



26 February 2004

Half Year Result to 31 December 2003

The result for the half year to 31 December 2003 was a net profit after income tax of \$2.119 million. For the corresponding period in 2002 the Fund produced a net loss after tax of \$0.092 million. The Fund only commenced operations in November 2002.

Centre Acquisitions

During the six month period, 41 centres were acquired, bringing the total as at 31 December 2003 to 103, an increase of 66%.

Further centres have been acquired since 31 December 2003, bringing the total centres to 109 at the date of this report.

The rate of settlement of childcare centres has been slower than expected because of regulatory, due diligence and legal issues, and substitution of centres not meeting the Fund's investment criteria. Regulatory requirements in some states have taken much longer than previously experienced in transfer of licences.

The Fund has been successful in contracting centres additional to those identified in the October 2003 prospectus which will help offset the effect of the delayed settlements. The number of centres that have been settled or contracted now totals 122.

A long-term source of centres has been established with an exclusive alliance with National Childcare Centres Pty Ltd (NCCC), which will develop centres primarily on property owned by churches of various denominations. Three such centres will be settled in the first half of calendar 2004. In addition, other agreements have been reached with developers to ensure ongoing supply objectives are met.

While the acquisition rate in the first half of 2003/04 has been slower than expected, the Fund has nevertheless been successful in contracting in excess of the number of centres targeted which will put the Fund in a sound position to deliver attractive returns to unitholders in the future. The underlying strategy of acquisition of good quality childcare centres has been successfully achieved and is ongoing.

Peppercorn Investment Fund

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

Level 18, 344 Queen Street • GPO Box 330 Brisbane Q 4001

Phone (07) 3210 2277 • Fax (07) 3210 6986

Email exec@ddhgraham.com.au



Distributions

At this stage there is no basis for a revision of the October 2003 prospectus forecast for the year ended 30 June 2004 and directors are confident of the Fund being able to achieve the targeted distribution for the full year of 9.7 cents. The distribution for the first half is 4 cents of which 1.41 cents will be a distribution of capital as foreshadowed.

Asset Growth & Funding

During November 2003 the Fund placed 13.282 million units with a range of institutional investors raising \$15.94 million, bringing units on issue to 72.883 million units.

Additional long-term debt funding of \$19.9 million was arranged during the period to assist in the acquisition of centres, and the \$10 million short-term facility previously established was paid out.

As at 31 December 2003 total assets of the Fund stood at \$119.6 million, Unitholders equity at \$74.1 million and \$40.1 million of borrowings had been utilised. At 31 December 2003 the debt to asset ratio was 33.5 %

Subsequent to 31 December 2003 the Funds' available borrowings were increased to \$70 million to assist with the acquisition of additional childcare centres. In addition a short term facility of \$15 million has been established which will be utilised periodically to further facilitate childcare centre acquisitions. The interest rate on the long term debt facility has been fixed at a weighted average interest rate of 6.58% for the first \$60 million of borrowings.

Distribution Reinvestment Plan

A Distribution Reinvestment Plan ("DRP") was introduced during the half-year. Participation in the DRP will result in the issue of 635,686 new units in respect of the December half-year distribution.

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Appendix 4D

Half Year Report For the Period Ended 31 December 2003

Name of entity

Peppercorn Investment Fund

ABN

58 102 955 939

1. Details of the reporting period

This report details the results of Peppercorn Investment Fund (the "Fund") for the half year ended 31 December 2003. The Fund was established on 8 July 2002 and commenced operations on 1 November 2002 with the acquisition of its first childcare centre. As a result, all comparative information for the period ended 31 December 2002 is effectively for the period from 1 November 2002 to 31 December 2002.

2. Results for announcement to the market

					\$A'000
2.1	Revenue from ordinary activities	Up	2,129 %	to	4,994
2.2	Profit (loss) from ordinary activities after tax attributable to members	Up/down	-%	to	2,119
2.3	Net profit (loss) for the period attributable to members	Up/down	-%	to	2,119

2.4	Interim Distribution – 4.0 cents per unit comprising a franked distribution of 2.59 cents per unit (franked to 65%) and a distribution of capital of 1.41 cents per unit.
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2.5	Record date – 31 December 2003.
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2.6	<p>Brief explanation of the figures reported above:</p> <p>The Fund is the owner of childcare centres which are operated by a wholly owned subsidiary of Peppercorn Management Group Limited under long term management lease arrangements. The rental payable to the Fund under the leases is equivalent to the operating income of the childcare centres less the management fee payable to Peppercorn Management Group.</p> <p>The substantial increase in revenue and profit detailed above is due to the expansion of the Fund during 2003. As at 31 December 2003, the Fund owned a total of 103 centres compared with a total of 16 centres as at 31 December 2002.</p>
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2.7	<table> <tr> <td>Earnings Per Unit (EPU)</td> <td>2003</td> <td>2002</td> </tr> <tr> <td>- Basic (cents per unit)</td> <td>3.41</td> <td>*</td> </tr> <tr> <td>- Diluted (cents per unit)</td> <td>3.41</td> <td>(5.14)</td> </tr> </table> <p>*As at 31 December 2002 only 25 units had been issued by the Fund and as a result there is no relevant basis for calculating basic EPU for the period ended 31 December 2002.</p>	Earnings Per Unit (EPU)	2003	2002	- Basic (cents per unit)	3.41	*	- Diluted (cents per unit)	3.41	(5.14)
Earnings Per Unit (EPU)	2003	2002								
- Basic (cents per unit)	3.41	*								
- Diluted (cents per unit)	3.41	(5.14)								



3. Net tangible assets per unit

	2003	2002
Net tangible asset backing per ordinary unit	\$1.0173	(\$3,683)

4. Details of entities over which control has been gained or lost during the period

Not applicable.

5. Details of distributions

Date payable	Amount per unit	Franked component	Capital component
27 February 2004	4.0 cents	2.59 cents (franked to 65%)	1.41 cents

6. Distribution Reinvestment Plan

A Distribution Reinvestment Plan has been implemented by the Fund commencing with the 31 December 2003 distribution.

Units under the Plan will be issued at a discount of 2.5% to the market price. The market price is calculated as the volume weighted average price for units for the first five trading days following the end of the distribution period, currently 31 December and 30 June.

The last date for the receipt of an election notice for participation in the Plan is 5.00pm on the distribution record dates, currently 31 December and 30 June.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

Not applicable.

9. Disputes with auditors or qualifications

Nil

Sign here:
(Director/Company Secretary)

Date: 26 February 2004

Print name: Anthony John Keating

PEPPERCORN INVESTMENT FUND

ARSN 102 955 939



Half-year financial report
31 December 2003

The directors of DDH Graham Limited, ("the Responsible Entity") the Responsible Entity of Peppercorn Investment Fund ("the Fund") present their report together with the financial report of the Fund for the half-year ended 31 December 2003 and the review report thereon.

Directors of the Responsible Entity

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

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

Review and Results of Operations

The result for the half year to 31 December 2003 was a net profit after income tax of \$2.119 million. For the corresponding period in 2002 the Fund produced a net loss after tax of \$0.092 million. The Fund only commenced operations in November 2002.

Centre Acquisitions

During the six month period, 41 centres were acquired, bringing the total as at 31 December 2003 to 103, an increase of 66%.

Further centres have been acquired since 31 December 2003, bringing the total centres to 109 at the date of this report.

The rate of settlement of childcare centres has been slower than expected because of regulatory, due diligence and legal issues, and substitution of centres not meeting the Fund's investment criteria. Regulatory requirements in some states have taken much longer than previously experienced in transfer of licences.

The Fund has been successful in contracting centres additional to those identified in the October 2003 prospectus which will help offset the effect of the delayed settlements. The number of centres that have been settled or contracted now totals 122.

A long-term source of centres has been established with an exclusive alliance with National Childcare Centres Pty Ltd (NCCC), which will develop centres primarily on property owned by churches of various denominations. Three such centres will be settled in the first half of calendar 2004. In addition, other agreements have been reached with developers to ensure ongoing supply objectives are met.

While the acquisition rate in the first half of 2003/04 has been slower than expected, the Fund has nevertheless been successful in contracting in excess of the number of centres targeted which will put the Fund in a sound position to deliver attractive returns to unitholders in the future. The underlying strategy of acquisition of good quality childcare centres has been successfully achieved and is ongoing.

Distributions

At this stage there is no basis for a revision of the October 2003 prospectus forecast for the year ended 30 June 2004 and directors are confident of the Fund being able to achieve the targeted distribution for the full year of 9.7 cents. The distribution for the first half is 4 cents of which 1.41 cents will be a distribution of capital as foreshadowed.

Asset Growth & Funding

During November 2003 the Fund placed 13.282 million units with a range of institutional investors raising \$15.94 million, bringing units on issue to 72.883 million units.

Long-term debt funding of \$19.9 million was arranged during the period to assist in the acquisition of centres, and the \$10 million short-term facility previously established was paid out.

As at 31 December 2003 total assets of the Fund stood at \$119.6 million, Unitholders equity at \$74.1 million and \$40.1 million of borrowings had been utilised. At 31 December 2003 the debt to asset ratio was 33.5 %

Subsequent to 31 December 2003 the Funds' available borrowings were increased to \$70 million to assist with the acquisition of additional childcare centres. In addition a short term facility of \$15 million has been established which will be utilised periodically to further facilitate childcare centre acquisitions. The interest rate on the long term debt facility has been fixed at a weighted average interest rate of 6.58% for the first \$60 million of borrowings.

Distribution Reinvestment Plan

A Distribution Reinvestment Plan ("DRP") was introduced during the half-year. Participation in the DRP will result in the issue of 635,686 new units in respect of the December half-year distribution.

Rounding

The Fund is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and the directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Brisbane this 26th day of February 2004

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



DDH Graham
Chairman
DDH Graham Limited

PEPPERCORN INVESTMENT FUND
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

	Note	2003 \$'000	2002 \$'000
Revenue from Ordinary Activities			
Lease income		4,840	205
Interest income		154	19
Total revenue		4,994	224
Expenses from Ordinary Activities			
Borrowing costs		1,229	244
Responsible Entity's remuneration		285	32
Depreciation		345	-
Other expenses from ordinary activities	2	360	40
Total expenses		2,219	316
Profit/(Loss) from ordinary activities before related income tax expense		2,775	(92)
Income tax expense relating to ordinary activities		(656)	-
Profit/(Loss) from ordinary activities after related income tax expense		2,119	(92)
Total changes in equity as a result of transactions other than those with owners as owners		2,119	(92)
Earnings per unit			
Basic earnings/(loss) per unit (cents per unit)		3.41	Note 10
Diluted earnings/(loss) per unit (cents per unit)		3.41	(5.14)

The Statement of Financial Performance is to be read in conjunction with the notes to the financial statements set out on pages 6 to 11.

PEPPERCORN INVESTMENT FUND
 STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2003

	Note	31 Dec 2003 \$'000	30 Jun 2003 \$'000
Current assets			
Cash assets		3,673	7,327
Receivables		1,791	1,334
Other		686	132
Deferred tax assets		533	475
Total current assets		6,683	9,268
Non current assets			
Investment properties		106,222	69,912
Furniture, fixtures and fittings		6,681	3,447
Other		47	-
Total non current assets		112,950	73,359
Total assets		119,633	82,627
Current liabilities			
Payables	3	4,543	1,605
Tax liabilities		844	131
Total current liabilities		5,387	1,736
Non current liabilities			
Interest bearing liabilities		40,100	24,334
Total non current liabilities		40,100	24,334
Total liabilities		45,487	26,070
Net assets		74,146	56,557
Equity			
Contributed equity	8	74,081	56,724
Retained profits/(Accumulated losses)		65	(167)
Total equity		74,146	56,557

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 6 to 11.

PEPPERCORN INVESTMENT FUND
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

	2003 \$'000	2002 \$'000
Cash flows from operating activities		
Lease income received	5,065	-
Cash payments in the course of operations	(1,038)	(51)
Interest received	154	19
Income taxes paid	-	(1)
Net cash provided by operating activities	4,181	(33)
Cash flows from investing activities		
Payments for investment properties	(36,865)	(18,481)
Net cash used in investing activities	(36,865)	(18,481)
Cash flows from financing activities		
Proceeds from issue of units	15,938	-
Issue costs paid	(653)	-
Borrowing costs paid	(2,020)	(801)
Proceeds from borrowings	15,765	38,915
Net cash used in financing activities	29,030	38,114
Net increase (decrease) in cash held	(3,654)	19,600
Cash at the beginning of the half-year	7,327	-
Cash at the end of the half-year	3,673	19,600

The Statement of Cash Flows is to be read in conjunction with the notes to the financial statements set out on pages 6 to 11.

1. Statement of significant accounting policies

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

(a) Basis of preparation

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, the recognition and measurement requirements of applicable AASB standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Fund Constitution.

This half-year financial report is to be read in conjunction with any public announcements issued during the half-year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year financial report does not include full note disclosure of the type normally included in the Annual Financial Report.

The accounting policies are consistent with those applied in the 30 June 2003 Annual Financial Report.

(b) Comparative information

Although the Fund commenced on 8 July 2002, it did not begin operating until 1 November 2002 with the acquisition of its first centre. As a result, all comparative information for the period ended 31 December 2002 is effectively for the period from 1 November 2002 to 31 December 2002.

(c) Revenue and expenditure recognition

Lease income

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

Interest Income

Interest is brought to account when earned and if not received at balance date, is reflected in the Statement of Financial Position as a receivable.

Property expenses

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

1. Statement of significant accounting policies (Continued)

Responsible Entity's remuneration

Under the Fund Constitution, the Responsible Entity is entitled to a fee amounting to 0.125% of the Total Tangible Assets of the Fund for each quarterly period.

Operator's remuneration

In accordance with each of the property leases, the lessee and operator of the childcare centres, Peppercorn Holdings No.4 Pty Ltd, is entitled to receive a base management fee of \$1,965 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 Fund and as a result is not included as an expense in these financial statements.

All expenses are brought to account on an accrual basis.

(d) Investment properties

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

Investment properties comprise investment interests in land and buildings held for the purpose of letting to produce lease income. Buildings, plant and equipment integral to the property are classified as investments and accordingly not depreciated.

Where a property is acquired during the reporting period and not revalued at balance date, the costs of acquisition are capitalised and included in the book value of the property.

(e) Income tax

The Fund is taxed on a similar basis to a company. Accordingly, the Fund 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 Fund are treated as a return of capital for tax purposes. Returns of capital are not assessable but reduce the Unitholder's cost base for the purposes of determining any liability for capital gains tax on disposal of the units.

1. Statement of significant accounting policies (Continued)

(m) Goods and services tax

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

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

Cash flows are included in the Statement of Cash Flows 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.

2. Other expenses from ordinary activities

	2003	2002
	\$'000	\$'000
ASX fees	24	-
Auditor's remuneration		
- Audit services	6	2
- Other services	-	-
Bank charges	2	1
Compliance costs	7	1
Consultant fees	5	-
Custodian fees	10	5
Insurance	17	-
Investor relations	8	-
Legal fees	31	19
Postage & courier costs	10	-
Printing & stationery	32	-
Property evaluation costs	102	8
Rates & taxes	88	4
Responsible Entity's outlays	1	-
Sundry expenses	1	-
Unit registry fees	16	-
	<hr/>	<hr/>
	360	40
	<hr/>	<hr/>

3. Distributions

	2003		2002	
	\$'000	¢/unit	\$'000	¢/unit
Distribution payable – December half-year	2,915	4.00	-	-

4. Segment reporting

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

5. Contingent assets and liabilities

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

6. Capital commitments

As at 31 December 2003 the Fund had unconditional contracts to purchase childcare centres with an aggregate purchase price of \$4,136,000 (2002: \$3,740,000).

7. Net tangible assets

	31 Dec 2003	30 Jun 2003
Net tangible assets	\$74,146,000	\$56,557,000
Units issued	72,882,525	56,510,525
Net tangible asset backing (at book value) per unit	\$1.0173	\$1.0008

8. Contributed equity

	31 Dec 2003 \$'000	30 Jun 2003 \$'000
72,882,525 (30 June 2003: 56,510,525) units at issue price	78,263	59,235
Less distribution of capital	(1,028)	-
Less unit issue costs	(3,154)	(2,511)
	<hr/> 74,081	<hr/> 56,724

On 17 November 2003 the Fund made a placement of 13,282,000 ordinary units at a price of \$1.20 per unit raising \$15.94 million. The issue of units was approved at a General Meeting of Unitholders held on 12 November 2003. Transaction costs of \$643,000 were recognised as a reduction of the proceeds of the issue.

9. Non-cash financing and investing activities

A total of 4 childcare centres were acquired during the period using a combination of units and cash as consideration. A total of 3,090,000 ordinary units at \$1 each were issued to vendors of these centres. The issues did not involve any cashflow.

10. Earnings per unit

As at 31 December 2002 only 25 units had been issued by the Fund and as a result there is no relevant basis for calculating basic earnings per unit for the period ended 31 December 2002.

11. Events subsequent to reporting date

Since 31 December 2003, the Fund has increased its loan facility from \$60 million to \$85 million, including a short-term facility (repayable within 180 days) of \$15 million. The increase in loan facilities will be used to facilitate the acquisition of additional childcare centres.

**PEPPERCORN INVESTMENT FUND
DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

In the opinion of the directors of DDH Graham Limited, the Responsible Entity of Peppercorn Investment Fund("the Fund"):

1. the financial statements and notes set out on pages 3 to 11 are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Fund as at 31 December 2003 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
3. the Fund has operated in accordance with the provisions of the Fund Constitution dated 8 July 2002.

Dated at Brisbane this 26th day of February 2004.

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



**DDH Graham
Chairman
DDH Graham Limited**

**INDEPENDENT AUDITORS' REVIEW REPORT
TO THE UNITHOLDERS OF PEPPERCORN INVESTMENT FUND
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

Scope

We have reviewed the financial report of Peppercorn Investment Fund ("the Fund") for the half-year ended 31 December 2003, consisting of the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, accompanying notes and the Directors' Declaration set out on pages 3 to 12. The directors of the Responsible Entity, DDH Graham Limited ("the Responsible Entity") are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional reporting requirements and statutory requirements in Australia and the provisions of the Fund Constitution dated 8 July 2002, so as to present a view which is consistent with our understanding of the Fund's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the Responsible Entity to lodge the financial report with the Australian Securities and Investments Commission.

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

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Peppercorn Investment Fund is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Fund's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements; and
- (c) the provisions of the Fund Constitution dated 8 July 2002.

William Buck.

William Buck
Chartered Accountants

DW Langdon

DW Langdon
Partner
Brisbane 26 February 2004

Responsible Entity and Principal place of business of the Fund	DDH Graham Limited Level 18 344 Queen Street Brisbane Qld 4000
Directors of Responsible Entity	David DH Graham Peter B Lockhart Ugo C Di Girolamo
Childcare Centre Operator	Peppercorn Holdings No 4 Pty Ltd Level 5 232 Adelaide Street Brisbane Qld 4000
Solicitors	Macrossans Lawyers Level 23 AMP Place 10 Eagle Street Brisbane Qld 4000
Auditors	William Buck Level 16 William Buck Centre 120 Edward Street Brisbane Qld 4000
Taxation Advisors	PricewaterhouseCoopers Level 17 Waterfront Place 1 Eagle Street Brisbane Qld 4000
Bank	National Australia Bank Level 24, 500 Bourke Street Melbourne VIC 3000
Custodian	Trust Company of Australia Limited 213-217 St Pauls Terrace Spring Hill Qld 4006