

Leyshon Property Fund No.3 Investors' Report

Quarter ending
31 December 2005



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1. Overview

This is the Leyshon Property Fund No. 3 (“the Fund”) Quarterly Investors’ Report for the quarter ending 31 December 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 December 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 recently 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 December 2005 quarter. Only a few building defects remain to be rectified by the project’s builder.

The building is now fully leased with the 144 square metre ground floor retail tenancy lease commencing on 1 December 2005.

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. The conversion and refurbishment of the former woolstore building was completed prior to Christmas 2005.

As at 31 December 2005 unconditional sales contracts had been executed on 34 of the 89 residential apartments and sales contracts have been prepared for eight of the nine ground level retail shops.

The intention is to on sell the two smaller commercial buildings "as is". Negotiations are proceeding with a number of interested parties.

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 during 2006. The project is to be developed in two stages over 2006 – 2008. The plans for the development have been lodged with the Gold Coast City Council and approval is expected to be received mid 2006.

5. Financial Results

Attached at Appendices 1 and 2 are the Fund's draft Balance Sheet as at 31 December 2005 and draft Profit and Loss Statement to 31 December 2005.

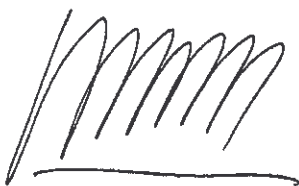
The December 2005 accounts are draft as they are yet to be audited by Ernst & Young. The attached accounts are the first accounts of the Fund that have been prepared under International Financial Reporting Standards ("IFRS") that became effective for the Fund from 1 July 2005.

The accounting classification of Leyshon Property Trust No. 3's unitholders' equity under IFRS is uncertain i.e. debt or equity. This issue will be resolved in the coming months. The attached draft accounts show unitholders' equity in the equity section of the Balance Sheet and the quarterly distributions as distributions of capital.

The Fund's draft loss after tax for the period ending 31 December 2005 is \$747,683. This loss primarily results from the adoption of IFRS which requires the Fund to expense all pre-development costs from 1 July 2005 until such time as the Fund "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 draft 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.

The 8% per annum distributions for the December 2005 quarter were paid to Investors on 31 January 2006. For tax purposes these payments are non-taxable as they represent a partial repayment of capital invested.



G McMahon
Managing Director
Leyshon Corporation Limited

31 January 2006



M O'Reilly
Director
Leyshon Developments No. 3
Limited

31 January 2006

Appendix 1

Draft Balance Sheet as at 31 December 2005

Balance Sheet

Leyshon Property Fund No. 3

As At 31 December 2005

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	\$
<u>SECURITYHOLDERS' FUNDS</u>	
UNITS ISSUED AND PAID UP	14,570,777
ISSUED AND PAID UP CAPITAL	17,155,079
ASSET REVALUATION RESERVE	1,086,926
HEDGING (SWAP) RESERVE	9,917
RETAINED EARNINGS	860,200
PROFIT/(LOSS) CURRENT YEAR	(747,683)
TOTAL UNITHOLDERS' FUNDS	32,935,216
<u>ASSETS</u>	
CURRENT ASSETS	
CASH	
Cash at Bank	2,340,792
Monies held in Trust - Custodian	6,380,151
Monies held in Trust - Property Managers	9,735
TOTAL CASH	8,730,678
RECEIVABLES	
Income Receivable	377,563
TOTAL RECEIVABLES	377,563
INVENTORY	
Inventory - Work in Progress (London Woolstore)	42,232,943
TOTAL INVENTORY	42,232,943
OTHER CURRENT ASSETS	
Prepayments	80,367
Security Deposits	2,700
Hedging (Swap) Loan Reserve	9,917
Property Investments held directly	27,002,937
TOTAL OTHER CURRENT ASSETS	27,095,921
TOTAL CURRENT ASSETS	78,437,105
NON CURRENT ASSETS	
INVENTORY	
Inventory - Work in Progress (Palm Beach)	12,372,456
TOTAL INVENTORY	12,372,456
OTHER NON CURRENT ASSETS	
Future Income Tax Benefit	12,899,183
TOTAL OTHER NON CURRENT ASSETS	12,899,183
TOTAL NON CURRENT ASSETS	25,271,639
TOTAL ASSETS	103,708,744

Balance Sheet

Leyshon Property Fund No. 3

DRAFT

As At 31 December 2005

	\$
<u>LIABILITIES</u>	
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	
Trade Creditors Control	8,696
Accrued Expenses	2,991,153
Prepaid Income	91,941
TOTAL ACCOUNTS PAYABLE	<u>3,091,790</u>
LOANS	
Other loans	46,307,477
Less: Net Borrowing Costs	<u>(133,353)</u>
TOTAL LOANS	<u>46,174,124</u>
TOTAL CURRENT LIABILITIES	<u>49,265,914</u>
NON CURRENT LIABILITIES	
LOANS	
Commercial Bill Facility	7,777,000
Other Loans	1,237,060
TOTAL LOANS	<u>9,014,060</u>
PROVISIONS	
Provision for Deferred Income Tax	12,493,554
TOTAL PROVISIONS	<u>12,493,554</u>
TOTAL NON CURRENT LIABILITIES	<u>21,507,614</u>
TOTAL LIABILITIES	<u>70,773,528</u>
NET ASSETS	<u>32,935,216</u>

Appendix 2

Draft Profit and Loss Statement to 31 December 2005

Profit & Loss Statement

Leyshon Property Fund No. 3

For the Period Ending 31 December 2005

	<u>DECEMBER 2005</u>	<u>DECEMBER 2004</u>	<u>* VARIANCE</u>
SALES INCOME			
SALES - LAND & PROPERTY	0	0	0
COST OF SALES	0	0	0
GROSS PROFIT	<u>0</u>	<u>0</u>	<u>0</u>
OTHER INCOME			
INTEREST REVENUE	301,751	0	301,751
RENTAL REVENUE	1,383,032	0	1,383,032
TOTAL OTHER INCOME	<u>1,684,783</u>	<u>0</u>	<u>1,383,032</u>
EXPENSES			
OPERATING EXPENSES	2,965,235	0	(2,965,235)
TOTAL EXPENSES	<u>2,965,235</u>	<u>0</u>	<u>(2,965,235)</u>
PROFIT BEFORE TAX	<u>(1,280,452)</u>	<u>0</u>	<u>(1,280,452)</u>
INCOME TAX EXPENSE	(532,768)	0	(532,768)
PROFIT AFTER TAX	<u>(747,683)</u>	<u>0</u>	<u>(747,683)</u>

* Figures from the Fund's operations for 01/12/04-31/12/04 were recorded in the Investors' Report for the quarter ended 31 March 2005.

Expense Analysis

Leyshon Property Fund No. 3

For the Period Ending 31 December 2005

	<u>DECEMBER 2005</u>	<u>DECEMBER 2004</u>	<u>* VARIANCE</u>
EXPENSES			
OPERATING EXPENSES			
Accounting Fees	13,630	0	(13,630)
Airconditioning Expenses	18,800	0	(18,800)
Asset Management Fees	61,250	0	(61,250)
Audit Fees	72,342	0	(72,342)
Bank Charges	245	0	(245)
Cleaning	16,016	0	(16,016)
Consultancy Fees	(595)	0	595
Custodian Fees	4,530	0	(4,530)
Development Costs Expensed	1,943,276	0	(1,943,276)
Electricity	24,509	0	(24,509)
Ent - Deductible	117	0	(117)
Fees and Licences	1,176	0	(1,176)
Fire Protection	7,323	0	(7,323)
Gardening	528	0	(528)
Insurance	32,147	0	(32,147)
Interest Paid - Bank	555,936	0	(555,936)
Land Tax	18,900	0	(18,900)
Leasing Expenses	2,250	0	(2,250)
Legal Costs	71,095	0	(71,095)
Lift Expenses	4,763	0	(4,763)
Miscellaneous Expenses	1,279	0	(1,279)
Penalties and Fine	13	0	(13)
Printing & Stationery	686	0	(686)
Property Management Fees	18,666	0	(18,666)
Public Relations	433	0	(433)
Rates	29,678	0	(29,678)
Refreshments	808	0	(808)
Repairs and Maintenance	18,904	0	(18,904)
Security	5,588	0	(5,588)
Telephone and Facsimile	(29)	0	29
TOTAL OPERATING EXPENSES	<u>2,965,235</u>	<u>0</u>	<u>(2,965,235)</u>
TOTAL EXPENSES	<u>2,965,235</u>	<u>0</u>	<u>(2,965,235)</u>

* Figures from the Fund's operations for 01/12/04-31/12/04 were recorded in the Investors' Report for the quarter ended 31 March 2005.