Total non current assets		16,035,202	13,253,620
Total assets		16,938,762	14,095,646
Liabilities			
Current liabilities			
Trade and other payables	3	1,105,848	952,599
Current tax liabilities		66,336	60,266
Borrowings		3,700,000	3,700,000
Total current liabilities		4,872,184	4,712,865
Non current liabilities			
Deferred tax liabilities		1,650,007	837,854
Total non current liabilities		1,650,007	837,854
Total liabilities		6,522,191	5,550,719
Net assets		10,416,571	8,544,927
Equity			
Issued capital		6,531,353	6,589,934
Retained earnings		3,885,218	1,954,993
Total equity		10,416,571	8,544,927

The Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 8 to 15.

CHILDCARE PROPERTY TRUST NO 1
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Note	2005 \$	2004 \$
Total equity at the beginning of the half-year		8,544,927	8,792,836
Adjustments on adoption of AIFRS			
Transfers from asset revaluation reserve		-	(1,954,993)
Transfer to retained earnings		-	1,954,993
Net profit for the half year after income tax expense		2,327,644	375,509
Distributions paid or payable	3	(456,000)	(456,000)
Total equity at the end of the half-year		10,416,571	8,712,345

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 8 to 15.

CHILDCARE PROPERTY TRUST NO 1
CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	2005 \$	2004 \$
Cash flows from operating activities		
Lease income received	843,423	586,469
Cash payments in the course of operations	(153,775)	(171,991)
Interest received	7,377	11,310
Income taxes paid	(149,603)	(132,445)
Net cash provided by operating activities	547,422	293,343
Cash flows from financing activities		
Borrowing costs paid	(131,217)	(131,217)
Distribution paid	(456,000)	(456,000)
Net cash used in financing activities	(587,217)	(587,217)
Net increase (decrease) in cash and cash equivalents	(39,795)	(293,874)
Cash and cash equivalents at the beginning of the half-year	431,673	595,022
Cash and cash equivalents at the end of the half-year	391,878	301,148

The Cash Flow Statement is to be read in conjunction with the notes to the financial statements set out on pages 8 to 15.

1. Statement of significant accounting policies

The significant accounting policies which have been adopted by the Trust in the preparation of this half-year financial report are:

(a) Basis of preparation

The half-year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

As this is the first financial report prepared under Australian equivalents to International Financial Reporting Standards ("AIFRS"), the accounting policies applied are inconsistent with those applied in the 30 June 2005 annual report as this report was presented under previous Australian General Accepted Accounting principles ("AGAAP"). Accordingly, a summary of the significant accounting policies under AIFRS has been included below. A reconciliation of equity and profit and loss between previous AGAAP and AIFRS has been prepared in Note 9.

The Trust changed its accounting policies on 1 July 2005 to comply with AIFRS. The transition to AIFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening AIFRS balance sheet at 1 July 2004.

(b) Revenue and expenditure recognition

Lease income

Lease income is brought to account on an accrual basis and, if not received at balance date, is reflected in the Balance Sheet as a receivable.

Interest Income

Interest income is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the origination date.

Property expenses

Property expenses consist of rates, taxes and other property outgoings in relation to investment properties where such expenses are the responsibility of the Trust.

Responsible Entity's remuneration

Under the Trust Constitution, the Responsible Entity is entitled to a fee amounting to 0.125% of the Total Tangible Assets of the Trust for each quarterly period together with a fixed component of \$33,765 per annum subject to CPI increase.

1. Statement of significant accounting policies (Continued)

Operator's remuneration

In accordance with each of the property leases, the lessee and operator of the childcare centres, Peppercorn Holdings No.1 Pty Ltd, is entitled to receive a base management fee of \$1,900 per centre operated per month (indexed by the CPI) plus 2% of gross revenue and 10% of net operating income (after deducting the base fee and 2% of gross revenue).

The operator's remuneration is deducted before lease income is paid to the Trust and as a result is not included as an expense in these financial statements.

All expenses are brought to account on an accrual basis.

(c) Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

(d) Income tax

The Trust is taxed on a similar basis to a company. Accordingly, the Trust is subject to income tax at the prevailing corporate rate.

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 Trust 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.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principal, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

1. Statement of significant accounting policies (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Trust expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Trust intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(e) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment 4 – 20 years

Depreciation rates and methods shall be reviewed at least annually and, where changed, shall be accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. Depreciation recognised in prior financial years shall not be changed, that is, the change in depreciation rate or method shall be accounted for on a 'prospective' basis.

(f) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(g) Receivables

Trade receivables, loans and other receivables are recorded at amortised cost less impairment.

(h) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Trust. Trade accounts payable are normally settled within 30 days.

(i) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs.

1. Statement of significant accounting policies (Continued)

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(k) Impairment of assets

At each reporting date, the Trust reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Trust estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the Income Statement.

(l) Financial instruments issued by the Trust

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and distributions are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown with borrowings in current liabilities in the balance sheet.

1. Statement of significant accounting policies (Continued)

(n) Earnings per unit

(i) Basic earnings per unit

Basic earnings per unit is calculated by dividing the profit attributable to equity holders of the Trust, excluding any costs of servicing equity other than ordinary units, by the weighted average number of ordinary units outstanding during the half-year.

(ii) Diluted earnings per unit

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary units and the weighted average number of units assumed to have been issued for no consideration in relation to dilutive potential ordinary units.

(o) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. Other expenses from ordinary activities

	2005 \$	2004 \$
Auditor's remuneration		
- Audit services	4,250	2,843
Bank charges	95	158
Compliance costs	5,000	5,000
Custodian fees	7,500	7,500
Insurance	3,234	3,841
Legal fees	1,438	160
Lodgment fees	1,098	1,098
Printing & stationery	542	1,489
Rates & taxes	330	20,109
Repairs & maintenance	11,545	16,610
Sundry expenses	832	18
Unit registry costs	4,585	2,087
	40,449	60,913

CHILDCARE PROPERTY TRUST NO 1
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

3. Distributions

	\$	¢/unit
Distribution payable – December half-year – 2005	456,000	6.00
Distribution payable – December half-year – 2004	456,000	6.00

4. Segment reporting

The Trust's revenues are entirely derived from the ownership and leasing of childcare centres. All operations and assets are based in Australia. Accordingly the Trust's domicile is in Australia.

5. Investment properties

Address	Title	Ownership	Acquisition date	Cost including additions \$	Valuation date	Valuation \$	Carrying value 31/12/05 \$	Carrying value 30/06/05 \$
412-414 Charles St, Kirwan, Townsville, Qld	F/hold	100%	29/06/01	930,426	10/02/06	1,720,000	1,652,904	1,214,624
57 Endiandra St, Algeria, Brisbane, Qld	F/hold	100%	15/06/01	954,647	10/02/06	1,800,000	1,764,333	970,991
49-57 Nottingham Rd, Calamvale, Brisbane, Qld	F/hold	100%	15/06/01	1,181,108	10/02/06	2,800,000	2,740,595	1,972,491
375 Nottingham Rd, Parkinson, Brisbane, Qld	F/hold	100%	15/06/01	948,841	10/02/06	2,150,000	2,071,799	1,324,162
18 Woongool Rd, Tinana, Maryborough, Qld	F/hold	100%	29/06/01	785,450	10/02/06	1,550,000	1,486,114	1,141,723
Cnr Ellena & Tooley Sts, Maryborough, Qld	F/hold	100%	29/06/01	1,008,632	10/02/06	1,500,000	1,429,354	1,331,785
41 The Grove Way, Salisbury Heights, Adelaide, SA	F/hold	100%	29/06/01	521,314	27/02/06	1,160,000	1,121,827	956,358
263 Handford Rd, Taigum, Brisbane, Qld	F/hold	100%	15/06/01	2,225,313	22/02/06	2,230,000	2,146,644	2,423,177
10 Solander Road, Kings Langley, Sydney, NSW	F/hold	100%	16/07/01	1,341,107	10/02/06	1,090,000	1,018,493	1,305,569
Total investment properties				9,896,838		16,000,000	15,432,063	15,432,063

The valuation of investment properties includes non-integral assets which are disclosed separately in the Balance Sheet.

CHILDCARE PROPERTY TRUST NO 1
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

6. Net tangible assets

	31 Dec 2005	30 Jun 2005
Net tangible assets	\$10,416,571	\$8,544,927
Units issued	7,600,000	7,600,000
Net tangible asset backing (at book value) per unit	\$1.3706	\$1.1243

7. Events subsequent to reporting date

The initial five year term of the Trust expires in mid-2006. The Responsible Entity will issue an Explanatory Memorandum to unitholders in March 2006 with a recommendation as to the future of the Trust. Unitholders will be requested to advise the Responsible Entity as to whether they wish the Trust to continue or be terminated. At the date of signing the financial report it is not known whether the Trust will continue or be terminated.

Other than noted above, since 31 December 2005 no event has arisen that would be likely to materially affect the operations of the Trust or the state of affairs of the Trust not otherwise disclosed in the Trust's financial report.

8. Contingent liabilities

There has been no change in contingent liabilities since the last annual reporting date.

9. Explanation of transition to Australian equivalents to IFRSs

(a) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Note	30 June 2005	31 December 2004	1 July 2004
		\$	\$	\$
Total equity under AGAAP		8,544,927	8,712,345	8,792,836
Transfer from asset revaluation reserve	9 (f) (i)	(1,954,993)	(1,954,993)	(1,954,993)
Transfer to retained earnings	9 (f) (i)	1,954,993	1,954,993	1,954,993
Total equity under AIFRS		<u>8,544,927</u>	<u>8,712,345</u>	<u>8,792,836</u>

(b) Adjustments to balance sheet classifications at 1 July 2004

There are no adjustments to balance sheet classifications at 1 July 2004.

(c) Reconciliation of profit after tax under AGAAP to that under AIFRS

There are no adjustments to profit for the half-year ended 31 December 2004 or the year ended 30 June 2005.

9. Explanation of transition to Australian equivalents to IFRSs (Continued)

(d) Retained Earnings

The effect on retained earnings of the changes set out above are as follows:

	Note	30 June 2005 \$	31 December 2004 \$	1 July 2004 \$
Transfer from asset revaluation reserve	9 (f) (i)	1,954,993	1,954,993	1,954,993

(e) Reconciliation of cash flow statement

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement for the half-year ended 31 December 2004 or for the year ended 30 June 2005.

(f) Notes

(i) Investment Property

The asset revaluation reserve balance relating to revaluations of investment property has been derecognised at transition date and adjusted against retained earnings.

**CHILDCARE PROPERTY TRUST NO 1
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

In the opinion of the directors of DDH Graham Limited, the Responsible Entity of Childcare Property Trust No 1 ("the Trust"):

1. there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
2. the financial statements and notes set out on pages 4 to 15 are in accordance with the Corporations Act 2001, including:
 - (a) compliance with accounting standards; and
 - (b) giving a true and fair view of the financial position and performance of the Trust; and
3. the Trust has operated in accordance with the provisions of the Trust Constitution dated 20 December 2000 (as amended).

Dated at Brisbane this 21st day of March 2006.

Signed in accordance with a resolution of the directors of DDH Graham Limited.

**DDH Graham
Managing Director
DDH Graham Limited**

**INDEPENDENT AUDITORS' REVIEW REPORT
TO THE UNITHOLDERS OF CHILDCARE PROPERTY TRUST NO 1
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

Scope

We have reviewed the financial report of Childcare Property Trust No 1 ("the Trust") for the half-year ended 31 December 2005, consisting of the Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, accompanying notes and the Directors' Declaration set out on pages 4 to 16. The directors of the Responsible Entity, DDH Graham Limited ("the Responsible Entity") are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting, other mandatory professional reporting requirements and statutory requirements in Australia and the provisions of the Trust Constitution dated 20 December 2000 (as amended), so as to present a view which is consistent with our understanding of the Trust's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the Responsible Entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of the Responsible Entity and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Childcare Property Trust No 1 is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Trust's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements; and
- (c) the provisions of the Trust Constitution dated 20 December 2000 (as amended).

**William Buck
Chartered Accountants**

**DW Langdon
Partner**

Brisbane 21 March 2006

Responsible Entity and Principal place of business of the Trust	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 1 Pty Ltd Level 5 232 Adelaide Street Brisbane Qld 4000
Solicitors	Macrossans Lawyers Level 23 AMP Place 10 Eagle Street Brisbane Qld 4000
Auditors	William Buck Level 16 William Buck Centre 120 Edward Street Brisbane Qld 4000
Taxation Advisors	PricewaterhouseCoopers Level 17 Waterfront Place 1 Eagle Street Brisbane Qld 4000
Bank	Westpac Banking Corporation 260 Queen Street Brisbane Qld 4000
Valuer	Landmark White Level 12 97 Creek Street Brisbane Qld 4000
Custodian	Permanent Trustee Australia Limited 213-217 St Paul's Terrace Spring Hill Qld 4006