

CPT-2

CHILDCARE PROPERTY TRUST NO 2
ARSN 100 176 805

Financial Report
30 June 2008



FUNDS MANAGEMENT

**CHILDCARE PROPERTY TRUST NO 2
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

The directors of DDH Graham Limited, ("the Responsible Entity"), the Responsible Entity of Childcare Property Trust No.2 ("the Trust") present their report together with the financial report of the Trust for the year ended 30 June 2008 and the auditor's report thereon.

The Trust became a registered scheme under the Corporations Act 2001 on 18 April 2002 and DDH Graham Limited became the Responsible Entity on that date.

THE RESPONSIBLE ENTITY

The registered office and principal place of business of the Responsible Entity and the Trust is Level 18, 344 Queen Street, Brisbane.

The directors of DDH Graham Limited continuously during and since the end of the financial year are:

Name and qualifications	Age	Experience and special responsibilities
David D H Graham Chairman and Managing Director Bachelor of Commerce Bachelor of Economics (Hons) Master of Business Administration Fellow of CPA Australia	66	Managing Director since 1986. Extensive experience in financial advisory and trust management services.
Peter B Lockhart Bachelor of Economics Master of Business Administration	54	Director since 1988. Extensive experience in financial advisory and trust management services. Member of Compliance Committee. Member of Audit Committee.
Ugo C Di Girolamo Associate Diploma in Business Member of Finance & Treasury Association Limited	46	Director since 2000. Over 20 years experience in financial markets.

The Responsible Entity's Constitution does not require directors to retire and seek re-election.

INTERESTS OF THE RESPONSIBLE ENTITY

Responsible Entity's and director's holdings of units

The relevant interests of DDH Graham Limited and its directors (including director related entities) in the unit capital of the Trust at 30 June 2008 are set out below:

	2008 Units	2007 Units
DDH Graham Limited	-	20
DDH Graham	-	5
PB Lockhart	-	10,000
UC Di Girolamo	-	10,000

No units were issued or withdrawn by DDH Graham Limited or its director's during the year.

Responsible Entity's remuneration

During the year DDH Graham Limited received Trust Management fees of \$34,650 (2007: \$140,777)

**CHILDCARE PROPERTY TRUST NO 2
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

PRINCIPAL ACTIVITIES

The Trust is an unlisted unit trust which was established to acquire and hold 11 freehold childcare centres for an initial investment period of 5 years expiring in June 2007.

The childcare centre locations and number of licensed places are as follows:

Location	Licensed Places
3 Charlotte Street, Woree, Cairns, Qld	75
9 Brose Street, Whiterock, Cairns, Qld	74
9 Tozer Park Road, Gympie, Qld	75
16 Palm Drive, Deeragun, Townsville, Qld	24
79 Veales Road, Jensen, Townsville, Qld	75
61 McLean Street, Gulliver, Townsville, Qld	75
14-18 Grant Street, Morayfield, Qld	74
21-23 Ann Street, Mooroopna, Shepparton, Vic	69
615 Greenwattle Street, Glenvale, Toowoomba, Qld	74
17 Covent Gardens Way, Banora Point, NSW	75
57 Salisbury Crescent, Colonel Light Gardens, SA	62
	752

During the year, the Responsible Entity completed the sale of the childcare centres and the associated businesses to a subsidiary of Ramsay Bourne Holdings Pty Ltd (RBH). Accordingly, the Trust was wound up on 30 June 2008 in accordance with the Trust Constitution. This is the final financial report of the Trust.

STATE OF AFFAIRS

Other than disclosed elsewhere in this report, in the opinion of the directors there were no other significant changes in the state of affairs of the Trust that occurred during the financial year under review.

REVIEW AND RESULTS OF OPERATIONS

The result for the year to 30 June 2008 was a net loss after income tax of \$514,986 (2007: loss \$1,577,895) due to the following factors:

- Trading results up to the date of settlement of the childcare centres continued to be disappointing reinforcing the decision to sell the centres and wind up the Trust;
- A profit on sale of the investment properties of \$52,646;
- A loss on disposal of centre educational resources of \$75,977 disposed at date of settlement of the investment properties; and
- Recognition of a franking deficits tax of \$212,147 as the Trust has no current or future income tax liability to offset the deficit that has arisen in the Trust's income tax Franking Account as at 30 June 2008.

UNITS ON ISSUE

The number of interests in the Trust as at the end of the financial year was Nil following cancellation of the units upon closure of the Trust.

NET TANGIBLE ASSET BACKING

The net tangible asset backing of the Trust at 30 June 2008 was Nil cents per unit (2007: 80.62 cents per unit).

**CHILDCARE PROPERTY TRUST NO 2
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

DISTRIBUTIONS

Distributions paid during the year was 74.7733 (2007: Nil) cents per unit consisting entirely of tax deferred income.

Distributions paid or declared by the Trust since the end of the previous financial year were:

	\$
As proposed and provided for in last year's report:	-
In respect of the current financial year:	
▪ a distribution of 50 cents per unit paid in July 2007.	4,400,012
▪ a distribution of 15 cents per unit paid in November 2007.	1,320,004
▪ a distribution of 6 cents per unit paid in December 2007.	528,002
▪ a distribution of 1.9 cents per unit paid in March 2008	167,201
▪ a distribution of 1.7833 cents unit per paid in June 2008	164,851
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Total distributions paid in respect of the year ended 30 June 2008	6,580,070
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Distribution paid to DDH Graham Limited and its directors are disclosed in Note 16 to the financial statements.

ENVIRONMENTAL REGULATION

The Trust's operations are not subject to any significant environmental regulations under Commonwealth, State or Territory legislation.

EVENTS SUBSEQUENT TO BALANCE DATE

The Trust was terminated on 30 June 2008. Accordingly there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the Trust, the results of those operations, or the state of affairs of the Trust, in future financial years.

LIKELY DEVELOPMENTS

As a result of the wind up of the Trust, there will be no further developments or results from operations.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

Under the Trust Constitution, the Responsible Entity, including its officers and employees, is indemnified out of the Trust's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Trust.

The Trust has not indemnified any auditor of the Trust.

Insurance Premiums

During the financial year the Responsible Entity has paid premiums in respect of its officers for liability and legal expenses insurance contracts for the year ended 30 June 2008. Such insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been officers of the Responsible Entity.

Details of the nature of the liabilities covered or the amount of the premium paid has not been included as such disclosure is prohibited under the terms of the contracts.

**CHILDCARE PROPERTY TRUST NO 2
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 5 and forms part of this directors' report for the year ended 30 June 2008.

Signed in accordance with a resolution of directors

PB Lockhart
Director
DDH Graham Limited
Brisbane, 14 July 2008



Lead Auditor's Independence Declaration

under S 307C of the *Corporations Act 2001*

To:

The Directors of DDH Graham Limited, the Responsible Entity of Childcare Property Trust No. 2

I declare that, to the best of my knowledge and belief, there have been:

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

WHK HORWATH
ABN 79 981 227 862

D W LANGDON
PRINCIPAL

Liability limited by a scheme approved under Professional Standards Legislation

Brisbane, 14 July 2008

**CHILDCARE PROPERTY TRUST NO 2
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 \$	2007 \$
Revenue			
Lease income		(211,902)	80,094
Gain from sale of assets held for sale		52,646	-
Changes in fair value – assets held for sale		-	(1,276,161)
Interest income		56,586	7,395
Total revenue		(102,670)	(1,188,672)
Expenses			
Finance costs		28,729	421,978
Responsible Entity's remuneration	3(a)	34,650	140,777
Depreciation		2,283	20,971
Loss on sale of furniture, plant and fittings		75,977	-
Other expenses from ordinary activities	4	58,533	149,348
Total expenses		200,172	733,074
(Loss) before income tax benefit/expense		(302,842)	(1,921,746)
Income tax benefit/(expense)	14(a)	(212,144)	343,851
(Loss) for the year		(514,986)	(1,577,895)
Earnings per unit			
Basic (cents per unit)		-	-

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

CHILDCARE PROPERTY TRUST NO 2
BALANCE SHEET
AS AT 30 JUNE 2008

	Note	2008 \$	2007 \$
ASSETS			
Current assets			
Cash and cash equivalents	18(a)	-	26,570
Trade and other receivables	5	-	4,151
Other current assets	6	-	89,569
Current tax assets	14(b)	-	212,570
Furniture, fixtures and fittings	7	-	67,850
Assets classified as held for sale	8	-	13,263,437
Total current assets		-	13,664,147
Non-current assets			
Furniture, fixtures and fittings	7	-	-
Assets classified as held for sale	8	-	-
Total non-current assets		-	-
Total assets		-	13,664,147
LIABILITIES			
Current liabilities			
Liabilities classified as held for sale	8	-	6,303,416
Trade and other payables	9	-	265,675
Total current liabilities		-	6,569,091
Non-current liabilities			
Deferred tax liabilities	10	-	-
Liabilities classified as held for sale	8	-	-
Total non-current liabilities		-	-
Total liabilities		-	6,569,091
Net assets		-	7,095,056
Equity			
Issued capital	11	-	7,614,200
Retained profits		-	(519,144)
Total equity		-	7,095,056

The Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 10 to 26.

**CHILDCARE PROPERTY TRUST NO 2
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008**

	Issued Capital \$	Retained Profits \$	Total \$
Balance 1 July 2006	7,614,200	1,058,751	8,672,951
Loss for the year	-	(1,577,895)	(1,577,895)
Balance 30 June 2007	7,614,200	(519,144)	7,095,056
Return of capital	(6,580,070)		(6,580,070)
Loss for the year		(514,986)	(514,986)
Undistributed losses as at date Trust closed transferred to Issued Capital	(1,034,130)	1,034,130	-
Balance 30 June 2008	-	-	-

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 10 to 26.

**CHILDCARE PROPERTY TRUST NO 2
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from customers		86,029	223,701
Payments to suppliers and employees		(1,101,054)	(87,076)
Interest received		56,586	7,395
Income tax refund		426	19,848
Finance costs paid		(23,992)	(414,230)
Net cash provided by operating activities	18(b)	(982,005)	(250,362)
Cash flows from investing activities			
Payments for investment properties		-	(4,315)
Payments for furniture, fixtures and fittings		(55,299)	(101,079)
Deposit monies transferred to trust account		-	(50,000)
Deferred selling costs – assets held for sale		(53,372)	(49,064)
Proceeds - assets held for sale		13,499,176	-
Net cash used in investing activities		13,390,505	(204,458)
Cash flows from financing activities			
Proceeds from borrowings		-	355,000
Repayment of borrowings		(5,855,000)	-
Distributions paid		(6,580,070)	-
Net cash used in financing activities		(12,435,070)	355,000
Net decrease in cash held		(26,570)	(99,820)
Cash and cash equivalents at the beginning of the financial year		26,570	126,390
Cash and cash equivalents at the end of the financial year	18(a)	-	26,570

The Cash Flow Statement is to be read in conjunction with the notes to the financial statements set out on pages 10 to 26.

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

1. REPORTING ENTITY

The Childcare Property Trust No 2 ("the Trust") is a registered managed investment scheme incorporated in Australia under the Corporations Act 2001. The financial report of the Trust is for the year ended 30 June 2008.

The financial report was authorised for issue by the directors of the Responsible Entity on 11 July 2008.

2. BASIS OF PREPARATION

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial report of the Trust also complies with the International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board.

b) Functional & presentation currency

The financial report of the Trust is presented in Australian dollars which is the Trust's functional currency.

c) Use of estimates and judgement

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods affected.

There were no key adjustments during the year arising from estimates and judgements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

a) Revenue and expenditure recognition

(i) Lease income

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

Lease income received in advance is reflected in the Balance Sheet as a payable.

(ii) Valuation of Investment Properties

Unrealised gains and losses on investment properties are recognized in the Income Statement.

(iii) Interest Income

Interest income is recognised in the income statement as it accrues using the original effective interest rate calculated at the acquisition or origination date and if not received at balance date, is reflected in the Balance Sheet as a receivable.

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(iv) 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 \$69,303 per annum subject to CPI increase.

(v) Operator's remuneration

In accordance with each of the property leases, the lessee and operator of the childcare centres, Peppercorn Holdings No. 2 Pty Ltd, is entitled to receive a base management fee of \$2,004 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.

b) 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.

c) Assets held for sale

Immediately before classification as held for sale the measurement of the assets is brought up to date in accordance with applicable accounting standards. Upon initial classification as held for sale, non-current assets are recognised at fair value.

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.

(i) 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).

(ii) 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.

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In principle, 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.

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.

(iii) 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 are reviewed at the end of each annual reporting period.

Plant and equipment classified as Held for Sale is not depreciated from the date of the classification as Held for Sale.

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.

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition financial instruments are measured as described below.

A financial instrument is recognised if the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Trust's contractual rights to the cash flows from the financial assets expire or if the Trust transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Trust commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Trust's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. These assets are stated at nominal values.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy (h)). Rental debtors to be settled within 30 days are carried at amounts due as representatives of amortised cost, less impairment losses.

Trade and other 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.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

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.

h) 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.

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

i) 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 Tax 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 from operating activities 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.

j) Segment Reporting

A segment is a distinguishable component of the Trust that is engaged either in a business segment or based on the Trust's asset clauses within a particular geographical segment based on the geographical location of the assets, which is subject to rules and rewards that are different from those of other segments.

k) 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.

l) Comparative figures

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

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

4. OTHER EXPENSES	Note	2008 \$	2007 \$
Administration costs		959	923
Auditor's remuneration:			
- Audit of financial reports		6,905	14,698
- Audit of compliance plan		-	2,500
Bank charges		452	1,843
Consultant fees		5,775	12,127
Custodian & compliance costs		22,500	23,748
Insurance		7,019	12,397
Land tax & rates		428	29,993
Legal fees		-	-
Lodgement fees		2,060	1,178
Repairs & maintenance		3,929	47,229
Unit registry fees		8,506	2,712
Stamp Duty		-	-
Total other expenses		58,533	149,348
5. TRADE AND OTHER RECEIVABLES			
Sundry debtors		-	4,151
Total trade and other receivables		-	4,151
6. OTHER CURRENT ASSETS			
Prepayments		-	89,569

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

7. FURNITURE, FIXTURES AND FITTINGS	2008 \$	2007 \$
Furniture, fixtures and fittings at cost	-	108,757
Accumulated depreciation	-	(40,907)
Total furniture, fixtures and fittings	-	67,850
Reconciliation of the carrying amount of furniture, fixtures and fittings is set out below:		
Carrying amount at beginning of year	67,850	608,381
Additions	10,410	65,796
Transfer to assets held for sale	-	(585,356)
Depreciation	(2,283)	(20,971)
Disposals	(75,977)	-
Carrying amount at end of year	-	67,850

8. ASSETS HELD FOR SALE

Investment properties are presented as held for sale following the Responsible Entity's decision to wind up the Trust and sell the investment properties. Sales of all properties were completed during the financial year resulting on a nil carrying value of investment properties as at 30 June 2008

	Note	
Assets classified as held for sale		- 13,263,437
Liabilities classified as held for sale		
Sundry creditors		- 131,089
Accruals		- 317,327
Unsecured borrowings	16	- 355,000
Interest bearing liabilities		- 5,500,000
Total liabilities classified as held for sale		- 6,303,416

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

8. ASSETS HELD FOR SALE (CONTINUED)

Details of the individual properties comprising assets held for sale are set out below:

Description	Ownership	Acquisition date	Cost including additions \$	Carrying value 30/06/08 \$	Carrying value 30/06/07 \$
3 Charlotte Close, Woree, Cairns, QLD	100%	05/04/02	1,221,557	-	1,002,465
9 Brose Street, Whiterock, Cairns, QLD	100%	05/04/02	1,216,698	-	1,264,381
9 Tozer Park Road, Gympie, QLD	100%	28/03/02	1,232,273	-	1,592,075
16 Palm Drive, Deeragun, Townsville, QLD	100%	05/04/02	370,966	-	296,094
79 Veales Road, Jensen, Townsville, QLD	100%	05/04/02	1,068,169	-	1,177,117
61 McLean Street, Gulliver, Townsville, QLD	100%	12/04/02	1,062,348	-	1,307,600
14-18 Grant Street, Morayfield, QLD	100%	02/04/02	1,192,764	-	1,292,279
21-23 Ann Street, Mooroopna, Shepparton, VIC	100%	28/06/02	1,037,645	-	1,112,858
615 Greenwattle Street, Glenvale, Toowoomba, QLD	100%	26/07/02	1,303,710	-	1,300,175
17 Covent Gardens Way, Banora Point, NSW	100%	15/07/02	1,298,935	-	1,688,608
57 Salisbury Crescent, Colonel Light Gardens, Adelaide, SA	100%	01/07/02	1,051,045	-	1,229,785
Total investment properties			12,056,110	-	13,263,437

Reconciliation of carrying amount of assets held for sale is set out below.

	2008 \$	2007 \$
Carrying amount at beginning of year	13,263,437	13,914,644
Transfer from furniture, fixtures and fittings	-	585,356
Investment properties additions	44,889	39,598
Change in fair value recognised in profit and loss	-	(1,276,161)
Investments properties sold	(13,308,326)	-
Total assets classified as held for sale	-	13,263,437

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

		2008 \$	2007 \$
9. TRADE AND OTHER PAYABLES			
Accruals		-	265,675
Total trade and other payables		-	265,675
10. TAX ASSETS AND LIABILITIES			
Deferred tax liability	14(c)	-	345,592
Less deferred tax asset	14(c)	-	(345,592)
Net deferred tax liability		-	-
11. ISSUED CAPITAL			
8,800,025 (2005: 8,800,025) ordinary units at \$1.00 each		8,800,025	8,800,025
Less unit issue costs		(822,772)	(822,772)
Less return of capital		(6,943,123)	(363,053)
Accumulated losses at 30 June 2008 transferred to issued capital		(1,034,130)	-
		-	7,614,200
Movement in ordinary units			
Balance at the beginning of year		7,614,200	7,614,200
Less return of capital		(6,580,070)	-
Accumulated losses at 30 June 2008 transferred to issued capital		(1,034,130)	-
Balance at end of year		-	7,614,200
12. INTEREST BEARING LIABILITIES			
The loan is a fixed 5 year 90 day commercial bill facility repayable on 31 August, 2007 and is secured by a first ranking registered mortgage over the trust properties and a first ranking fixed and floating charge over the assets and undertakings of the Trust. The loan was fully repaid on 20 July 2007.			
The loan is fully utilised and classified as follows:			
Liabilities held for sale		-	5,500,000

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13. DISTRIBUTIONS

Distributions provided for or paid by the Trust are:

Distribution Period	Cents per unit (i)	Total amount \$	Date of payment	Franked amount (cents per unit)	Tax deferred amount (cents per unit)
Year ended 30 June 2008					
Period ended July 2007	50.0000	4,400,012	30/07/07	-	50.0000
Period ended October 2007	15.0000	1,320,004	23/11/07	-	15.0000
Period ended November 2007	6.0000	528,002	7/12/07	-	6.0000
Period ended March 2008	1.9000	167,201	14/03/08	-	1.9000
Period ended June 2008	1.8733	164,851	26/06/08	-	1.8733
Total distributions	74.7733	6,580,070		-	74.7733

No distributions were provided for or paid during the year ended 30 June 2007.

Distribution franking account:

	2008 \$	2007 \$
30% franking credits available to unitholders of the Trust for subsequent financial years	-	(212,148)

The above available amounts are based on the balance of the distribution franking account at year-end adjusted for:

- (a) franking credits that will arise from the payment of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of distributions recognised as a liability at year-end.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare distributions.

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

14. TAXATION	2008 \$	2007 \$
(a) Income tax expense		
Prima facie income tax benefit calculated at 30% on the profit before income tax (2007:30%)	90,853	576,524
<i>Decrease in income tax benefit due to:</i>		
Difference between accounting & taxable gain on sale of assets	(374,961)	-
Recognition of deferred tax liability	-	(156,119)
Under provision from prior years	-	(1,905)
Non-deductible expenses	(73)	-
De-recognition of income tax losses	-	(129,765)
Franking deficits tax	(212,147)	-
<i>Increase in income tax benefit due to:</i>		
Building allowance and depreciation	6,604	54,570
Over provision from prior years	3	-
Deductible expenses	99,968	-
Income not assessable	-	546
Recognition of income tax losses	177,609	-
Income tax (expense)/benefit	(212,144)	343,851
(b) Current tax assets		
Movements during the year:		
Balance at beginning of year	212,570	323,687
Receipt of income tax refunds	(212,570)	(159,424)
Franking deficits tax paid	212,147	139,576
Under provision in prior years	-	(2,576)
Income tax loss transferred to future income tax benefit	-	(88,693)
Current year's income tax expense on operating profit	(212,147)	-
Balance at end of year	-	212,570
(c) Deferred tax liabilities		
Deferred income tax liabilities comprises the following items at the applicable rate of 30%:		
Valuation increments of investment properties	-	345,592
Less expenses not currently deductible	-	(145,616)
Less income tax losses	-	(199,976)
Balance at end of year	-	-

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

14. TAXATION (CONTINUED)

(d) Reconciliations	2008	2007
	\$	\$
(i) Gross Movements		
The overall movement in the deferred tax asset is as follows:		
Opening balance – net liability	-	(435,120)
Charged to income statement	-	346,427
Transfer from current tax asset	-	88,693
Closing balance – net liability	<u>-</u>	<u>-</u>
(ii) Deferred tax liability		
The movement in deferred tax liability for each temporary difference during the year is as follows:		
<i>Valuation increments of investment properties</i>		
Opening balance	(345,592)	(572,321)
Charged to income statement	345,592	226,729
Total deferred tax liability closing balance	<u>-</u>	<u>(345,592)</u>
(iii) Deferred tax asset		
The movement in deferred tax asset for each temporary difference during the year was as follows:		
<i>Accrued audit and accounting fees</i>		
Opening balance	4,515	1,430
Charged to income statement	(4,515)	3,085
Closing balance	<u>-</u>	<u>4,515</u>
<i>Accrued leave expenses</i>		
Opening balance	95,198	125,198
Charged to income statement	(95,198)	(30,000)
Closing balance	<u>-</u>	<u>95,198</u>
<i>Deferred borrowing costs</i>		
Opening balance	546	8,472
Charged to income statement	(546)	(7,926)
Closing balance	<u>-</u>	<u>546</u>
<i>Capital raising costs</i>		
Opening balance	-	1,564
Charged to income statement	-	(1,564)
Closing balance	<u>-</u>	<u>-</u>
<i>Deferred property evaluation costs</i>		
Opening balance	357	537
Charged to income statement	(357)	(180)
Closing balance	<u>-</u>	<u>357</u>
<i>Income tax losses</i>		
Opening balance	244,976	-
Charged to income statement	(244,976)	156,283
Transfer from current tax asset	-	88,693
Closing balance	<u>-</u>	<u>244,976</u>
Total deferred tax asset closing balance	<u>-</u>	<u>345,592</u>

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

15. NET TANGIBLE ASSETS	2008 \$	2007 \$
Net tangible assets	-	7,095,056
Units issued	-	8,800,025
Net tangible asset backing (at book value) per unit	-	\$0.8062

16. RELATED PARTIES

(a) The Responsible Entity

The Responsible Entity of the Trust is DDH Graham Limited.

Directors of the Responsible Entity

The names of each person holding the position of director of DDH Graham Limited during the financial year were Messrs DDH Graham, PB Lockhart and UC Di Girolamo.

Since the end of the previous financial year, no director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Trust with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest.

Responsible Entity's holdings of units

The relevant interests of DDH Graham Limited and its directors (including director related entities) in the unit capital of the Trust at 30 June 2008 are set out below:

	2008 Units	2007 Units
DDH Graham Limited	-	20
DDH Graham	-	5
PB Lockhart	-	10,000
UC Di Girolamo	-	10,000

The following distributions arising from the aforementioned unitholdings were paid or payable:

	2008 \$	2007 \$
DDH Graham Limited	15	-
DDH Graham	4	-
PB Lockhart	7,477	-
UC Di Girolamo	7,477	-

Responsible Entity's remuneration

Set out below are the fees paid or payable by the Trust to the Responsible Entity during the year:

■ Trust management fees	34,650	140,777
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16. RELATED PARTIES (CONTINUED)

Remuneration of directors of the Responsible Entity

Remuneration of the directors and specified executives is paid directly by the Responsible Entity. The directors and specified executives are not provided with any remuneration by the Trust itself. Directors and specified executives are not entitled to any equity interests in the Trust, or any rights to or options for equity interests in the Trust, as a result of the remuneration provided by the Responsible Entity.

Given the number and variety of schemes operated by the Responsible Entity, the directors of the Responsible Entity do not consider that there is any direct correlation between the level of remuneration provided to directors and specified executives of the Responsible Entity and the management fees paid by the Trust to the Responsible Entity in accordance with the Trust Constitution.

The Responsible Entity determines remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages include a mix of fixed remuneration and performance-based remuneration.

Loans to directors of the Responsible Entity

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the directors of their personally-related entities at any time during the reporting period.

Borrowings by the Trust from the Responsible Entity

During the prior year DDH Graham Limited provided funds to the Trust in order it may meet its financial obligations as and when they become due and payable. Monies advanced were repaid from the proceeds of the sale of the investment properties in July 2007. No interest was charged on the balances outstanding. At 30 June 2007 amounts owing to DDH Graham Limited under this arrangement was \$355,000 which is included in liabilities held for sale.

Balances owed to the Responsible Entity

	2008	2007
	\$	\$
The following amounts are included in accounts payable as owed to the Responsible Entity at balance date	-	208,775
	<hr/>	<hr/>

17. 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.

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

18. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash

For the purpose of the Cash Flow Statement, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	2008 \$	2007 \$
Cash	-	26,570

**(b) Reconciliation of profit after income tax
to net cash provided by operating activities**

(Loss) after income tax	(514,986)	(1,577,895)
Add/(less) non-cash items:		
Depreciation	2,283	20,971
Loss on disposal of furniture, fixtures and fittings	75,977	-
Gain on sale of assets held for sale	(52,646)	-
Change in fair value – assets held for sale	-	1,276,161
Change in assets and liabilities:		
Decrease in debtors	4,151	200,669
Decrease/(increase) in deferred tax assets	345,592	(208,391)
(Decrease)/Increase in accounts payable	(714,091)	139,538
Decrease in tax liabilities	(133,022)	(115,612)
Decrease in prepayments	4,737	14,197
Net cash used in operating activities	(982,005)	(250,362)

19. FINANCIAL INSTRUMENTS

As the Trust was wound up effective 30 June 2008 and the value of all financial instruments was nil, the Trust is not exposed to any form of future risk from the use of financial instruments.

The nature and extent of financial instruments employed by the Trust during the year is discussed below.

(a) Interest rate risk

The Trust does not employ any interest rate derivatives in managing its surplus funds on deposit or its loan facility.

**CHILDCARE PROPERTY TRUST NO 2
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

19. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk exposure

The Trust's exposure to interest rate risk, the effective weighted average interest rate for classes of financial assets and financial liabilities and the period in which they reprice is set out below:

2008	Weighted average interest rate %	Floating interest rate less than 6 months \$	Fixed interest maturing less than 6 months \$	Non-interest bearing \$	Total \$
Financial assets					
Cash	0.00	-	-	-	-
Receivables		-	-	-	-
Financial liabilities					
Payables		-	-	-	-
Interest bearing liabilities	0.00	-	-	-	-
<hr/>					
2007	Weighted average interest rate %	Floating interest rate less than 6 months \$	Fixed interest maturing less than 6 months \$	Non-interest bearing \$	Total \$
Financial assets					
Cash	3.06	26,570	-	-	26,570
Receivables		-	-	4,151	4,151
		26,570	-	4,151	30,721
Financial liabilities					
Payables				1,069,091	1,069,091
Interest bearing liabilities	7.62	500,000	5,000,000	-	5,500,000
		500,000	5,000,000	1,069,091	6,569,091

(b) Foreign exchange risk

The Trust does not have any foreign exchange exposures.

(c) Liquidity and cash flow risk

The Trust ensures that sufficient cash and cash equivalents are maintained to meet the needs of the Trust.

(d) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The total credit risk for financial instruments contained in the Balance Sheet is limited to the carrying amount disclosed on the Balance Sheet.

19. FINANCIAL INSTRUMENTS (CONTINUED)

(e) Net fair value of financial assets and liabilities

Valuation approach

The net fair value of financial assets and liabilities are determined by the Trust on the following bases:

Recognised financial instruments

Monetary financial assets and financial liabilities not readily traded in an organised financial market are valued at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank deposits, receivables, other debtors, accounts payable, bank loans, lease liabilities and distributions payable approximate net fair value.

Net fair values

Recognised financial instruments

The Trust's financial assets and liabilities included in current and non-current asset and liabilities on the Balance Sheet are carried at amounts that approximate net fair value.

Unrecognised financial instruments

The Trust has no off-balance sheet financial instruments.

20. TRUST DETAILS

The registered office of the Responsible Entity and principle place of business of the Trust is:

Level 18, 344 Queen St
Brisbane Qld 4000

21. CONTINGENT ASSETS AND LIABILITIES

The Trust has no contingent assets or liabilities at the date of this report.

22. EVENTS SUBSEQUENT TO BALANCE DATE

The Trust was closed on 30 June 2008.

**CHILDCARE PROPERTY TRUST NO 2
DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2008**

In the opinion of the directors of DDH Graham Limited, the Responsible Entity of Childcare Property Trust No.2 ("the Trust"):

1. the financial statements and notes, set out on pages 6 to 26, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Trust as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001.
2. there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.
3. the Trust has operated during the year ended 30 June 2008 in accordance with the provisions of the Trust Constitution dated 23 January 2002.

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

Dated at Brisbane this 14th day of July 2008.

PB Lockhart
Director
DDH Graham Limited

Independent Audit Report

To the Unitholders of Childcare Property Trust No. 2

Report on the Financial Report

We have audited the accompanying financial report of Childcare Property Trust No. 2 (the trust), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Audit Report

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, has been provided to the directors on the same date as this auditor's report.

Auditor's Opinion

In our opinion:

- (a) the financial report of Childcare Property Trust No. 2 is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of trust's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

WHK HORWATH
ABN 79 981 227 862

D W LANGDON
PRINCIPAL

Liability limited by a scheme approved under Professional Standards Legislation

Brisbane, 14 July 2008

CHILDCARE PROPERTY TRUST NO 2 DIRECTORY

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 2 Pty Ltd Level 6 232 Adelaide Street Brisbane Qld 4000
Solicitors	Mallesons Stephen Jacques Level 30, Waterfront Place 1 Eagles Street Brisbane Qld 4000
Auditors	WHK Horwath Level 16 William Buck Centre 120 Edward Street Brisbane Qld 4000
Taxation Advisors	PricewaterhouseCoopers Level 15, Riverside Centre 123 Eagle Street Brisbane QLD 4000
Bank	National Australia Bank Level 24, 500 Bourke Street Melbourne VIC 3000
Custodian	Permanent Trustee Australia Limited 213-217 St Paul's Terrace Spring Hill Qld 4000