

CPT-3

CHILDCARE PROPERTY TRUST NO 3

ARSN 100 596 218

**Financial Report
30 June 2008**

**DDH
GRAHAM
LIMITED**

FUNDS MANAGEMENT

**CHILDCARE PROPERTY TRUST NO 3
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.3 ("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 29 May 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
<p>David D H Graham Chairman and Managing Director Bachelor of Commerce Bachelor of Economics (Hons) Master of Business Administration Fellow of CPA Australia</p>	66	Executive Chairman since 1986. Extensive experience in financial advisory and trust management services.
<p>Peter B Lockhart Bachelor of Economics Master of Business Administration</p>	54	Joint Managing Director since 1988. Extensive experience in financial advisory and trust management services. Member of Compliance Committee. Member of Audit Committee.
<p>Ugo C Di Girolamo Associate Diploma in Business Member of Finance & Treasury Association Limited</p>	46	Joint Managing 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
UC Di Girolamo	5,000	5,000

No units were issued or withdrawn by DDH Graham Limited or its director's during the year.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 \$40,427 (2007: \$159,269).

**CHILDCARE PROPERTY TRUST NO 3
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 15 freehold childcare centres for an initial investment period of 5 years expiring in September 2007.

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

Freehold land and buildings earning a profit-based rental return:

Location Places	Licensed
2-4 Cochrane Street, Camira, Brisbane, Qld	74
2-4 Kangaroo Street, Bentley Park, Cairns, Qld	75
37 Glen Kyle Drive, Headland Park, Sunshine Coast, Qld	74
11 Scholars Way, Chancellor Park, Sunshine Coast, Qld	74
134 De Kerilleau Drive, Wodonga, Vic	85
9 Mooringe Avenue, Plympton, Adelaide, SA	85
95 Azelia Street, Alexander Heights, Perth, WA	61
	528

Freehold land and buildings earning a fixed rental return:

Location Places	Licensed
121 Yolanda Drive, Annandale, Townsville, Qld	72
60-64 Roberts Road, Bentley Park, Cairns, Qld	75
38 James Street, Manunda, Cairns, Qld	62
332 Spring Street, Kearneys Spring, Toowoomba, Qld	68
185 Maida Vale Road, High Wycombe, Perth, WA	39
81-83 Cuthbertson Street, Coo롱gup, Perth, WA	49
2440 Moulden Terrace, Moulden, Darwin, NT	75
Cnr Temple Terrace & Tamarind Road, Moulden, Darwin, NT	73
	513

During the year settlements of the sale contracts of all investment properties, except the freehold of the Alexander Heights Centre in Western Australia, were completed. The settlement of the Alexander Heights freehold occurred on 1 August 2008. Following the settlement, the Trust has undertaken all the remaining financial and legal obligations and paid a final distribution to unitholders on 10 September 2008. The Trust will be wound up effective 30 September 2008.

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.

**CHILDCARE PROPERTY TRUST NO 3
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

REVIEW AND RESULTS OF OPERATIONS

The result for the year to 30 June 2008 was a net loss after income tax of \$47,016 (2007: loss \$1,056,161).

Sales of thirteen of the Trust properties settled on 13 July 2007, and one on 24 September 2007 and accordingly lease revenue from operations was in the main, earned over very short period of time during the year. This together with continued difficult trading conditions impacted the operating income for the period. Following the sale in February 2008 of the childcare business at the Alexander Heights centre, the Trust earned a fixed rental stream from the new owner up to the settlement date, 1 August 2008, of the freehold property.

Other factors that contributed to the result include:

- Loss on sale of investment properties \$20,158; and
- A loss on disposal of centre educational resources of \$56,616 disposed at date of settlement of the investment properties.

UNITS ON ISSUE

The number of interests in the Trust as at the end of the financial year consists of 12,320,025 ordinary units.

The Trust had total assets valued at \$1,038,015 as at 30 June 2008. The basis for valuation of the Trust's assets is disclosed in Note 3 to the financial statements.

The Trust neither acquired nor cancelled any units on issue during the year, including up to the date of this report. No options have been granted over any unissued units in the Trust.

NET TANGIBLE ASSET BACKING

The net tangible asset backing of the Trust at 30 June 2008 was 8.425 cents per unit (2007: 90.81 cents per unit).

DISTRIBUTIONS

The distribution for the year to 30 June 2008 is 82.00 (2007: 2.00) cents per unit, consisting of tax deferred income.

Distributions paid or declared by the Trust since the end of the previous financial year were:	\$
- a distribution of 1.00 cents per unit for the quarter ended 30 September 2006, paid in November 2006.	123,200
- a distribution of 1.00 cents per unit for the quarter ended 31 December 2006, paid in February 2007.	123,200
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	246,400

In respect of the current financial year following settlements of the investment properties:

- a distribution of 60.00 cents per unit paid in July 2007.	7,392,000
- a distribution of 15.00 cents per unit paid in October 2007.	1,848,000
- a distribution of 5.00 cents per unit paid in November 2007.	616,000
- a distribution of 2.00 cents per unit paid in March 2008.	246,400
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	10,102,400

ENVIRONMENTAL REGULATION

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

**CHILDCARE PROPERTY TRUST NO 3
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2008**

EVENTS SUBSEQUENT TO BALANCE DATE

Other than disclosed below, 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.

- Settlement of the freehold property situated at Alexander Heights Western Australia on 1 August 2008;
- Payment of a final distribution to unitholders of 8.4112 cents per unit on 10 September 2008; and
- Wind up of the Trust effective 30 September 2008.

LIKELY DEVELOPMENTS

From 1 July 2008 up until the settlement of the freehold at Alexander Heights, the Trust earned a fixed rental stream from the tenant who operated the childcare business. Following settlement, the Trust completed all the necessary financial and legal matters to enable the Trust be wound up on 30 September 2008.

INDEMNITIES 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. The Responsible Entity has paid or agreed to pay in respect of the Trust, premiums in respect of such insurance contracts up to the period ending 30 September 2008. Such insurance contracts insure against certain liabilities (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.

PROCEEDINGS ON BEHALF OF THE TRUST

No person has applied for leave of Court to bring proceedings on behalf of the Trust or intervene in any proceedings to which the Trust is a party for the purpose of taking responsibility on behalf of the Trust for all or any part of those proceedings.

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 30 September 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. 3

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

**D W LANGDON
PRINCIPAL**

Brisbane, 30 September 2008

Liability limited under a scheme approved by Professional Standards Legislation

**CHILDCARE PROPERTY TRUST NO 3
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 \$	2007 \$
Revenue			
Lease income		74,174	762,212
Interest income		94,161	19,446
Changes in fair value – assets held for sale		7,504	(1,382,114)
Total revenue		175,839	(600,456)
Expenses			
Loss from assets held for sale		20,518	-
Finance costs		30,721	364,204
Responsible Entity's remuneration	3(a)	40,427	159,269
Depreciation		1,783	19,574
Loss on sale of furniture, fixtures and fittings		56,616	-
Other expenses	4	61,294	164,142
Total expenses		211,359	707,189
Loss before income tax benefit/(expense)		(35,520)	(1,307,645)
Income tax benefit/(expense)	14(a)	(11,496)	251,484
Loss for the year		(47,016)	(1,056,161)
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 3
BALANCE SHEET
AS AT 30 JUNE 2008**

	Note	2008 \$	2007 \$
ASSETS			
Current assets			
Cash and cash equivalents	18(a)	639,945	83,491
Trade and other receivables	5	-	206,466
Other current assets	6	-	126,502
Current tax assets	14(b)	-	275,267
Assets classified as held for sale	8	687,604	16,428,314
Furniture, fixtures and fittings	7	-	55,745
Total current assets		1,327,549	17,175,785
Total assets		1,327,549	17,175,785
LIABILITIES			
Current liabilities			
Trade and other payables	9	16,147	210,629
Liabilities classified as held for sale	8	-	5,236,756
Current tax liabilities		223,696	-
Deferred tax liabilities	10	49,691	540,969
Total current liabilities		289,534	5,988,354
Total liabilities		289,534	5,988,354
Net assets		1,038,015	11,187,431
Equity			
Issued capital	11	117,646	10,220,046
Retained profits		920,369	967,385
Total equity		1,038,015	11,187,431

The Balance Sheet is to be read in conjunction with the notes to the financial statements set out on pages 10 to 24.

**CHILDCARE PROPERTY TRUST NO 3
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2008**

	Issued Capital \$	Retained Profits \$	Total \$
Balance 1 July 2006	10,466,446	2,023,546	12,489,992
Return of capital	(246,400)	-	(246,400)
Loss for the year	-	(1,056,161)	(1,056,161)
Balance 30 June 2007	10,220,046	967,385	11,187,431
Return of capital	(10,102,400)	-	(10,102,400)
Loss for the year	-	(47,016)	(47,016)
Balance 30 June 2008	117,646	920,369	1,038,015

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 24.

**CHILDCARE PROPERTY TRUST NO 3
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from customers		507,791	863,995
Payments to suppliers		(801,049)	(322,791)
Income taxes paid		(3,809)	(276)
Interest received		98,761	19,446
Finance costs paid		(748)	(361,005)
Net cash from operating activities	18(b)	(199,054)	199,369
Cash flows from investing activities			
Payments for investment properties		-	(11,254)
Payments for furniture, fixtures and fittings		(2,654)	(45,416)
Proceeds – assets held for sale		15,861,517	-
Deposit monies transferred to Trust account		-	(50,000)
Selling costs – assets held for sale		(47,955)	(52,291)
Net cash from investing activities		15,810,908	(158,961)
Cash flows from financing activities			
Repayment of borrowings		(4,953,000)	-
Distributions paid		(10,102,400)	(246,400)
Net cash from financing activities		(15,055,400)	(246,400)
Net increase/(decrease) in cash held		556,454	(205,992)
Cash and cash equivalents at the beginning of the financial year		83,491	289,483
Cash and cash equivalents at the end of the financial year	18(a)	639,945	83,491

The Cash Flow Statement is to be read in conjunction with the notes to the financial statements set out on pages 10 to 24.

**CHILDCARE PROPERTY TRUST NO 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

1. REPORTING ENTITY

The Childcare Property Trust No 3 ("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 30 September 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') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial report of the Trust also complies with the IFRS 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 3
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. 3 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, the 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 3
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.

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 3
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 on hand, cash in banks, call deposits and investments in money market instruments. 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.

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 3
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 classes 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 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) New standards and interpretations not yet adopted

The following standards and amendments to standards have been identified as those which may impact the Trust in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing these financial statements.

- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Trust as the standard is only concerned with disclosures.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments*. This standard is only expected to impact disclosures contained within the financial report.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly "primary" statement) the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASB's. The revised AASB 101 will become mandatory for the Trust's 30 June 2010 financial statements. The Trust has not determined the potential effect of the revised standard on the Trust's disclosures.

**CHILDCARE PROPERTY TRUST NO 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

4. OTHER EXPENSES	2008	2007
	\$	\$
Administration costs	402	1,906
Auditor's remuneration:		
- Audit of financial reports	7,250	15,448
- Audit of compliance plan	3,500	2,500
Bank charges	(835)	4,572
Consultant fees	5,790	12,240
Custodian & compliance costs	25,000	23,752
Insurance	8,630	14,419
Land tax and rates	6,028	31,127
Legal fees	633	-
Lodgement fees	2,088	1,163
Repairs and maintenance	(4,503)	50,614
Unit registry fees	7,311	6,401
	61,294	164,142
5. TRADE AND OTHER RECEIVABLES		
Lease and rental debtors	-	205,066
Sundry debtors	-	1,400
	-	206,466
6. OTHER CURRENT ASSETS		
Prepayments	-	126,502
7. FURNITURE, FIXTURES AND FITTINGS		
Furniture, fixtures and fittings at cost	-	108,981
Accumulated depreciation	-	(53,236)
Total furniture, fixtures and fittings	-	55,745
Reconciliation of the carrying amount of furniture, fixtures and fittings is set out below:		
Carrying amount at beginning of year	55,745	617,857
Additions	2,654	45,416
Disposals	(56,616)	-
Transfer to assets held for sale	-	(587,954)
Depreciation	(1,783)	(19,574)
Carrying amount at end of year	-	55,745

**CHILDCARE PROPERTY TRUST NO 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

8. ASSETS HELD FOR SALE

Investment properties are presented as held for sale following execution of contracts to sell the investment properties. Settlements of fourteen properties were completed in July and September 2007.

At 30 June 2008 the carrying value of investment properties comprise assets of \$687,604.

	Note	2008 \$	2007 \$
Assets classified as held for sale		687,604	16,428,314
Liabilities classified as held for sale			
Sundry creditors		-	206,627
Accruals		-	77,129
Interest bearing liabilities	12	-	4,953,000
		-	5,236,756

Details of 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 \$
121 Yolanda Drive, Annandale, Townsville, QLD	100%	02/08/02	750,361	-	1,151,941
2-4 Cochrane Street, Camira, QLD	100%	30/08/02	1,273,592	-	1,147,892
2440 Moulden Terrace, Moulden, Darwin, NT	100%	30/09/02	901,389	-	1,139,301
134 De Kerilleau Drive, Wodonga, VIC	100%	27/09/02	926,960	-	1,372,689
2-4 Kangaroo Street, Bentley Park, Cairns, QLD	100%	30/09/02	1,248,806	-	1,350,925
60-64 Roberts Road, Bentley Park, Cairns, QLD	100%	30/09/02	789,226	-	1,151,941
332 Spring Street, West Toowoomba, QLD	100%	07/10/02	848,620	-	911,360
37 Glen Kyle Drive, Buderim, QLD	100%	30/09/02	1,217,904	-	1,378,027
11 Scholars Way, Sippy Downs, QLD	100%	30/09/02	1,382,260	-	1,513,081
81-83 Cuthbertson Drive, Cooloongup, Perth, WA	100%	13/12/02	471,746	-	594,832
185 Maida Vale Road, High Wycombe, Perth, WA	100%	01/11/02	344,085	-	468,214
9 Mooringe Avenue, Plympton, Adelaide, SA	100%	30/09/02	1,259,351	-	1,468,079
95 Azelia Street, Alexander Heights, Perth, WA	100%	08/11/02	1,164,743	687,604	1,023,082
38 James Street, Manunda, Cairns, QLD	100%	04/10/02	588,357	-	744,268
Cnr Temple Terrace & Tamarind Road, Moulden, Darwin, NT	100%	04/11/02	818,804	-	1,012,682
Total investment properties			13,986,204	687,604	16,428,314

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

**CHILDCARE PROPERTY TRUST NO 3
NOTES TO THE FINANCIAL STATEMENTS
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	2008	2007
	\$	\$
Carrying amount at beginning of year	16,428,314	17,211,220
Transfer from furniture, fixtures and fittings	-	587,954
Investment properties additions	-	11,254
Investments properties sold	(15,748,214)	-
Change in fair value recognised in profit or loss	7,504	(1,382,114)
	687,604	16,428,314
9. TRADE AND OTHER PAYABLES		
Sundry creditors	14,426	-
Accruals	1,721	210,629
	16,147	210,629
10. DEFERRED TAX ASSETS AND LIABILITIES		
Deferred tax liability	14(c) 54,058	621,229
Less deferred tax asset	14(c) (4,367)	(80,260)
Net deferred tax liability	49,691	540,969
11. ISSUED CAPITAL		
12,320,025 (2007: 12,320,025) ordinary units at \$1.00 each	12,320,025	12,320,025
Less unit issue costs	(928,072)	(928,072)
Less return of capital	(11,274,307)	(1,171,907)
	117,646	10,220,046
Movement in ordinary units		
Balance at beginning of year	10,220,046	10,466,446
Less return of capital	(10,102,400)	(246,400)
Balance at end of year	117,646	10,220,046

**CHILDCARE PROPERTY TRUST NO 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

12. INTEREST BEARING LIABILITIES

The loan is a fixed 5 year 90 day commercial bill facility repayable on 31 October, 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 31 July 2007.

The loan is fully utilised and classified as follows:

Liabilities held for sale	-	4,953,000
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13. DISTRIBUTIONS

Distributions provided for or paid by the Trust:

Distribution Period	Cents per unit (i)	Total amount \$	Date of payment	Franked amount (cents per unit)	Tax deferred amount (Cents per unit)	Tax rate for franking credit	Percentage franked
Year ended 30 June 2008							
Period ending July 2007	60.00	7,392,000	30/07/07	-	60.00	-	-
Period ending October 2007	15.00	1,848,000	15/10/07	-	15.00	-	-
Period ending November 2007	5.00	616,000	19/11/07	-	5.00	-	-
Period ending March 2008	2.00	246,400	14/03/08	-	2.00	-	-
Total distributions	82.00	10,102,400		-	82.00		
Year ended 30 June 2007							
Quarter ended 30 September 2006	1.00	123,200	30/11/06	-	1.00	-	-
Quarter ended 31 December 2006	1.00	123,200	28/02/07	-	1.00	-	-
Total distributions	2.000	246,400		-	2.00		

(i) Includes tax deferred amount where applicable.

Distribution franking account

	2008	2007
	\$	\$
30% franking credits available to unitholders of the Trust for subsequent financial years	228,066	(274,685)

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 3
NOTES TO THE FINANCIAL STATEMENTS
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14. TAXATION	2008 \$	2007 \$
(a) Income tax expense		
Prima facie income tax benefit calculated at 30% on the profit before income tax (2007: 30%)	10,656	392,293
Decrease in income tax benefit due to:		
Recognition of deferred tax liability	-	(207,120)
Difference between accounting & taxable gain on sale of assets	(31,325)	
Recognition of prior year capital losses		
Under provision from prior year	-	(95)
Increase in income tax benefit due to:		
Fair value increment non-assessable	2,251	
Building allowance and depreciation	6,922	66,406
Income tax benefit/(expense)	(11,496)	251,484
(b) Current tax assets/(liabilities)		
Movements during the year:		
Balance at beginning of year	275,267	183,093
Income tax paid	187,213	219,179
Receipt of income tax refunds	(183,404)	(218,903)
(Over)/under provision from prior year	(514)	36
Current year's income tax on operating profit	(502,258)	91,862
Balance at end of year	(223,696)	275,267
(c) Deferred tax liabilities		
Deferred tax liabilities comprises the following items at the applicable rate of 30%:		
Valuation increments on investment properties	54,058	621,229
Less expenses not currently deductible	(4,367)	(80,260)
Balance at year end	49,691	540,969
(d) Reconciliations		
(i) Gross Movements		
The overall movement in the deferred tax account is as follows:		
Opening balance – net asset	(540,969)	(700,555)
Recognised in income	491,278	159,586
Closing balance – net liability	(49,691)	(540,969)

**CHILDCARE PROPERTY TRUST NO 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

	2008 \$	2007 \$
(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	(621,229)	(828,743)
Recognised in income	567,171	207,514
Total deferred tax liability closing balance	<u>(54,058)</u>	<u>(621,229)</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	1,205
Recognised in income	(345)	3,310
Closing balance	<u>4,170</u>	<u>4,515</u>
<i>Accrued lease expenses</i>		
Opening balance	61,988	54,575
Recognised in income	(61,988)	7,413
Closing balance	<u>-</u>	<u>61,988</u>
<i>Deferred borrowing costs</i>		
Opening balance	930	3,264
Recognised in income	(930)	(2,334)
Closing balance	<u>-</u>	<u>930</u>
<i>Deferred property evaluation costs</i>		
Opening balance	643	1,220
Recognised in income	(517)	(577)
Closing balance	<u>126</u>	<u>643</u>
<i>Capital loss on sale of businesses</i>		
Opening balance	12,078	13,058
Recognised in income	(12,078)	(980)
Closing balance	<u>-</u>	<u>12,078</u>
<i>Deferred capital raising costs</i>		
Opening balance	106	54,866
Recognised in income	(35)	(54,760)
Closing balance	<u>71</u>	<u>106</u>
Total deferred tax asset closing balance	<u>4,367</u>	<u>80,260</u>

15. NET TANGIBLE ASSETS

Net tangible assets	\$1,038,015	\$11,187,431
Units issued	12,320,025	12,320,025
Net tangible asset backing (at book value) per unit	\$0.08425	\$0.9081

**CHILDCARE PROPERTY TRUST NO 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

16. RELATED PARTY DISCLOSURES

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 each director 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	2007
	Units	Units
UC Di Girolamo	5,000	5,000

The following distributions arising from these unitholdings were paid:

	2008	2007
	\$	\$
UC Di Girolamo	4,100	100

Responsible Entity's Remuneration

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

	2008	2007
	\$	\$
<ul style="list-style-type: none"> ■ Trust management fees 	40,427	159,269

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 levels 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.

Balances owed the Responsible Entity

	2008	2007
	\$	\$
The following amounts are included in accounts payable as owed to the Responsible Entity at balance date	-	159,013

**CHILDCARE PROPERTY TRUST NO 3
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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.

18. 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	639,945	83,491
<hr/>		
(b) Reconciliation of profit after income tax to net cash from operating activities		
Loss after income tax	(47,016)	(1,056,161)
Add(less) non-cash items:		
Depreciation	1,783	19,574
Change in fair value – assets held for resale	(7,504)	1,382,114
Loss on sale of furniture, plant and fittings	56,616	-
Loss on sale of assets held for sale	20,518	-
Change in assets and liabilities:		
Decrease in prepayments	40,636	4,349
Decrease in debtors	206,466	50,888
Decrease in deferred tax assets	75,893	47,928
(Decrease)/Increase in accounts payable	(478,238)	50,365
Increase in tax liabilities	(68,208)	(299,688)
Net cash from operating activities	(199,054)	199,369
<hr/>		

19. FINANCIAL RISK

At the date of signing this report and as disclosed elsewhere in the Report, the Trust has, following settlement of the freehold at the Alexander Heights childcare centre located in Western Australia, completed all financial matters and has Nil net assets. As a result the Trust is not exposed to any form of financial risk at balance date and at the date of signing this report.

20. TRUST DETAILS

The registered office of the Responsible Entity and principal 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 following transactions and events have occurred between the end of the financial year and the date of this report which impact the future operations of the Trust.

- Settlement of the freehold property situated at Alexander Heights Western Australia on 1 August 2008;
- Payment of a final distribution to unitholders of 8.4112 cents per unit on 10 September 2008; and
- Wind up of the Trust effective 30 September 2008.

**CHILDCARE PROPERTY TRUST NO 3
DIRECTORS' DECLARATION**

In the opinion of the directors of DDH Graham Limited, the Responsible Entity of Childcare Property Trust No.3 ("the Trust"):

1. the financial statements and notes, set out on pages 6 to 24, 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 9 May 2002.

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

Dated at Brisbane this 30th day of September 2008.

PB Lockhart
Director
DDH Graham Limited

Independent Audit Report

To the Unitholders of Childcare Property Trust No. 3

Report on the Financial Report

We have audited the accompanying financial report of Childcare Property Trust No. 3 (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.

Liability limited under a scheme approved by Professional Standards Legislation

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. 3 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

**D W LANGDON
PRINCIPAL**

Brisbane, 30 September 2008

CHILDCARE PROPERTY TRUST NO 3 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 3 Pty Ltd Level 6 232 Adelaide Street Brisbane Qld 4000
Solicitors	Mallesons Stephen Jaques Level 30, Waterfront Place 1 Eagle Street Brisbane Qld 4000
Auditors	WHK Horwath Level 16 WHK Horwath 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 20 100 Creek Street Brisbane QLD 4000
Custodian	Trust Company of Australia Limited 213-217 St Pauls Terrace Spring Hill Qld 4000