Leyshon Property Fund No.3 Annual Report

2004/5

LEYSHON

LEYSHON

LEYSHON PROPERTY FUND NO. 3

2004/5 ANNUAL REPORT

CONTENTS

LEYSHON

LETTER FROM THE MANAGING DIRECTOR

We are pleased to present the first Annual Report of Leyshon Property Fund No. 3 ("The Fund").

During the financial period The Fund commenced activities. The Fund was listed on Bendigo Stock Exchange ("BSX") on 23 December 2004.

On 21 December 2004 Leyshon Property Trust No. 3 ("LPT3") commenced business with the acquisition of a brand new five level 6,000 square metre office building at 99 Melbourne Street, South Brisbane for $24.5 million. The building has been revalued recently by LandMark White Brisbane Pty Ltd for $27 million. LPT3 has secured its second commercial office property – the former Magistrates Court Building at 179 North Quay, Brisbane. The building is to be refurbished and leased as commercial office space.

Leyshon Developments No. 3 Limited's ("LDL3") first project is the London Woolstore project at Vernon Tce, Teneriffe. This project involves the conversion and refurbishment of three former Woolstore buildings into 89 residential apartments, carparking, nine retail shops and commercial office space to be completed prior to the end of 2005. As at 30 June 2005, 28 of the 89 residential apartments were under unconditional sales contracts.

On 27 May 2005 the LDL3 acquired its second development project – a 9,800 square metre prime development site on the Gold Coast Highway at Palm Beach on the Gold Coast. This site is to be developed into an approximate 5,000 square metre retail and commercial complex and approximately 200 residential apartments. The end value of the completed development will be approximately $100 million.

The Fund recorded a net profit after tax for the year ended 30 June 2005 of $860,200. Capital distributions of 8 cents per stapled security were paid in accordance with the Prospectus/Product Disclosure Statement dated 8 November 2004.

We would like to acknowledge the support of our security holders in the first year of The Fund's operations. We look forward to continuing to achieve the investment objectives of The Fund over the coming financial year.

On behalf of Leyshon Corporation
Limited as trustee and Responsible Entity of Leyshon Property Trust No. 3
& Leyshon Developments No. 3 Limited

Geoff McMahon
Managing Director

22 September 2005

Directors' Report

The Board of Directors of Leyshon Corporation Limited (LCL) ABN 50 090 257 480 the Responsible Entity of Leyshon Property Trust No. 3 (LPT3) and the Board of Directors of Leyshon Developments No. 3 Limited (LDL3) present their report on the combined entity consisting of LPT3 and LDL3 for the period ended 30 June 2005.

Although LPT3 was constituted in May 2004 and LDL3 was incorporated in November 2004, operations of the Leyshon Property Fund No.3 (Fund) commenced on 21 December 2004.

Directors
The names of the directors in office at the date of this report of LCL as the Responsible entity for LPT3 and LDL3 respectively are:

Names, qualifications, experience and special responsibilities

LCL as Trustee and Responsible Entity for LPT3

Neil Edwin Summerson B.Com, FCA, FAICD, FAIM (Non-executive Chairman)

Neil Summerson was appointed as a director on 11 June 2004 and became the Chairman of LCL at that time. Neil is the Chairman of the audit and risk management committee for LCL. During the past three years Neil also served as a director of the following listed companies:

Bank of Queensland Ltd*

Geoffrey Michael McMahon B.Econ, B.Com, FCPA, FAICD, FCIM, ASIA (Managing Director)

Geoff McMahon was appointed as a director of LCL on 1 November 1999. Geoff has been working in the property sector with Leyshon Pty Ltd ("Leyshon") for approximately 15 years. He has been the Managing Director of Leyshon since 1996, and is responsible for the overall strategy of Leyshon and its property funds management, investments and development.

William Gerard Collins FAPI, Registered valuer, Licensed real estate agent, Registered auctioneer, Specialist retail valuer

William ("Bill") Collins was appointed as a director of LCL on 14 May 2003. Bill serves as a member on the audit and risk management committee for LCL. Bill is a joint founding director of Collins O'Reilly Pty Ltd, property auditors which provide corporate property advice in the area of commercial property. Bill has been involved in the property industry since 1968, holding various positions including positions at the Valuer-General's Department, Knobel Real Estate, Ballieu Knight Frank and Hooker Corporate. Over the last decade, Bill has been involved in portfolio analysis including performance strategies, divestment, acquisition, adaptive re-use and risk management.

Directors' Report continued

Names, qualifications, experience and special responsibilities (contd)

Michael O'Reilly MA, MIEF, FAPI

Michael O'Reilly was appointed as a director of LCL on 14 May 2003. Michael is a joint founding director of Collins O'Reilly Pty Ltd, property auditors which provide corporate property advice in the area of commercial property, with emphasis on major CBD office buildings and industrial portfolios. Michael has been involved in the property industry since 1973, and has held a number of senior management positions in Australia and South East Asia with national and international real estate organizations. Michael is a fellow of the Australian Property Institute and a licensed real estate agent in Queensland.

LDL3

Robert Bryan BSc (Hons, Geology), FAusIMM

Robert ('Bob') Bryan is a geologist who has wide experience in the mining industry especially in Queensland and Western Australia. In 1984 Bob founded Pan Australian Mining Ltd. Whilst Managing Director of Pan Australian Mining Ltd from 1984 to 1989, Bob oversaw the development of the major gold mine at Mt Leyshon. After selling his controlling interest in Pan Australian Mining in 1989, Bob founded his own private company Leyshon Pty Ltd. Bob is an Honorary Life Member of the Queensland Resources Council and a director of the Sustainable Minerals Institute within the University of Queensland. During the past three years Bob has also served as a director of the following listed companies:
Pan Australian Resources NL*
Highlands Pacific Ltd *
Queensland Gas Company Limited *

Geoffrey Michael McMahon – Refer LPT3 above

William Gerard Collins – Refer LPT3 above

Michael O'Reilly – Refer LPT3 above

Sally Kathleen Smith BBus (Human Resource Management)

Sally Smith worked for a number of departments of the Queensland Government for several years compiling company reports and financial data. Sally has extensive experience in human resource management having worked in various senior positions involving strategic planning, development and implementation of human resource policies and advice to executive management for Queensland Government. Since 1995 Sally has been on the board of Leyshon and has been involved in Leyshon's property funds management, development and investments.

Directors' Report continued

Names, qualifications, experience and special responsibilities (contd)

Scott Edward Bryan BSc (Hons, Geology), PhD

Scott Bryan is a geologist by training, graduating from the University of Queensland with First Class Honours in Geology and followed this up with a PhD from Monash University. Scott is currently a Post-Doctoral Fellow at Yale University. Since 2001 Scott has been on the board of Leyshon and has been involved in Leyshon's property funds management, development and investments.

Kenneth Ross Pickard BCom, FCA, MAICD

Ken Pickard is the founding partner of Pickard Associates Chartered Accountants, a regionally based firm of five partners and approximately 80 staff providing a full range of financial services to clients. Ken was a partner of Ernst & Young from 1982, a position he held until the formation of Pickard Associates in 1996. Ken has over 20 years experience in business services, consulting and audit. Ken developed a wide range of skills for the provision of accounting services and financial management advice to all business sectors including manufacturing, service marine and the property industry.

* denotes current directorship

The directors held their positions as a director from the date of appointment and up to the date of this report.

Relevant interests in LPT3 and shares and options of LDL3 and related bodies corporate

As at the date of this report, the interests of the directors in LPT3 were:

	Relevant interests
	Fully paid units
G McMahon	10,682,000
M O'Reilly	160,000
W Collins	160,000
N Summerson	10,682,000

As at the date of this report, the interests of the directors in LDL3 and related bodies corporate were:

	Relevant interests
	Fully paid shares
R Bryan	10,522,000
G McMahon	10,682,000
M O'Reilly	160,000
W Collins	160,000
S Bryan	10,522,000
S Smith	10,522,000
K Pickard	500,000

The directors are not party to any contract to which the directors may be entitled to a benefit or that confer to a right to call for or deliver interest in LPT3 or LDL3.

Directors' Report continued

COMPANY SECRETARY

Christina N. Little B.Com, C.P.A, C.S.A

Christina Little has been the company secretary of LCL for two years. She has held the position of Financial Controller for Leyshon for three years. Christina has been a Certified Practising Accountant for eight years.

FUND INFORMATION

Structure of Leyshon Property Fund No. 3

Leyshon Property Fund No.3 (Fund) was created upon the issue units by LPT3 and of shares by LDL3 and the stapling of the securities on 21 December 2004.

The Fund which is listed on the Bendigo Stock Exchange (BSX) is a stapled security fund which comprises LPT3 and LDL3. The Fund is subject to a Stapling and Asset Management Deed dated 8 November 2004, whereby LCL in its own capacity is the Manager of the Fund and Asset Manager of the projects of the Fund.

LPT3 was created by a Trust Deed dated 14 May 2004, which was subsequently amended on 8 November 2004. Units were issued under a Product Disclosure Statement/Prospectus dated 8 November 2004 as part of an equity raising for the Fund.

LDL3 was incorporated on 2 November 2004 and issued shares under a Product Disclosure Statement/Prospectus dated 8 November 2004 as part of an equity raising for the Fund.

Units issued in the trust are stapled to shares issued in the company and are treated as one security. The stapled securities are quoted and traded together on the BSX. The stapled securities cannot be traded or dealt with separately.

The two entities comprising the stapled group, remain separate legal entities in accordance with the Corporations Act 2001, and are each required to comply with the reporting and disclosure requirements of Accounting Standards and the Corporations Regulations 2001.

The Fund's stapled security structure allows equity investors to derive income from passive property ownership (Melbourne Street and future projects) supplemented by profits from active property development (London Woolstore, Palm Beach and future projects).

Directors' Report continued

FUND INFORMATION (CONTD)

Structure of Leyshon Property Fund No. 3 (contd)

The stapled security structure will cease to operate if any of the following occurs:

(a) Subject to the Law, the BSX Listing Rules and approval by resolution of the unitholders and shareholders, the Manager may determine that the provisions of LPT3's Trust Deed relating to stapling will cease to apply. If they do so, they may at a later time give notice that the application of the provisions is to recommence.

(b) Each unit will remain stapled to the share to which it is stapled to form a stapled security until the date the units are unstapled. Securities will cease to be stapled to any security which ceases to be on issue.

(c) A provision of LPT3's Trust Deed relating to stapling may not be amended except with the prior written consent of the Manager.

LPT3

Leyshon Property Trust No. 3 is an Australian registered trust. LCL, the Responsible Entity of the Trust is incorporated and domiciled in Australia.

The registered office and principal place of business of the Responsible Entity is located at:

Level 1, 295 Elizabeth Street
(Cnr Creek Street)
Brisbane QLD 4000

The telephone number of the registered office is (07) 3004 1222

Employees

At balance date LCL had three employees (2004: nil).

LDL3

Leyshon Developments No. 3 Limited is a company incorporated and domiciled in Australia.

The registered office for the company is:

Level 1, 295 Elizabeth Street
(Cnr Creek Street)
Brisbane QLD 4000

The telephone number of the company is (07) 3004 1222

Employees

At balance date LDL3 had nil employees.

Directors' Report continued

FUND INFORMATION (CONTD)

Structure of Leyshon Property Fund No. 3 (contd)

Nature of Operations and Principal Activities

The Fund was established to invest in and develop a portfolio of quality property projects including:

- 99 Melbourne Street, South Brisbane, a newly constructed commercial office building;
- London Woolstore at Vernon Terrace, Teneriffe, involving the conversion and refurbishment of three former woolstore buildings into 89 residential apartments, car parking, nine retail shops and commercial office space;
- Palm Beach Gold Coast Highway, Palm Beach. This site is to be developed into an approximate 5,000 square metre retail and commercial complex and approximately 200 residential apartments. The project is to be developed in two stages over 2006 – 2008.
- The former Magistrates Court Building at 179 North Quay, Brisbane is secured by a conditional purchase contract. The building is to be refurbished and leased as commercial office space. The purchase contract is conditional on the settlement of litigation between the vendor and a neighbouring property to the absolute satisfaction of the Fund; and
- Future projects which satisfy the Fund Managers' project selection criteria.

LPT3 currently owns 99 Melbourne Street.

OPERATING AND FINANCIAL REVIEW

Review for the year

During the financial period the fund commenced activities.

LPT3's investment strategy is to acquire and hold a quality portfolio of properties that are supported by long term rental income.

On 21 December 2004 LPT3 commenced business with the acquisition of a brand new five level 6,000 square metre office building at 99 Melbourne Street, South Brisbane for $24.5 million. The building is fully tenanted with the exception of a 144 square metre ground floor retail tenancy. The Trust is receiving rental income on this vacant tenancy pursuant to a rent guarantee from Leyshon Developments Pty Ltd. The building has been revalued recently by LandMark White Brisbane Pty Ltd for $27 million.

Directors' Report continued

OPERATING AND FINANCIAL REVIEW (CONTD)

Review for the year (contd)

LPT3 has secured its second commercial office property – the former Magistrates Court Building at 179 North Quay, Brisbane. The purchase contract is conditional on the settlement of litigation between the vendor and a neighbouring property to the absolute satisfaction of the Trust. The building is to be refurbished and leased as commercial office space.

LDL3 was established to invest in and develop a portfolio of quality property development projects.

LDL3's first project is the London Woolstore project at Vernon Tce, Teneriffe. This project involves the conversion and refurbishment of three former Woolstore buildings into 89 residential apartments, carparking, nine retail shops and commercial office space. LDL3 took over the development management of the London Woolstore project on 21 December 2004 and continues to over see the redevelopment of this site. Conversion of the main former Woolstore building into 89 apartments is well advanced with construction due to be completed prior to the end of 2005. As at 30 June 2005, 28 of the 89 residential apartments were under unconditional sales contracts.

On 27 May 2005 the LDL3 acquired its second development project – a 9,800 square metre prime development site on the Gold Coast Highway at Palm Beach on the Gold Coast. This site is to be developed into an approximate 5,000 square metre retail and commercial complex and approximately 200 residential apartments. The end value of the completed development will be approximately $100 million. The project is in design development phase with development approval expected to be secured by late 2005/early 2006. The project is to be developed in two stages over 2006 – 2008.

Results

The combined net operating profit of the Fund is presented in the Combined Statement of Financial Performance. Net profit attributable to the security holders for the period ended 30 June 2005 was $860,200.

A summary of combined revenues and results for the period by significant industry segments is set out below.

(a) Property Investment

The net operating profit of Leyshon Property Trust No. 3 is presented in the Statement of Financial Performance. Net profit attributable to the unitholders for the period ended 30 June 2005 was $506,999.

Directors' Report continued

Results (contd)

(b) Property Development

LDL3 recognises revenues and profits on a percentage completion basis in accordance with Australian Accounting Standards. For the period ended 30 June 2005 revenues and costs of sales associated with the London Woolstores project of $7,254,682 has been recognised. Given the early stage of the development no profit attributable to this project has been recognised to 30 June 2005.

The net profit attributable to the shareholders for the period 2 November 2004 to 30 June 2005 is $353,201.

	Period to 30 June 2005
Earnings per security	**$**
Basic earnings per security (cents)	3.7
Diluted earnings per security (cents)	3.7
Weighted average *number of ordinary securities* on issue during the period used in the calculation of basic earnings per securities	23,490,328

Distributions / Dividends

Capital distributions were paid quarterly to security holders during the period and included a distribution of 8.00 cents per security paid on 27 January 2005 in respect of the quarter ended 31 December 2004 and a distribution of 8.00 cents per security paid on 29 April 2005 in respect of the quarter ended 31 March 2005.

A final capital distribution for the year ended 30 June 2005 of 8.00 cents per security in respect of the quarter ended 30 June 2005 was paid on 29 July 2005.

No dividends were paid or proposed in the period to 30 June 2005.

SECURITIES ON ISSUE

25,297,000 securities in the Fund were issued on 20 December 2004. A further 6,350,000 securities were issued on 1 April 2005, 2,000,000 securities were issued on 19 May 2005 and 1,353,000 securities issued on 30 June 2005. A total of 35,000,000 securities are on issue at 30 June 2005.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Combined entity.

Directors' Report continued

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

The Directors are not aware of any other matter or circumstance not otherwise dealt with in the reports or the accounts that has significantly affected or may significantly affect the operations of the Combined entity, the results of those operations or the state of affairs of the Combined entity in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The investment strategy of the Combined entity will be maintained in accordance with the constitution and investment objectives. In the foreseeable future it is expected that LPT3 will continue its property investment business and LDL3 will continue its property development business.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the Combined entity are not subject to any particular and significant environmental regulation under a law by Commonwealth or of a State or Territory. There have been no known breaches of any other environmental requirements applicable to the Combined entity.

OPTIONS

No options over issued securities or interests in the company were granted during or since the end of the financial period and there were no options outstanding at the date of this report.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Combined Entity has not given or agreed to any indemnity to an officer or the auditor of the Combined Entity and has not paid any premium for insurance against those officers' or auditor's liability for legal costs. Insurance and indemnity arrangements concerning officers of the economic entity were established during 2005. The policy of insurance prohibits the disclosure of the liability covered and the premium paid or payable. The Combined Entity has not given or agreed to indemnify the auditors.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Leyshon Corporation Limited and the Directors of Leyshon Developments No. 3 Limited support the principles of corporate governance.

The Compliance Committee monitors and provides guidance to the Directors and Compliance Officer of the Responsible Entity in matter relating to Corporate Governance. A compliance Program has been established and approved by the Compliance Committee and all requirements under this plan have been adhered to.

BOARD COMMITTEES

As at the date of this report, an Audit & Risk Management Committee and a Compliance Committee had been established by the combined entity.

Directors' Report continued

TAX CONSOLIDATION

Effective 21 March 2005, for the purposes of income taxation, LDL3 and its 100% owned subsidiary have formed a tax consolidation group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between entities should the head entity default on its tax payment obligations.

MEETINGS OF DIRECTORS

During the period, 5 meetings of LDL3 directors were held. Attendances were:

Directors	Number of meetings eligible to attend	Number of meetings attended
R Bryan		
G M McMahon	5	5
W G Collins	5	4
M O'Reilly	5	4
S Smith	5	5
S Bryan	5	1
K Pickard	5	5

REMUNERATION REPORT

The Directors of LCL as Responsible Entity of LPT3 and the Directors of LDL3 are not remunerated directly by the Combined Entity.

The Directors received remuneration from entities related to the Responsible Entity, Leyshon Corporation Limited. The amount of remuneration received by each Director for activities attributable to the Leyshon Property Fund No. 3 or the Responsible Entity is as follows:

	$
G. McMahon	10,000
M. O'Reilly	5,000
W. Collins	5,000
N. Summerson	0

None of this remuneration has been charged as an expense to Leyshon Property Fund No. 3.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Directors have obtained an independence declaration from our auditors, Ernst and Young, as attached at Page 44.

Directors' Report continued

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES (CONTD)

Non-Audit Services

The following non-audit services were provided by the Combined entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst and Young received or are due to receive the following amounts for the provision of non-audit services:

Tax compliance and advisory services	$56,500

This statement is made in accordance with a resolution of the Directors of LCL as Trustee and Responsible Entity for LPT3 and the Directors of LDL3.

On behalf of the Board
Leyshon Corporation Limited as Trustee and Responsible Entity for
Leyshon Property Trust No. 3
ABN 50 090 257 480

G. McMahon
Director
Brisbane, 31 August 2005

On behalf of the Board
Leyshon Developments No. 3 Limited
ABN 56 111 628 589

R. Bryan
Chairman
Brisbane, 31 August 2005

LEYSHON PROPERTY FUND NO. 3

Consisting of the combined financial reports of
Leyshon Property Trust No. 3 ABN 95 909 819 176 and
Leyshon Developments No. 3 Limited ABN 56 111 628 589.

Financial Report
for the period ended 30 June 2005

Statement of Financial Performance

FOR THE PERIOD ENDED 30 JUNE 2005

	Note	Combined Period to 30 June 2005 $
Revenue from Ordinary Activities	2	9,272,605
Costs of properties sold		(7,254,682)
Amortisation and depreciation expenses	3	(22,091)
Audit fees		(22,670)
Asset management Fees		(64,942)
Consultancy fees		(22,316)
Development costs expensed		(4,473)
Insurance		(27,441)
Interest paid	3	(579,712)
Land tax		(26,688)
Legal expenses		(11,224)
Property management fees		(17,364)
Rates		(34,006)
Recoverable outgoings		(81,285)
Repairs and maintenances		(12,241)
Other expenses from ordinary activities		(104,133)
Total Expenses from Ordinary Activities		(8,285,268)
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		987,337
Income tax expense	1(k),4	127,137
PROFIT/(LOSS) FROM ORDINARY ACTIVITES AFTER INCOME TAX EXPENSE		860,200
Costs recognised directly against equity		(563,630)
Net increase in asset revaluation reserve		1,086,926
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH SECURITY HOLDERS AS OWNERS		1,383,496
Basic earning per security (cents per security)	5	3.7
Diluted earnings per security (cents per security)	5	3.7
Franked dividends per security (cents per security)		0.0

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

Statement of Financial Position

AS AT 30 JUNE 2005

	Note	Combined 30 June 2005 $
Current Assets		
Cash assets	6	12,434,339
Receivables	7	1,338,658
Inventory	8	32,021,464
Other	9	44,856
Total Current Assets		45,839,317
Non-Current Assets		
Property investment held directly	10	27,000,000
Inventory	8	12,372,456
Other	9	174,322
Total Non-Current Assets		39,546,778
Total Assets		85,386,095
Current Liabilities		
Payables	11	3,464,804
Interest bearing liabilities	12	19,989,658
Total Current Liabilities		23,454,462
Non-Current Liabilities		
Interest bearing liabilities	12	23,845,520
Other loans	13	895,711
Accrued expenses	11	1,890,119
Deferred tax liability	4	127,138
Total Non-Current Liabilities		26,758,488
Total Liabilities		50,212,950
Net Assets		35,173,145
Equity		
Issued capital	14(a)	17,218,110
Units issued	14(a)	17,218,260
Capital repayment	14(a)	(1,210,351)
Asset revaluation reserve	14(a)	1,086,926
Retained profits	14(a)	860,200
Total Equity	14(a)	35,173,145

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows
FOR THE PERIOD ENDED 30 JUNE 2005

	Note	Combined Period to 30 June 2005 $
Cash flows from operating activities		
Receipts from customers		1,427,641
Receipt of management fees		340,000
Payments to suppliers & employees		(29,007,577)
Interest and other finance costs paid		(2,032,843)
Interest and bill discount received		302,230
Payment of borrowing costs		(195,248)
Net cash inflows /(outflows) from operating activities	15	(29,165,797)
Cash flows from investing activities		
Payment for inventories (Palm Beach)		(12,083,725)
Payments for investment properties		(25,906,035)
Payment for property investment additions		(7,039)
Proceeds from vendor for leasing incentives		1,906,871
Deposit paid on new investment property		(800,000)
Payment of formation costs		(1,100)
Net cash inflows/(outflows) from investing activities		(36,891,028)
Cash flows from financing activities		
Proceeds from borrowings		43,835,178
Loan from related party		779,615
Proceeds from the issue of securities		35,000,000
Payment of costs of securities issue		(563,630)
Payment of distributions to security holders		(559,999)
Net cash inflows/(outflows) from financing activities		78,491,164
Net increase/(decrease) in cash held		12,434,339
Cash at beginning of financial period		0
Cash at end of the financial period	6	12,434,339

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of the Fund consist of the aggregated financial statements of the combined entity comprising LPT3 and LDL3.

The financial statements are a general purpose financial report, which has been prepared to satisfy the requirements of the Urgent Issues Group Consensus View 13, 'The Presentation of the Financial Report of Entities Whose Securities are Stapled', other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board.

This is the first annual financial report of the Fund. Accordingly, it is recommended that this report should be read in conjunction with any public announcements made by LCL as Trustee and Responsible Entity of LPT3 or LDL3 during the period in accordance with the continuous disclosure requirements of the BSX Listing Rules.

This is the first financial report of the Fund. Accordingly, it is recommended that this report should be read in conjunction with any public announcements made by LCL as Trustee and Responsible Entity of LPT3 or LDL3 during the period in accordance with the continuous disclosure requirements of the BSX Listing Rules.

The accounting policies adopted in preparing the financial statements have been consistently applied by the individual entities comprising the combined financial statements.

The financial report has been prepared on the basis of historical costs and, except where stated does not take into account changing money values or current valuations of non-current assets.

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies adopted in preparing the financial statements have been consistently applied by the individual entities comprising the combined financial statements, unless otherwise stated.

(b) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

Distributions
A provision for distribution is recognised in the Statement of Financial Position if the distribution has been declared, determined or publicly recommended prior to balance date. Distributions are of a capital nature as noted in the Product Disclosure Statement provided to investors.

Dividends
A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before reporting date.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(c) Cash and cash equivalents

Cash in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash in banks, and deposits at call with financial institutions which are readily convertible to cash.

(d) Investment properties

Land and Buildings are considered to have the function of an investment and are therefore regarded as a composite asset. Accounting Standard AASB 1021 "Depreciation" does not require investment properties to be depreciated. Accordingly, the buildings and components thereof (including plant and equipment) are not depreciated.

Investment properties are carried at fair value. Independent valuations of investment properties are obtained at intervals of not more than three years from suitably qualified property valuers. Such valuations are disclosed in the financial statements of the Scheme. Notwithstanding, the Directors of the Responsible Entity assess carrying value of each investment property at each reporting period to ensure that its carrying value does not exceed its fair value.

In determining fair value, the expected net cash flows have not been discounted to their present value using a market determined risk adjusted discount rate applicable to the respective asset.

A revaluation increment is credited directly to the asset revaluation reserve unless it reverses a previous revaluation decrement charged as an expense in determining operating profit in respect of that same class of asset, in which case the increment is credited to operating profit.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount because the Scheme does not expect to be ultimately liable for CGT in respect of the assets.

Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions.

(e) Receivables

Receivables are recognised and carried at the original amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(f) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Loans and Borrowings

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

(h) Revenue Recognition

Revenues from rents and recoverable outgoings are recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue brought to account but not received at balance date is recognised as a receivable. . Revenue received in advance is classified as Prepaid Income and recognised as revenue over the period to which the revenue received relates.

Interest revenue is recognised upon attaining control of the right to receive the interest payment.

Revenues and profit on development projects are brought to account on the percentage of completion basis where it can be reasonably estimated. Directors do not recognise profit on development projects until the project is 50% construction completed and 50% of the project is subject to unconditional sales contracts. Where losses are foreseeable, such losses are provided for in full. Measurement of the percentage complete is based on construction costs as a percentage of total forecast construction costs.

Management fee revenue is recognised upon attaining control of the right to receive the management fee.

All revenue is recognised net of the amount of goods and services tax.

(i) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(j) Earnings per security (EPS)

Basic and diluted EPS is calculated as net profit attributable to members of the entity, adjusted to exclude costs of servicing equity (other than dividends) divided by the weighted average number of ordinary securities.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(k) Taxes

Income taxes
Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognized in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Under current tax legislation, the LPT3 is not liable to pay income tax provided that its taxable income and taxable realized gains are fully distributed to security holders.

Goods and Services Tax
Revenues, expenses and assets are recognised net of the amount GST except:
- where GST is incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognized as part of the acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(l) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreements so as to reflect the risks and benefits incidental to ownership.

Operating Leases
The minimum rental revenues of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as revenue on a straight-line basis, which is considered to best represent the pattern of service rendered through the provision of the leased asset.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(m) Leasing Fees

Costs that are directly associated with negotiating and executing the on-going renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are deferred and amortised over the term of the lease.

(n) Leasing incentives

Lease incentives in the form of up-front payments, contributions to certain lessee's costs, relocation costs and fit-outs that are offered in relation to the on-going operation of the property are recognised as an asset and amortised over the period to which the lease relates.

Incentives provided to lessees in the form of lessor-paid fit-outs and improvements that remain assets of the lessor, for example by becoming part of the structure of the property which remains beyond the lease term, are capitalised to the carrying value of the property.

(o) Borrowing Costs

Borrowing costs in respect of the Investment Property are initially capitalised and expensed over the term of the loan to which they relate.

(p) Acquisition of assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of assets given up or the liabilities undertaken at the date of acquisition plus costs incidental to acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the rate at which a similar borrowing could be obtained under comparable terms and conditions.

(q) Inventories

Development work in progress
Development land, including acquisition costs of the land, together with associated development costs is valued at the lower of cost and net realisable value.

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(r) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement is recognised as an expense in the statement of financial performance.

The expected net cash flows included in determining recoverable amounts of non-current assets are not discounted to their present values using a market-determined, risk adjusted discount rate.

(s) Formation Costs

Formation (Establishment) Costs in respect to the Trust are initially capitalised and are expensed over a term of five years.

(t) Web site costs

Costs in relation to web sites are charged as expenses in the period in which they are incurred.

(u) Interest Bearing Liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

(v) Expenditure carried forward

Significant items of expenditure, including marketing expenditure in respect of large multi-unit development projects, are carried forward provided it is probable that future consolidated benefits attributable to the expenditure will be realized. Expenditure carried forward is expensed over the lesser of the period in which the related benefits are expected to be realized and three years.

(w) Principles of Aggregation

The combined financial statements have been prepared on an aggregated basis in recognition of the fact that the securities issued by LPT3 and LDL3 are stapled into securities, and cannot be traded separately. The aggregated financial statements incorporate elimination of inter-entity transactions and balances and other adjustments necessary to present the financial statements on a combined basis.

Where control of an entity has been obtained during a financial year, its results are included in the combined statement of financial performance from the date control commenced. Where control of an entity ceases during the year its results are included for that part of the year which control existed.

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(x) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Leyshon Developments No. 3 Limited (the parent company) and all entities that Leyshon Developments No. 3 Limited controlled from time to time during the year and at reporting date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(y) Comparatives

There are no comparative figures shown in this Combined Financial Report as the Fund commenced operations on 21 December 2004.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

	Combined 30 June 2005 $
Note 2. Revenue	
Revenue from operating activities	
Revenue from sale of properties	7,254,682
Rents and sub-lease rentals	1,269,440
Recoverable outgoings	105,372
Management fees	340,000
Total revenue from operating activities	8,969,494
Revenue from non-operating activities	
Interest	303,111
Total revenue from non-operating activities	303,111
Total revenue from ordinary activities	9,272,605

Note 3. Expenses and Losses/(Gains)

Profit/(Loss) from ordinary activities before income tax expense includes the following specific expenses:

Amortisation of:	
Formation expenses	65
Borrowing costs	22,026
Total Amortisation	22,091
Borrowing costs	
Interest and finance charges paid/payable - external	2,318,851
Amount capitalised	(1,739,139)
Borrowing costs expensed	579,712

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

Note 4. Income tax

	Combined 30 June 2005 $
The prima facie tax, using 30% tax rate, on profit and extraordinary items differs from the income tax provided in the financial statements as follows:	
Prima facie tax on profit from ordinary activities	296,201
Tax effect of permanent differences	
Non-assessable trust income	(152,099)
Other items (net)	(16,965)
Income tax expense attributable to ordinary activities	127,137

Deferred tax assets and liabilities

Current tax payable	0
Provision for deferred income tax – current	0
Provision for deferred income tax – non-current	(127,138)
Future income tax benefit – non-current	0

Tax consolidation

Effective 21 March 2005, for the purposes of income taxation, LDL3 and its 100% owned subsidiary have formed a tax consolidation group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between entities should the head entity default on its tax payment obligations.

Note 5. Earnings per security

	Combined Period to 30 June 2005 $
Basic earnings per security (cents)	3.7
Diluted earnings per security (cents)	3.7
Weighted average *number of ordinary securities* on issue during the period used in the calculation of basic earnings per securities	23,490,328

Net profit attributable to the security holders for the period ended 30 June 2005 used to calculate basic and diluted earnings per security was $860,200.

Not Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

Note 6. Cash Assets (Current)	Note	Combined 30 June 2005 $
Cash at bank and on hand		12,183,068
Deposits at call		251,271
Total current cash assets		12,434,339

Note 7. Receivables (Current)		
Trade debtors	7(a)	173
Amounts receivable from related parties	7(a)	198,625
Other	7(a)	339,860
Deposit on conditional contract for purchase of property	7(a)	800,000
Total current receivables		1,338,658

(a) *Terms and conditions*
Terms and conditions relating to the above financial instruments
(i) Trade debtors are non-interest bearing and are generally on 30 day terms.
(ii) Amounts receivable from related parties are non-interest bearing and are generally on 30 day terms.
(iii)Other debtors are non-interest bearing and are generally settled between 30 and 60 days.
(iv)Deposit on conditional contract for purchase of property is non-interest bearing and conditional on settlement of litigation between the vendor and a neighbouring property to the absolute satisfaction of the Fund.

Note 8. Inventory	Combined 30 June 2005 $
Current	
Work in progress at cost (Teneriffe)	32,021,464
Total current inventories at lower of cost and net realisable value	32,021,464

Included in work in progress at cost are capitalized borrowing costs of $1,357,937

Non-current	
Work in progress at cost (Palm Beach)	12,372,456
Total non-current inventories at lower of cost and net realisable value	12,372,456

Included in work in progress at cost are capitalised borrowing costs of $185,954

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

	Combined 30 June 2005 $
Note 9. Other Assets	
Current	
Prepayments	42,656
Security Deposits	2,200
Total current other assets	44,856
Non-Current	
Formation costs	1,165
Accumulated amortisation	(65)
Total non-current amortisation of formation costs, net	1,100
Borrowing costs	195,248
Accumulated amortisation	(22,026)
Total non-current amortisation of borrowing costs, net	173,222
Total other assets (non-current)	174,322

Note 10. Property Investment (Non-Current)

Property investment	27,000,000
Total property investments held directly at cost	27,000,000

(a) Reconciliations of Carrying Amounts

Reconciliations of the carrying amounts of property investments	
Carrying amount at start of period	0
Capital acquisitions	25,906,035
Capital additions	7,039
Net revaluation increments	1,086,926
Carrying amount at end of period	27,000,000

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

	Note	Combined 30 June 2005 $

Note 10. Property Investment (Non-Current) (Contd)
(b) Assets pledged as security

The assets of LPT3 are pledged as security to Suncorp Metway Ltd under a first registered mortgage debenture.

Included in the balances of property investments are assets over which first mortgages have been granted as security over bank loans. The terms of the first mortgages preclude the assets being sold or being used as security for further mortgages without the permission of the first mortgage holder. The mortgage also requires buildings that form part of the security to be fully insured at all times.

The carrying value of the assets pledged as securities are:

Property Investments held directly	$27,000,000

(c) Details of property investments

Description	Acquisition Date	Original Acquisition Cost	Total Costs Including Additions	Date of latest Independent Valuation	Latest Independent Valuation	Fair Value	
		$'000	$'000		$'000	$'000	
						2005	2004
99 Melbourne St	21 December 2004	24,500	27,000	August 2005	27,000 (i)	27,000	NA

(i) As valued by Landmark White using a fair market value approach between a willing buyer and seller.

	Note	Combined 30 June 2005 $
Note 11. Payables		
Current		
Trade creditors	11(a)	28,042
Lease incentives	11(a)	174,650
Other creditors and accruals	11(a)	2,611,760
Accrued capital distribution	11(a)	650,352
Total current payable		3,464,804

(a) *Terms and conditions*
Terms and conditions relating to the above financial instruments
(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
(ii) Other creditors and accruals are non-interest bearing and have an average term of two months.
(iii) Lease incentives are non-interest bearing and is recognised as income over the period to which the lease relates.
(iv) Accrued capital distribution represents an 8% annual capital return paid quarterly to securityholders.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

	Combined 30 June 2005 $
Note 11. Payables (Contd)	
Non-Current	
Lease incentives	1,890,119
Total non-current payables	1,890,119
Note 12. Interest bearing liabilities	
Current	
Secured Borrowings:	
Loan from Leyshon Properties Pty Ltd (a)	19,989,658
Total current interest bearing liabilities	19,989,658
Non-Current	
Secured Borrowings:	
Secured loans – Suncorp-Metway Limited (b)	16,068,520
Secured loans – St George Bank Limited (c)	7,777,000
Total non-current interest bearing liabilities	23,845,520

(a) The loan facility is provided by Leyshon Properties Pty Ltd atf London Woolstore Trust ('LWT'). The loan is secured by a second mortgage over the London Woolstore Property. Interest on the loan is initially paid by LWT and is then reimbursed by LDL3 in accordance with the Development agreement dated 8 November 2004. The loan is to be re-paid in full to Leyshon Properties Pty Ltd by 30 April 2006.

(b) The loan facility is provided by Suncorp-Metway Limited (SML). Security provided to the lender is a guarantee and indemnity from Public Trustee of Queensland as Custodian for LPT3 via first registered mortgage over the 99 Melbourne Street Property. Refer to Note 15(b) for details of the total SML facility.

(c) The loan facility is provided by St George Bank Limited. Security provided to the lender is a guarantee and indemnity from Leyshon Developments Pty Ltd, first registered mortgage by Leyshon Palm Beach Developments Pty Ltd over the commercial property located at Palm Beach Shopping Centre 1102 &1112 Gold Coast Highway, Palm Beach and set off deed over $250,000 funds on deposit with St George given by Leyshon Palm Beach Developments Pty Ltd. The loan expires 26 May 2006 however it is expected this facility will be renewed at this time. Effective interest rate applicable to the loan is 7.68% p.a. Refer to Note 15(b) for details of the total St George facility.

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

Note 13. Other loans (Non-current)	Combined 30 June 2005 $
Loan from Palm Beach Development Pty Ltd (a)	895,711
Total non-current other loans	895,711

(a) Pursuant to a Development Agreement between Palm Beach Developments Pty Ltd ("PBD") and LPBD, PBD is to contribute 20% of the equity for the Palm Beach project in return for being entitled to a development fee equating to 20% of the profits of the project.

Note 14. Equity Securities Issued	Combined Period to 30 June 2005 No. of Securities	Combined Period to 30 June 2005 $
Issue of shares in LDL3	35,000,000	17,500,000
Issue of shares in LPT3	35,000,000	17,500,000
Less: costs of capital raising		(563,630)
Issue of stapled securities during the period		34,436,370

(i) On December 21 2004, 25,297,000 stapled securities were issued by the Fund. The Fund issued a further 6,350,000 stapled securities on 1 April 2005, 2,000,000 securities on 19 May 2005 and 1,353,000 securities on 30 June 2005.

(ii) Security holders have the right to receive distributions, and in the event of termination of the Fund, to participate in the proceeds from the sale of all surplus assets in proportion to the number of securities held. Securities entitle the holder to one vote, either in person or by proxy, at a meeting of the Fund.

(a) Leyshon Property Fund No. 3	Note	Combined 30 June 2005 $
Issued and paid up securities	14 (b)	34,436,370
Capital repayment	14 (b)	(1,210,351)
Asset revaluation reserve	14 (c)	1,086,926
Undistributed income / (losses)	14 (d)	860,200
		35,173,145

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

Note 14. Equity Securities Issued (Contd)

	Combined 30 June 2005 $
(b) Issued and paid up securities	
Securities on issue at beginning of the period	0
25,297,000 securities issued 21 December 2004 at $1 per security	25,297,000
6,350,000 securities issued 1 April 2005 at $1 per security	6,350,000
2,000,000 securities issued 19 May 2005 at $1 per security	2,000,000
1,353,000 securities issued 30 June 2005 at $1 per security	1,353,000
Less: Transaction costs	(563,630)
Securities on issue at end of the period	34,436,370
Capital Repayment	
Balance at beginning of the period	0
Distributions paid during the period	(559,999)
Distributions accrued during the period	(650,352)
Balance at end of the period	(1,210,351)
Total issued and paid up units	33,226,019

(c) Asset Revaluation Reserve

(i) Nature and purpose of reserve

The asset revaluation reserve is used to record increments and decrements in the value of non-current assets. The reserve can only be used to pay distributions in limited circumstances.

(ii) Movement in reserve

Balance at the beginning of period	0
Net revaluation increment	1,086,926
Balance at end of the period	1,086,926

(d) Undistributed Income

Balance at the beginning of period	0
Net profit attributed to the stapled security holders of the Fund	860,200
Balance at the end of the period	860,200

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

	Combined Period to 30 June 2005 $
Note 15. Statement of Cash Flows	
(a) Reconciliation of profit from ordinary activities after income tax to net cash inflow/(outflows) from operating activities	
Profit/(loss) from ordinary activities after related income tax	860,200
Depreciation and amortisation	22,091
Borrowing costs capitalised	(1,739,204)
Change in operating assets and liabilities	
(Increase)/decrease in receivables	(422,562)
(Increase)/decrease in other assets	(44,856)
(Increase)/decrease in inventory	(28,309,909)
(Increase)/decrease in deferred tax asset	(9,512,207)
Increase/(decrease) in payables	341,305
Increase/(decrease) in deferred tax liability	9,639,345
Net cash inflow/(outflows) provided from operating activities	(29,165,797)

(b) Financing facilities	
Total facilities available – Borrowings	23,845,520
Total facility used	23,845,520
Total facility unused	0
	23,845,520

Note 16. Commitments for Expenditure

Capital Expenditure Commitments

The only outstanding construction commitments for expenditure at 30 June 2005 are $6,684,990 being construction contract costs on the London Woolstore Project. All commitments will be due and payable within the expected completion of the project on 1 December 2005.

Note 17. Contingent Liabilities and Contingent Assets

Purchase Contract

The Trust has the former Magistrates Court Building at 179 North Quay, Brisbane secured by a conditional purchase contract. The purchase price of the building is $8 million. A deposit of $800,000 has been paid pursuant to the contract. The building is to be refurbished and leased as commercial office space. The purchase contract is conditional on the settlement of litigation between the vendor and a neighbouring property to the absolute satisfaction of the Trust.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

Note 18. Subsequent Events

No events of a material nature have occurred since 30 June 2005.

Note 19. Segment Reporting

(a) Segment accounting policies

Segment accounting policies are the same as the Fund's policies described in Note 1. During the period there were no changes in segment accounting policies that had a material effect on the segment information.

(b) Segment Information – Primary Segment

Business Segments	**Property Investment 2005 $**	**Property Development 2005 $**	**Combined Total 2005 $**
Revenue			
Sale of Properties	0	7,254,682	7,254,682
Management fees	0	340,000	340,000
Rent received	1,204,197	65,243	1,269,440
Recoverable outgoings	105,372	0	105,372
Interest received	184,641	118,470	303,111
Total consolidated revenue	1,494,210	7,778,395	9,272,605
Results			
Segment Result before interest expense	1,086,711	480,338	1,567,049
Interest expense	579,712	0	579,712
Segment result after interest expense and before income tax expense	506,999	480,338	987,337
Income tax expense	0	127,137	127,137
Net Profit/(Loss)	506,999	353,201	860,200

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

Note 19. Segment Reporting (Contd)

(b) Segment Information – Primary Segment (Contd)

Business Segments	**Property Investment 2005 $**	**Property Development 2005 $**	**Combined Total 2005 $**
Assets			
Segment Assets	36,535,873	48,850,222	85,386,095
Non-segment liabilities	0	0	0
Total Assets	36,535,873	48,850,222	85,386,095
Liabilities			
Segment Liabilities	18,934,039	31,278,911	50,212,950
Non-segment liabilities	0	0	0
Total Liabilities	18,934,039	31,278,911	50,212,950
Other segment information			
Acquisition of property, plant & equipment	27,000,000	0	27,000,000
Depreciation	0	0	0
Net Profit/(Loss)	506,999	353,201	860,200

Secondary Reporting Segment – Geographical segments

The combined entity operates in Australia.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

Note 20. Related parties

(a) Trustee and Responsible Entity

The Trustee and Responsible Entity of Leyshon Property Trust No. 3 is Leyshon Corporation Limited. Shareholdings of Leyshon Corporation limited are as follows:

	%	No. of shares
Leyshon Pty Ltd	45	450
W G Collins Pty Ltd ATF W G Collins Discretionary Trust	22.5	225
O'Reilly Enterprises Pty Ltd ATF O'Reilly Family Trust	22.5	225
G & M Rees Investments Pty Ltd	7.5	75
Glendower Investments Pty Ltd ATF Glendower Super Fund	2.5	25
	100	1,000

(b) Directors

The directors of Leyshon Corporation Limited during the period were:

G McMahon
M O'Reilly
W Collins
N Summerson

The directors of Leyshon Developments No.3 Limited and Leyshon Palm Beach Developments Pty Limited during the period were:

R Bryan
G McMahon
M O'Reilly
W Collins
S Bryan
S Smith
K Pickard

LDL3 is the ultimate parent of Leyshon Palm Beach Developments Pty Ltd.

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

Note 20. Related parties (Contd)

(c) Other Transactions of Leyshon Property Trust No. 3

Management Fees

During the period, LPT3 paid LCL asset management fees of $61,250 and property management fees of $6,000. G. McMahon, N. Summerson M.O'Reilly and W. Collins are directors and shareholders of LCL.

Transactions between LPT3 and LCL result from normal dealings with those companies as the Trust's asset and property manager in accordance with the Asset Management Agreement and Property Management Agreement.

Acquisition Fees
During the period, Leyshon Corporation Limited received acquisition fees of $490,000.

(d) Other Transactions of Leyshon Developments No.3 Limited

Development Management Fees

During the period LDL3 paid $1,312,777 (2004: Nil) to LCL for development management fees. LCL is the Asset Manager of LDL3 and G. McMahon, M O'Reilly and W. Collins are Directors and shareholders in LCL. R. Bryan is a shareholder in LCL.

Transactions between LDL3 and LCL result from normal dealings in accordance with the Development Management Agreement.

Development Agreement

During the period LDL3 reimbursed London Woolstore Trust for costs of $32,021,464 incurred in the development of the London Woolstore project.

Transactions between LDL3 and Leyshon Properties Pty Ltd atf London Woolstore Trust result from normal dealings with those companies in accordance with the Development Agreement.

Management Fees

LDL3 received management fees of $340,000 from Leyshon Properties Pty Ltd atf London Woolstore Trust for various property management services in relation to the London Woolstore property. These management fees were determined on normal commercial terms.

Loans

LDL3 has provided a loan of $4,084,500 to its controlled entity, Leyshon Palm Beach Developments Pty Ltd. This loan is unsecured , interest free, with no set repayment terms.

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

Note 21. Financial Instruments

(a) Derivative financial instruments

Interest rate swaps

The Fund enters into interest rate swap agreements that are used to convert the variable interest rate of its long-term borrowings to long-term interest rates. The swaps are entered into with the objective of reducing the risk of rising interest rates. It is the Fund's policy not to recognize interest rate swaps in the financial statements. Net receipts and payments are recognized as an adjustment to interest expense.

(b) Credit risk exposure

The credit risk on financial assets of the fund which have been recognized on the balance sheet is the carrying amount, net of any provisions for doubtful debts.

(c) Interest rate risk exposures

The fund's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below.

			Fixed Interest maturing in:					
	Notes	Floating Interest Charges	1 Year or less	Over 1 to 5 Years	More than 5 Years	Non Interest Bearing	Total	Interest Rate
Financial Assets								
Cash and Deposits	6	12,434,339					12,434,339	5.30%
Receivables	7					1,338,658	1,338,658	NA
		12,434,339	0	0	0	1,338,658	13,772,997	
Less: Financial Liabilities								
Payables	11					5,354,923	5,354,923	NA
Secured Loan	12	16,068,520	19,989,658	7,777,000			43,835,178	7.37%
Other loans	13					895,111	895,111	
Interest Rate Swap		- 16,068,520		16,068,520			0	NA
		0	19,989,658	23,845,520	0	6,250,034	50,085,212	
Net financial assets / (liabilities)		12,434,339	-19,989,658	-23,845,520	0	-4,911,376	-36,312,215	

(d) Net Fair Values

The Fund's recognised financial assets and liabilities included in the Statement of Financial Position are carried at cost which directors consider approximates their net fair value.

Interest rate swaps are not recognised by Leyshon Property Fund No.3. The fair value of interest rate swaps at 30 June 2005 is not considered by the directors of the Responsible Entity to be material.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

Note 22. Leases Expenditure Commitments

Some of the property owned by the company is leased to third parties under operating leases at 30 June 2005.

Future minimum rental revenues under non-cancellable operating leases at 30 June 2005 are as follows:	**Combined 30 June 2005 $**
- not later than one year	2,440,235
- later than one year and not later than five years	9,745,287
- later than five years	7,619,239
Total	19,804,761

Note 23. Auditors Remuneration

Amounts received or due and receivable by auditors for:	
- an audit or review of the financial report of the Combined entity	40,170
- taxation compliances and advisory services	56,500
- other assurance services	3,834
Total Auditors Remuneration	100,504

Note 24. Remuneration of Directors

No remuneration is paid to Directors by the Leyshon Property Fund No. 3.

The Directors received remuneration from entities related to the Responsible Entity, Leyshon Corporation Limited. The amount of remuneration received by each Director for activities attributable to the Leyshon Property Fund No. 3 or the Responsible Entity is as follows:

	$
G. McMahon	10,000
M. O'Reilly	5,000
W. Collins	5,000
N. Summerson	0

None of this remuneration has been charged as an expense to Leyshon Property Fund No. 3. Other directors did not receive any remuneration in the period.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

Note 25. Fund Details

LPT3
The registered office for Leyshon Corporation Limited as Trustee and Responsible Entity for Leyshon Property Trust No. 3 is:
Level 1, 295 Elizabeth Street
BRISBANE QLD 4000

The trust was formed on 2 November 2004.

The life of the trust is limited by a term of years. The Trust shall continue whilst the units are listed on the Bendigo Stock Exchange

Leyshon Corporation Limited is incorporated and domiciled in Australia.

At 30 June 2005 the company had three employees (2004: Nil).

LDL3
The registered office for Leyshon Developments No. 3 Limited is:
Level 1, 295 Elizabeth Street
BRISBANE QLD 4000

Leyshon Developments No.3 Limited is incorporated and domiciled in Australia. The company was incorporated on 2 November 2004.

At 30 June 2005 the company had nil employees.

Interest in subsidiaries

Name	Country of incorporation	Percentage of equity interest held by LDL3	Investment
		%	$
Leyshon Palm Beach Developments Pty Ltd	Australia	100	1

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

Note 26. Impact of Adopting AASB Equivalents to IASB Standards

Leyshon Property Fund No. 3, began a project to address the conversion to Australian equivalents to International Financial Reporting Standards ("AIFRS") in the 2005 year. This process involved the allocation of internal resources and the engagement of expert consultants to perform diagnostics and conduct impact assessments to identify key areas that would be impacted by the transition to AIFRS. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as at 2 November 2004, Leyshon Developments No. 3 Limited's transition date to AIFRS and 21 December 2004, Leyshon Property Trust No. 3's transition date to AIFRS.

Leyshon Property Fund No. 3 will prepare its audited financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006 in compliance with AIFRS. The financial statements for 2005 will be the last annual financial statements to be prepared according to Australian generally accepted accounting practices ("AGAAP"). The financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006 will include comparative amounts that have been restated to comply with the Australian equivalents to IFRS. Most adjustments required on transition to AIFRS will be made retrospectively against opening retained earnings.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and our best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to:

(a) ongoing transition work being undertaken by Leyshon Property Fund No. 3;

(b) potential amendments to IFRS's and Interpretations thereof being issued by the standard-setters and IFRIC; and

(c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

Note 26. Impact of Adopting Australian Equivalents to IFRS (Contd)

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

	Notes	Combined 30 June 2005 (**) $	Combined 2 November 2004 (*) $
Total equity under AGAAP		35,173,145	N/A
Adjustments to retained earnings (net of tax)			
Intangible Assets – Formation Costs	(i)	(1,100)	N/A
Intangible Assets – Development Costs	(ii)	(469,241)	N/A
Intangible Assets – Marketing Costs	(iii)	(448,232)	N/A
Property Investments	(iv)	1,086,926	N/A
Fitout lease incentive amortisation	(iv)	(117,223)	N/A
Adjustment to other reserves (net of tax)			
Asset revaluation reserve	(iv)	(1,086,926)	N/A
Total equity under IFRS		34,137,349	N/A

* This column represents the adjustments as at the date of transition AIFRS. As the Fund was formed on 21 December 2004, no adjustments under AIFRS are expected.

** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

(i) Under AASB 138 *Intangible Assets*, formation costs are to be expensed. The Company's current accounting policy allows for the capitalisation of such costs.

(ii) Under AASB 138 *Intangible Assets*, pre-development costs are to be expensed until such time as the Company commits to the development project. This will normally be when the company has received a satisfactory Development Approval and the board has resolved to proceed with the project. The Company's current accounting policy allows for the capitalisation of such costs.

Revenue and profit on development projects will not be brought to account until completion of construction and settlement of the individual unit contracts.

(iii) Under AASB 138 *Intangible Assets*, marketing costs are to be expensed. The Company's current accounting policy allows for the capitalisation of such costs where they are specific to the project.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

Note 26. Impact of Adopting Australian Equivalents to IFRS (Contd)

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

(iv) AASB 140 *Investment Property* requires entities to measure investment property using the fair value model or cost model. The Trust will measure investment property at fair value with any increments/(decrements) taken to the profit and loss account. The Trust's current accounting policy under AGAAP allows for the investment property to be measured at fair value with increments/(decrements) taken through the Asset Revaluation Reserve.

Lease incentives (re: fitout) will be separated out from property investments and will be amortised over the period of the lease.

(v) AASB 112 *Income Taxes* requires the Company to use a balance sheet liability method, rather than the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base.

(vi) Management has decided to apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* which permits entities not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. The IFRS project team is in the process of determining the impact that adopting the standards would have on the financial statements of the Company.

(vii) From 1 July 2005 AASB 139 *Financial Instruments: Recognition and Measurement* requires cashflow hedges to be measured at fair value with gains and losses recognised on the effective portion of the hedging instrument directly to equity, and any ineffective portion through profit or loss. The fair value of the interest rate swap as at 30 June 2005 is $48,415 however management have decided to apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards.* Refer Point (vi).

(viii) From 1 July 2005 AASB 139 *Financial Instruments: Recognition and Measurement* requires the Trust to classify unitholders' funds as debt if the Trust has a limited life. Income distributions to unitholders will under AIFRS be classified as interest expense. The value of unitholders' funds as at 30 June 2005 is $16,007,909 however management are applying the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards.* Refer Point (vi).

(ix) Under AASB 132 Financial Instruments: Disclosure and Presentation requires capitalised borrowing costs of a financial instrument to be allocated against the financial instrument. This does not result in a change in net equity of Leyshon Property Trust No. 3.

Notes to the Financial Statements
FOR THE PERIOD ENDED 30 JUNE 2005

Note 26. Impact of Adopting Australian Equivalents to IFRS (Contd)

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

The above changes will result in an increase in deferred tax liability under AIFRS as follows:

	30 June 2005 $'000	2 November 2004 $'000
Retained earnings (i)-(iii) above	393,203	N/A
Reserves (iv) above	0	N/A
Increase in deferred tax liability	393,203	N/A

No other adjustments to deferred tax balances would be expected on adoption of AASB 112 *Income Taxes*.

(b) Reconciliation of net profit under AGAAP to that under IFRS

	Notes	Combined 30 June 2005 $
Net profit as reported under AGAAP *(net of tax)*		860,200
Intangible Assets – Formation Costs	(i)	(1,100)
Intangible Assets – Development Costs	(ii)	(469,241)
Intangible Assets – Marketing Costs	(iii)	(448,232)
Property Investment	(iv)	1,086,926
Fitout Lease Incentive amortisation	(iv)	(117,223)
Net profit under AIFRS		911,330

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

Directors' Declaration

In accordance with a resolution of the Directors of Leyshon Corporation Limited as Trustee and Responsible Entity for Leyshon Property Trust No. 3 and the Directors of Leyshon Developments No. 3 Limited, we state that:

(1) In the opinion of the Directors:

(a) the financial statements and notes of the Combined Entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the financial position of the Fund as at 30 June 2005 and of its performance for the period ended on that date; and
(ii) complying with Australian Accounting Standards and the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ended 30 June 2005.

On behalf of the Board
Leyshon Corporation Limited as Trustee and Responsible Entity for
Leyshon Property Trust No. 3
ABN 50 090 257 480

G. McMahon
Director
Brisbane, 31 August 2005

On behalf of the Board
Leyshon Developments No. 3 Limited
ABN 56 111 628 589

R. Bryan
Chairman
Brisbane, 31 August 2005

ERNST & YOUNG

1 Eagle Street
Brisbane QLD 4000
Australia

PO Box 7878
Waterfront Place
Brisbane QLD 4001

Tel 61 7 3011 3333
Fax 61 7 3011 3100
DX 165 Brisbane

Auditor's Independence Declaration for Leyshon Property Fund No. 3

To the Directors of Leyshon Corporation Limited as responsible entity and trustee of Leyshon Property Trust No.3 and the Directors of Leyshon Developments No.3 Limited

In relation to our audit of the financial report of Leyshon Property Fund No. 3 for the period ended 30 June 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

RJ Roach
Partner
Brisbane
24 August 2005

Ernst & Young

Ernst & Young

ERNST & YOUNG

■ 1 Eagle Street
Brisbane QLD 4000
Australia

PO Box 7878
Waterfront Place
Brisbane QLD 4001

■ Tel 61 7 3011 3333
Fax 61 7 3011 3100
DX 165 Brisbane

Independent audit report to the security holders of Leyshon Property Fund No.3

Scope

The financial report and directors' and trustee's responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Leyshon Property Fund No.3 (The Fund) as declared by the directors of Leyshon Developments No.3 Limited and Leyshon Corporation Limited as Trustee and Responsible Entity for the Leyshon Property Trust No.3, for the period ended 30 June 2005.

The directors of Leyshon Developments No.3 Limited and the directors of the trustee of the fund are responsible for preparing a financial report that presents fairly the financial position and performance of the fund, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001 and trust deed. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the security holders of the fund. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and trust deed, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the fund's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the trustee.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the trustee and management of the fund.

Independence
We are independent of the fund, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of Leyshon Developments No.3 Limited and the directors of the trustee of the fund a written Auditor's Independence Declaration, a copy of which is attached at page 44. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this audit report was signed. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion
In our opinion, the financial report of Leyshon Property Fund No.3 presents fairly, in accordance with the Corporations Act 2001, trust deed, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the fund's financial position as at 30 June 2005, and of its performance as represented by the results of its operations and cash flows for the period then ended.

Ernst & Young

Ernst & Young
Brisbane
31 August 2005

BSX ADDITIONAL INFORMATION

Additional information required by the Bendigo Stock Exchange (BSX) and not shown elsewhere in this report is as follows. The information is current as at 22 September 2005.

(a) Distribution of equity securities

The number of security holders by size of holding:

1 - 1,000	0
1,001 - 5,000	45
5,001 - 10,000	4
10,001 -500,000	20
100,001 and over	10
Total number of security holders	79

(b) The largest security holders

The names of the largest ten security holders are:

	Number of Securities	Percentage of Securities
1. Leyshon Operations Pty Ltd	10,500,000	30.0%
2. Keats Group Pty Ld atf the Guy Keats Family Trust	6,000,000	17.14%
3. ANZ Nominees Limited	2,000,000	5.71%
4. R. E. Henry	1,353,000	3.87%
5. Johnson Hotels Pty Ltd atf Johnson Family Trust	1,000,000	2.86%
6. Troxfield Pty Ltd atf McGrath Family Trust	1,000,000	2.86%
7. Whatton Holdings Pty Ltd	1,000,000	2.86%
8. Ms Q. Chen	1,000,000	2.86%
9. Ms L. King	1,000,000	2.86%
10. Dr S. Mokrzecki	1,000,000	2.86%

DIRECTORY

Responsible Entity of
Leyshon Property Trust No. 3

Leyshon Corporation Limited
ABN 50 090 257 480
AFSL No. 229287
Level 1, 295 Elizabeth Street
BRISBANE 4000
Phone: (07) 3004 1222

Custodian

The Public Trustee of Queensland

Directors of the Responsible Entity

Geoff McMahon
Michael O'Reilly
William Collins
Neil Summerson

Unitholder Registry

Leyshon Corporation Limited

Directors of
Leyshon Developments No. 3 Limited

Robert Bryan
Scott Bryan
Sally Smith
Geoff McMahon
Michael O'Reilly
William Collins
Ken Pickard

Shareholder Registry

Leyshon Developments No. 3 Limited

Secretary of the Responsible Entity &
Leyshon Developments No. 3 Limited

Christina Little

Auditors

Ernst and Young

Asset Manager

Leyshon Corporation Limited

Solicitors

McCullough Robertson