

# Leyshon Property Fund No.3 Investors' Report

Quarter ending  
30 September 2005



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2. Profit and Loss Statement to 30 September 2005

## **1. Overview**

This is the Leyshon Property Fund No. 3 (“the Fund”) Quarterly Investors’ Report for the quarter ending 30 September 2005.

The Fund is a stapled security fund comprising a property trust (Leyshon Property Trust No. 3) which invests in long term passive property investments and a property funds management and development company (Leyshon Developments No. 3 Limited) which undertakes property funds management and active property development projects. Units in the property trust are stapled to shares in the property funds management and development company.

During the September quarter focus has continued on managing the Fund’s initial projects being 99 Melbourne Street, London Woolstore and Palm Beach.

In addition to the above projects, the Directors of Leyshon Corporation Limited and Leyshon Developments No. 3 Limited (the Fund’s Asset Managers) are currently assessing a number of new property projects.

## **2. Melbourne Street**

Melbourne Street is a newly constructed 6,145 square metre commercial office building located at 99 Melbourne Street, South Brisbane. The Fund purchased the building on 21 December 2004 for \$24.5 million. The building was revalued to \$27 million in the accounts of the Fund at 30 June 2005 in accordance with an independent valuation.

The building continued to operate well during the September 2005 quarter. Only a few minor building defects remain to be rectified by the project’s builder.

The building is fully occupied except for the 144 square metre ground floor retail tenancy. A lease commencing 1 December 2005 has recently been signed for the ground floor retail space. The Fund is receiving lease rental income from Leyshon Developments Pty Ltd for this tenancy in accordance with the rent guarantee which was part of the purchase contract.

### **3. London Woolstore**

The London Woolstore project involves the conversion and refurbishment of an early 1900's former woolstore building into 89 residential apartments, carparking and nine ground level retail shops. In addition to the main woolstore building, the project also includes two smaller buildings that are leased to various tenants for professional offices.

Conversion of the main woolstore building commenced in late 2004. It is anticipated that the conversion and refurbishment of the former woolstore building will be completed prior to Christmas 2005.

As at 30 September 2005 unconditional sales contracts had been executed on 29 of the 89 residential apartments and sales contracts were being prepared for eight of the nine ground level retail shops.

The intention is to on sell the two smaller commercial buildings "as is". Individual land titles for the two smaller commercial buildings were approved by Brisbane City Council during the June 2005 quarter. The two commercial buildings are currently being marketed for sale.

### **4. Palm Beach**

On 27 May 2005 the Fund acquired its second development project – a 9,800 square metre prominent development site on the Gold Coast Highway Palm Beach on the Gold Coast.

This site is to be developed into a 5,000 square metre retail and commercial complex and approximately 190 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 in 2006. The project is to be developed in two stages over 2006 – 2008.

## 5. Financial Results

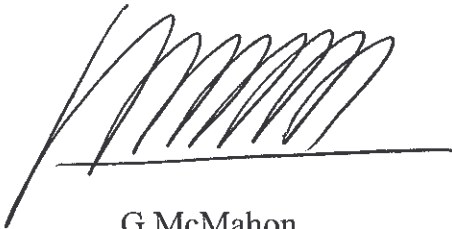
Attached at Appendices 1 and 2 are the Fund's Balance Sheet as at 30 September 2005 and Profit and Loss Statement to 30 September 2005.

The Fund's loss after tax for the period ending 30 September 2005 is \$305,335. The loss is due to the preliminary development costs on the Palm Beach project being expensed under AASB 138. This Accounting Standard requires that from 1 July 2005 all pre-development costs are to be expensed until such time as the company "commits" to a development project. "Commitment" on the Palm Beach project will occur when Development Approval and Board approval to commence construction is obtained.

The attached Profit and Loss Statement is presented in the format of actual current year figures compared to prior year figures which is standard practice for a listed property fund. There are no prior year figures as the Fund commenced operations on 21 December 2004. For tax purposes these payments are non-taxable as they represent a partial repayment of capital invested.

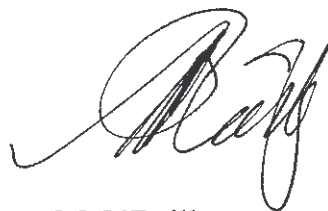
The 8% per annum distributions for the September 2005 quarter were paid to Investors on 28 October 2005.

The Annual Report for 2004/5, which included the audited statutory accounts, was distributed to all Investors in late September 2005.



G McMahon  
Managing Director  
Leyshon Corporation Limited

28 October 2005



M O'Reilly  
Director  
Leyshon Developments No. 3  
Limited

28 October 2005

## Appendix 1

### Balance Sheet as at 30 September 2005

## Balance Sheet

### Leyshon Property Fund No. 3

As At 30 September 2005

	\$
<b><u>SECURITYHOLDERS' FUNDS</u></b>	
Units Issued and Paid Up	15,276,530
Issued Capital	17,192,485
Asset Revaluation Reserve	1,086,926
Retained Earnings	860,200
Profit Current Year	(305,335)
<b>TOTAL SECURITYHOLDERS' FUNDS</b>	<b>34,110,806</b>
<b><u>ASSETS</u></b>	
<b>CURRENT ASSETS</b>	
<b>CASH</b>	
Cash at Bank	2,813,016
Monies held in Trust - Custodian	8,322,645
<b>TOTAL CASH</b>	<b>11,135,661</b>
<b>RECEIVABLES</b>	
Trade Debtors	72,285
Refundable Deposit	750,000
Income Receivable	405,201
<b>TOTAL RECEIVABLES</b>	<b>1,227,486</b>
<b>INVENTORY</b>	
Inventory - Work in Progress (London Woolstore)	37,474,589
<b>TOTAL INVENTORY</b>	<b>37,474,589</b>
<b>OTHER CURRENT ASSETS</b>	
Prepayments	70,246
Security Deposits	2,200
<b>TOTAL OTHER CURRENT ASSETS</b>	<b>72,446</b>
<b>TOTAL CURRENT ASSETS</b>	<b>49,910,182</b>
<b>NON CURRENT ASSETS</b>	
<b>INVENTORY</b>	
Inventory - Work in Progress (Palm Beach)	12,372,456
<b>TOTAL INVENTORY</b>	<b>12,372,456</b>
<b>PROPERTY PLANT AND EQUIPMENT</b>	
Property Investments held directly (Melbourne Street)	27,000,000
<b>TOTAL PROPERTY PLANT AND EQUIPMENT</b>	<b>27,000,000</b>
<b>OTHER NON CURRENT ASSETS</b>	
Deferred Tax Asset	8,803,122
Borrowing Expenses	195,248
Accumulated Amortisation	(31,831)
Formation Expenses	1,165
Accumulated Amortisation	(124)
Other Non-current Assets	29,256
<b>TOTAL OTHER NON CURRENT ASSETS</b>	<b>8,996,836</b>
<b>TOTAL NON CURRENT ASSETS</b>	<b>48,369,292</b>
<b>TOTAL ASSETS</b>	<b>98,279,473</b>

## Balance Sheet

### Leyshon Property Fund No. 3

As At 30 September 2005

	\$
<b><u>LIABILITIES</u></b>	
<b>CURRENT LIABILITIES</b>	
<b>ACCOUNTS PAYABLE</b>	
Trade Creditors Control	2,751,741
Accrued Expenses	1,581,231
Prepaid Income	131,394
<b>TOTAL ACCOUNTS PAYABLE</b>	<u>4,464,365</u>
<b>LOANS</b>	
Other loans	<u>24,860,258</u>
<b>TOTAL LOANS</b>	<u>24,860,258</u>
<b>PROVISIONS</b>	
Provision for Income Tax	<u>(225,393)</u>
<b>TOTAL PROVISIONS</b>	<u>(225,393)</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>29,099,230</u>
<b>NON CURRENT LIABILITIES</b>	
<b>LOANS</b>	
Commercial Bill Facility	23,845,520
Accrued Expenses	1,240,119
Other Loans	1,053,535
<b>TOTAL LOANS</b>	<u>26,139,174</u>
<b>PROVISIONS</b>	
Provision for Deferred Income Tax	<u>8,930,260</u>
<b>TOTAL PROVISIONS</b>	<u>8,930,260</u>
<b>TOTAL NON CURRENT LIABILITIES</b>	<u>35,069,434</u>
<b>TOTAL LIABILITIES</b>	<u>64,168,665</u>
<b>NET ASSETS</b>	<u>34,110,806</u>



## Appendix 2

### Profit and Loss Statement to 30 September 2005

## Profit & Loss Statement

### Leyshon Property Fund No. 3

For the Period Ending 30 September 2005

	<u>SEPT 2005</u>	<u>SEPT 2004</u>	<u>VARIANCE</u>
<b>INCOME</b>			
INTEREST REVENUE	163,038	0	163,038
RENTAL REVENUE	667,328	0	667,328
<b>TOTAL INCOME</b>	<u>830,366</u>	<u>0</u>	<u>830,366</u>
<b>EXPENSES</b>			
OPERATING EXPENSES	1,361,094	0	(1,361,094)
<b>TOTAL EXPENSES</b>	<u>1,361,094</u>	<u>0</u>	<u>(1,361,094)</u>
<b>PROFIT BEFORE TAX</b>	<u>(530,728)</u>	<u>0</u>	<u>(530,728)</u>
INCOME TAX EXPENSE	(225,393)	0	225,393
<b>PROFIT AFTER TAX</b>	<u>(305,335)</u>	<u>0</u>	<u>(305,335)</u>

## Expense Analysis

### Leyshon Property Fund No. 3

For the Period Ending 30 September 2005

	<u>SEPT 2005</u>	<u>SEPT 2004</u>	<u>VARIANCE</u>
<b>EXPENSES</b>			
<b>OPERATING EXPENSES</b>			
Accounting Fees	2,250	0	(2,250)
Airconditioning Expenses	3,400	0	(3,400)
Amortisation of Borrowing Costs	9,805	0	(9,805)
Amortisation of Formation Costs	59	0	(59)
Asset Management Fees	30,625	0	(30,625)
Audit Fees	11,875	0	(11,875)
Bank Charges	119	0	(119)
Cleaning	6,961	0	(6,961)
Consultancy Fees	185	0	(185)
Custodian Fees	2,140	0	(2,140)
Development Costs Expensed	904,989	0	(904,989)
Electricity	18,255	0	(18,255)
Fire Protection	2,055	0	(2,055)
Gardening	264	0	(264)
Insurance	24,493	0	(24,493)
Interest Paid - Bank	278,038	0	(278,038)
Land Tax	12,501	0	(12,501)
Leasing Expenses	1,161	0	(1,161)
Legal Costs	5,170	0	(5,170)
Lift Expenses	2,236	0	(2,236)
Miscellaneous Expenses	678	0	(678)
Printing & Stationery	162	0	(162)
Property Management Fees	9,750	0	(9,750)
Public Relations	209	0	(209)
Rates	20,739	0	(20,739)
Refreshments	711	0	(711)
Repairs and Maintenance	9,671	0	(9,671)
Security	2,713	0	(2,713)
Telephone and Facsimile	(121)	0	121
<b>TOTAL OPERATING EXPENSES</b>	<u>1,361,094</u>	<u>0</u>	<u>(1,361,094)</u>