

NOTICE OF ANNUAL GENERAL MEETING

Leyshon Developments No. 3 Limited ACN 111 628 589

Notice is given that the Annual General Meeting of Leyshon Developments No. 3 Limited ('Company') will be held at 2.00pm on Tuesday, 2 May 2006 at Level 1, 295 Elizabeth Street, Brisbane, Queensland.

AGENDA

Ordinary business

1. FINANCIAL STATEMENTS AND REPORTS

Resolution 1

To consider and, if thought fit, to pass the following as an ordinary resolution:

'To receive and consider the Company's financial reports and the reports of the directors and the auditor for the financial year ended 30 June 2005.'

2. DIRECTORS' REMUNERATION REPORT

Resolution 2

To consider and, if thought fit, to pass the following as an ordinary resolution:

'That the section of the report of the Directors dealing with the remuneration of the Company's Directors, Company Secretary and senior executives ('remuneration report') be adopted.'

NB: This resolution shall be determined as if it were an ordinary (majority) resolution, however, under section 250R(3) of the *Corporations Act*, the vote does not bind the directors of the Company.

3. RE-ELECTION OF ROBERT BRYAN

Resolution 3

To consider and, if thought fit, to pass the following as an ordinary resolution:

'That Robert Bryan, who retires by rotation in accordance with rule 17.1 of the Company's constitution, and being eligible, be re-elected as a director of the Company.'

4. RE-ELECTION OF WILLIAM COLLINS

Resolution 4

To consider and, if thought fit, to pass the following as an ordinary resolution:

'That William Collins, who retires by rotation in accordance with rule 17.1 of the Company's constitution, and being eligible, be re-elected as a director of the Company.'

Information about the candidates appears in the accompanying Explanatory Memorandum.

DATED this 31st day of March 2006

By Order of the Board

Christina Little
Company Secretary

NOTES

- (a) A member who is entitled to attend and cast a vote at the meeting is entitled to appoint a proxy.
- (b) The proxy need not be a member of the Company. A member who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) If you wish to appoint a proxy and are entitled to do so, then complete and return the enclosed proxy form.
- (d) A corporation may elect to appoint a representative, rather than appoint a proxy, in accordance with the *Corporations Act 2001* in which case the Company will require written proof of the representative's appointment which must be lodged with or presented to the Company before the meeting.
- (e) The Company has determined in accordance with Regulation 7.11.37 *Corporations Regulation 2001* that for the purpose of voting at the meeting or adjourned meeting, shares will be taken to be held by those persons recorded in the Company's register of members as at 5.00pm (Brisbane time) on 30 April 2006.
- (f) If you have any queries on how to cast your votes then call Christina Little on 3004 1250 during business hours.

EXPLANATORY MEMORANDUM

Leyshon Developments No. 3 Limited
ACN 111 628 589

Ordinary business

1. FINANCIAL STATEMENTS AND REPORTS

The *Corporations Act 2001* requires that the report of the Directors, the Auditor's report and the financial report be laid before the Annual General Meeting. In addition the Company's Constitution provides for such reports and statements to be received and considered at the meeting.

Following consideration of reports the Chairman will give shareholders a reasonable opportunity to ask questions about or comment on the management and audit of the Company.

2. DIRECTORS' REMUNERATION REPORT

The *Corporations Act 2001* requires that the section of the Directors' report dealing with the remuneration of Directors, the Company Secretary and up to 5 senior executives ('remuneration report') be put to the vote of shareholders for adoption.

Following consideration of the remuneration report, the Chairman will give shareholders a reasonable opportunity to ask questions about or to make comments upon, the remuneration report.

3.& 4. RE-ELECTION OF DIRECTORS

Under rule 17.1 of the Constitution of the Company, one-third of the current directors (excluding the managing director) must retire by rotation at each Annual General Meeting.

In accordance with this rule Robert Bryan and William Gerard Collins will retire at the end of the meeting and, being eligible, will present themselves for re-election. Each of Robert Bryan and William Gerard Collins were appointed to the board upon registration of the Company in November 2004.

Robert Bryan is proposed to be Chairman for the purpose of this Annual General meeting. The voting intentions of the Chairman in respect of undirected proxies are set out in the Proxy Form under the heading 'Directing your proxy how to vote'.

A summary of each candidate's experience and qualifications appear below.

Robert Bryan BSc (Hons, Geology), FAusIMM*Non-executive director*

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 Chairman of Leyshon Pty Ltd, Pan Australian Resources Limited, Highlands Pacific Ltd and Queensland Gas Company Limited. Bob is an Honorary Life Member of the Queensland Resources Council and a director of the Sustainable Minerals Institute within the University of Queensland.

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

William ('Bill') Collins 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, and has held senior 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.

Leyshon Developments No. 3 Limited

ABN 56 111 628 589

**Annual Financial Report
for the period ended 30 June 2005**

Directors' Report

The Board of Directors of Leyshon Developments No. 3 Limited ("LDL3") has pleasure in submitting their report for the year ended 30 June 2005 as follows.

LDL3 was incorporated on 2 November 2004 and commenced business on 21 December 2004. LDL3 forms part of Leyshon Property Fund No. 3 ("The Fund").

Leyshon Palm Beach Developments Pty Ltd ("LPBD"), a 100% owned subsidiary of LDL3, was incorporated on 21 March 2005.

DIRECTORS

The names and details of the company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

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

Geoff McMahon 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 Collins ("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 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.

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.

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.

Directors' Report continued

Relevant interest in the shares and options of the company and related bodies corporate

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

	Relevant interests
	<i>Fully paid shares</i>
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 a right to call for or deliver interest in the company.

COMPANY SECRETARY

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

Christina Little has been the company secretary of LDL3 from 2 November 2004. She has held the position of Financial Controller for Leyshon for three years. Christina has been a Certified Practising Accountant for eight years.

CORPORATE INFORMATION

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

The registered office and principal place of business for the consolidated 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 LDL3 had nil employees.

Directors' Report continued

Structure of LDL3 and Leyshon Property Fund No. 3 ("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.

The shares in LDL3 form part of the Fund. The Fund which is listed on the Bendigo Stock Exchange ("BSX") is a stapled security fund which comprises Leyshon Property Trust No.3 ("LPT3") and LDL3. Shares issued in the company are stapled to units issued in the trust 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 and Palm Beach projects and future projects).

Leyshon Corporation Limited ("LCL") is the Manager of the Fund.

OPERATING AND FINANCIAL REVIEW

Nature of Operations and Principal Activities

During the financial year the consolidated entity commenced its property development business including the development management of the redevelopment of the London Woolstore project at Teneriffe and development of the Palm Beach site.

Review of Operations

The consolidated entity was established to invest in and develop a portfolio of quality property development projects.

The consolidated entity'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.

The consolidated entity 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.

Directors' Report continued

Review of Operations (contd)

On 27 May 2005 the consolidated entity 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 for the period

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. This equates to 1.5 cents per share based on the weighted average of 22,905,506 shares that were on issue during the period to 30 June 2005.

Earnings per share

	30 June 2005
	\$
Basic earnings per share (cents)	1.5
Diluted earnings per share (cents)	1.5
Weighted average <i>number of ordinary shares</i> on issue during the period used in the calculation of basic earnings per share	22,905,506

DIVIDENDS

No dividends were paid or proposed during the period.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

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 entity, the results of those operations or the state of affairs of the entity in subsequent financial years.

Directors' Report continued

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The operations of the 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 entity.

SHARE OPTIONS

No options over issued shares 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 Company has not given or agreed to any indemnity to an officer or the auditor of the Company 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.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of LDL3 support the principles of corporate governance.

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.

Directors' Report continued

MEETINGS OF DIRECTORS

During the period, 5 meetings of 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 LDL3 and LPBD are not remunerated directly by the consolidated entity. There were no employees during the period ended 30 June 2005.

The Directors received remuneration from entities related to the Responsible Entity of the Fund, Leyshon Corporation Limited. The amount of remuneration received by each Director for activities attributable to the consolidated entity 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 the consolidated entity. Other directors did not receive any remuneration.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES DECLARATION

The Directors have obtained an independence declaration from our auditors, Ernst and Young, as attached at Page 34.

Non-Audit Services

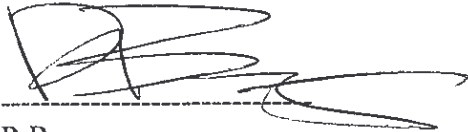
The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit 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:

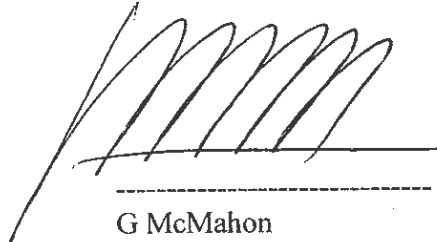
Tax compliance and advisory services	\$35,875
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Directors' Report continued

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end, positioned above a dashed line.

R Bryan
Chairman

A handwritten signature in black ink, featuring a series of sharp, vertical strokes, positioned above a dashed line.

G McMahon
Director

Brisbane
31 August 2005

Statement of Financial Performance

FOR THE PERIOD 30 ENDED JUNE 2005

	Note	Consolidated Period to 30 June 2005 \$	LDL3 Period to 30 June 2005 \$
Revenue from Ordinary Activities	2	7,778,395	7,711,020
Costs of sales of properties		(7,254,682)	(7,254,682)
Amortisation and depreciation expenses	3	(65)	0
Audit fees		(22,670)	(22,670)
Borrowing costs expense	3	(7,195)	(7,195)
Development costs expensed		(4,473)	(4,473)
Other expenses from ordinary activities		(8,972)	(6,907)
		<hr/>	<hr/>
Total Expenses from Ordinary Activities		(7,298,057)	(7,295,927)
		<hr/>	<hr/>
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		480,338	415,093
		<hr/>	<hr/>
Income tax expense	4	127,137	107,615
		<hr/>	<hr/>
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		353,201	307,478
		<hr/>	<hr/>
Costs recognised directly against equity		281,890	281,890
		<hr/>	<hr/>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH SHAREHOLDERS AS OWNERS		71,311	25,588
		<hr/>	<hr/>
Basic earning per share (cents)	5	1.5	
Diluted earnings per share (cents)	5	1.5	
Franked dividends per share (cents)		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

		Consolidated	LDL3
		30 June 2005	30 June 2005
		\$	\$
Current Assets	Note		
Cash assets	6	3,936,142	3,582,833
Receivables	7	455,955	257,215
Inventory	8	32,021,464	32,021,464
Other	9	2,100	200
Total Current Assets		36,415,661	35,861,712
Non-Current Assets			
Investments	25	0	1
Inventory	8	12,372,456	0
Other	9	62,105	4,165,028
Total Non-Current Assets		12,434,561	4,165,029
Total Assets		48,850,222	40,026,741
Current Liabilities			
Payables	10	2,489,404	2,384,357
Interest bearing liabilities	11	19,989,658	19,989,658
Total Current Liabilities		22,479,062	22,374,015
Non-Current Liabilities			
Deferred tax liability	4	127,138	127,138
Interest bearing liabilities	11	7,777,000	0
Other	12	895,711	0
Total Non-Current Liabilities		8,799,849	127,138
Total Liabilities		31,278,911	22,501,153
Net Assets		17,571,311	17,525,588
Shareholders' Funds			
Issued capital	13(b)	17,218,110	17,218,110
Retained earnings	13(d)	353,201	307,478
Total Shareholders' Funds	13	17,571,311	17,525,588

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	Consolidated Period to 30 June 2005 \$	LDL3 Period to 30 June 2005 \$
Cash flows from operating activities			
Receipts from customers		31,576	0
Receipt of management fees		340,000	340,000
Payments to suppliers & employees		(28,621,306)	(28,570,633)
Interest and other finance costs paid		(1,543,891)	(1,357,937)
Interest and bill discounts received		118,470	116,338
Borrowing costs capitalised		(68,200)	(68,200)
Receipts from related parties		-	19,523
		<hr/>	<hr/>
Net cash inflows /(outflows) from operating activities	14(a)	(29,743,351)	(29,520,910)
		<hr/>	<hr/>
Cash flows from investing activities			
Payment for inventories (Palm Beach)		(12,083,725)	0
Payment for investments		0	(1)
Formation costs		(1,165)	0
		<hr/>	<hr/>
Net cash inflows/(outflows) from investing activities		(12,084,890)	(1)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from borrowings		27,766,658	19,989,658
Loan from related party		779,615	(4,104,024)
Proceeds from the issue of shares		17,500,000	17,500,000
Payment of share issue costs		(281,890)	(281,890)
		<hr/>	<hr/>
Net cash inflows/(outflows) from financing activities		45,764,383	33,103,744
		<hr/>	<hr/>
Net increase/(decrease) in cash held		3,936,142	3,582,833
Cash at beginning of the financial period		0	0
		<hr/>	<hr/>
Cash at end of the financial period	6	3,936,142	3,582,833

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 report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

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 financial report is to be read in conjunction with any public announcements by LD13 during the period in accordance with continuous disclosure obligations arising under the Corporations Act 2001 and the BSX Listing Rules.

The following is a summary of the material accounting policies adopted in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(b) 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.

Notes to the Financial Statements continued

FOR THE PERIOD ENDED 30 JUNE 2005

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(c) 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 and 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.

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.

(d) 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.

(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.

(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.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(h) Revenue Recognition

Revenues from rents 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 recognized as a receivable.

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

Revenues and profit on development projects is 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 payment.

All revenue is stated 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 share (EPS)

Basic 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 shares.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses; and
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Notes to the Financial Statements continued 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.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount GST except:

- where GST 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 continued 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

Future 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.

Future 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) 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.

(p) Borrowing costs

Borrowing costs in respect of an Investment Property are initially capitalised and expensed over the term of the loan to which they relate. Borrowing costs in respect of a property development are capitalised as part of the cost of the development and expensed in accordance with other development costs. All other borrowing costs are expensed in the period in which they are incurred.

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

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

(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 realizable value.

(r) 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.

(s) Formation Costs

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

(t) Comparatives

There are no comparative figures shown in this Financial Report as the company was incorporated on 2 November 2004.

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

	Consolidated 30 June 2005 \$	LDL3 30 June 2005 \$
Note 2. Revenue		
Revenue from operating activities		
Revenue from sale of properties	7,254,682	7,254,682
Management fees received – related party	340,000	340,000
Rent received	65,243	0
	<hr/>	<hr/>
Total revenue from operating activities	7,659,925	7,594,682
	<hr/>	<hr/>
Revenue from non-operating activities		
Interest – other corporations	118,470	116,338
	<hr/>	<hr/>
Total revenue from non-operating activities	118,470	116,338
	<hr/>	<hr/>
Total Revenue from ordinary activities	7,778,395	7,711,020
	<hr/>	<hr/>
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	0
Borrowing Costs	7,195	7,195
	<hr/>	<hr/>
Total Amortisation	7,260	7,195
	<hr/>	<hr/>
Borrowing costs		
Interest and finance charges paid/payable	1,612,091	1,426,137
Amount capitalised	(1,612,091)	(1,426,137)
	<hr/>	<hr/>
Borrowing costs expensed	0	0
	<hr/>	<hr/>

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

	Consolidated 30 June 2005 \$	LDL3 30 June 2005 \$
Note 4. Income tax		
The prima facie tax, using 30% tax rate, on profit differs from the income tax provided in the financial statements as follows:		
Prima facie tax on profit from ordinary activities	144,102	124,528
Tax effect of permanent differences		
Other items (net)	(16,965)	(16,913)
	<hr/>	<hr/>
Income tax expense attributable to ordinary activities	127,137	107,615
	<hr/>	<hr/>
Deferred tax assets and liabilities		
Current tax payable	0	0
Provision for deferred income tax – current	0	0
Provision for deferred income tax – non-current	(127,138)	(127,138)
Future income tax benefit – non-current	0	0
	<hr/>	<hr/>

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.

	LDL3 30 June 2005 \$
Note 5. Earnings Per Share	
Basic earnings per share (cents)	1.5
Diluted earnings per share (cent)	1.5

	No. shares
The weighted average <i>number of shares</i> outstanding during the period for Leyshon Developments Limited No.3 in the calculation of basic earnings per share.	22,905,506

The net profit attributable to the shareholders for the period 2 November 2004 to 30 June 2005 used for the calculation of basic and diluted earnings per share was \$353,201.

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

	Notes	Consolidated 30 June 2005	LDL3 30 June 2005
Note 6. Cash Assets (Current)		\$	\$
Cash at bank and on hand		3,684,871	3,582,833
Deposits at call		251,271	0
		<hr/>	<hr/>
Total current cash assets		3,936,142	3,582,833
		<hr/>	<hr/>
Note 7. Receivables (Current)			
Amounts receivable from related parties	7(a)	116,095	0
Other	7(a)	339,860	257,215
		<hr/>	<hr/>
Total current receivables		455,955	257,215
		<hr/>	<hr/>

(a) Terms and conditions

Terms and conditions relating to the above financial instruments

(i) Amounts receivable from related parties are non-interest bearing and are generally on 30 day terms.

(ii) Other debtors are non-interest bearing and are generally settled between 30 and 60 days.

	Consolidated 30 June 2005	LDL3 30 June 2005
Note 8. Inventory	\$	\$
Current		
Work in progress at cost (Teneriffe)	32,021,464	32,021,464
	<hr/>	<hr/>
Total inventories at lower of cost and net realisable value	32,021,464	32,021,464
	<hr/>	<hr/>
Included in work in progress at cost are capitalised borrowing costs of \$1,357,937.		
Non-Current		
Work in progress at cost (Palm Beach)	12,372,456	0
	<hr/>	<hr/>
Total inventories at lower of cost and net realisable value	12,372,456	0
	<hr/>	<hr/>

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

Notes to the Financial Statements continued

FOR THE PERIOD ENDED 30 JUNE 2005

	Consolidated 30 June 2005 \$	LDL3 30 June 2005 \$
Note 9. Other Assets		
Current		
Security Deposits	2,100	200
	<hr/>	<hr/>
Total current other assets	2,100	200
	<hr/>	<hr/>
Non-current		
Amount receivable from controlled entity	0	4,104,023
Formation costs	1,165	0
Accumulated amortisation	(65)	0
	<hr/>	<hr/>
Total non-current amortisation of formation costs	1,100	0
	<hr/>	<hr/>
Borrowing costs	68,200	68,200
Accumulated amortisation	(7,195)	(7,195)
	<hr/>	<hr/>
Total non-current amortisation of borrowing costs	61,005	61,005
	<hr/>	<hr/>
Total non-current other assets	62,105	4,165,028
	<hr/>	<hr/>
Note 10. Payables (Current)		
Trade creditors	22,409	20,739
Other creditors and accruals	2,466,995	2,363,618
	<hr/>	<hr/>
Total current payables	2,489,404	2,384,357
	<hr/>	<hr/>

(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.

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

	Consolidated 30 June 2005 \$	LDL3 30 June 2005 \$
Note 11. Interest bearing liabilities		
Current		
<i>Secured borrowings</i>		
Loan from related party - Leyshon Properties Pty Ltd (a)	19,989,658	19,989,658
	<hr/>	<hr/>
Total current interest bearing liabilities	19,989,658	19,989,658
	<hr/>	<hr/>
Non-current		
<i>Secured borrowings</i>		
Secured loans (b)	7,777,000	0
	<hr/>	<hr/>
Total non-current interest bearing liabilities	7,777,000	0
	<hr/>	<hr/>

(a) The loan facility is provided by Leyshon Properties Pty Ltd as trustee for 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 St George Bank Limited. Security provided to the lender is a guarantee and indemnity from LDL3, first registered mortgage by LPBD 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 LPBD. 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 14(b) for details of the total St George facility.

	Consolidated 30 June 2005 \$	LDL3 30 June 2005 \$
Note 12. Other loans (Non-current)		
Loan from Palm Beach Developments Pty Ltd (a)	895,711	0
	<hr/>	<hr/>
Total non-current other liabilities	895,711	0
	<hr/>	<hr/>

(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.

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

Note 13. Shareholders' Funds

(a) Shareholders' Funds

Leyshon Developments No. 3 Limited

Issued and Paid up shares

Retained earnings

Total Contributed Equity

(b) Issued and paid up capital

Shares on issue at beginning of the period

25,297,000 shares issued 21 December 2004 (50 cents per share)

6,350,000 shares issued 1 April 2005 (50 cents per share)

2,000,000 shares issued 19 May 2005 (50 cents per share)

1,353,000 shares issued 30 June 2005 (50 cents per share)

Less: transaction costs

Total issued and paid up shares

(c) Movements in issued and paid up units

Shares at beginning of period

25,297,000 shares issued 21 December 2004

6,350,000 shares issued 1 April 2005

2,000,000 shares issued 19 May 2005

1,353,000 shares issued 30 June 2005

Balance at end of year

- (i) Shareholders have the right to receive distributions, and in the event of termination of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held. Shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Retained earnings

Balance at the beginning of the period

Net profit attributable to shareholders

Balance at end of the period

	Consolidated 30 June 2005 \$	LDL3 30 June 2005 \$
	17,218,110	17,218,110
	353,201	307,478
	<hr/>	<hr/>
	17,571,311	17,525,588
	<hr/>	<hr/>
	0	0
	12,648,500	12,648,500
	3,175,000	3,175,000
	1,000,000	1,000,000
	676,500	676,500
	(281,890)	(281,890)
	<hr/>	<hr/>
	17,218,110	17,218,110
	<hr/>	<hr/>
	Number of units	Number of units
	0	0
	25,297,000	25,297,000
	6,350,000	6,350,000
	2,000,000	2,000,000
	1,353,000	1,353,000
	<hr/>	<hr/>
	35,000,000	35,000,000
	<hr/>	<hr/>
	Consolidated 30 June 2005 \$	LDL3 30 June 2005 \$
	0	0
	353,201	307,478
	<hr/>	<hr/>
	353,201	307,478
	<hr/>	<hr/>

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

Note 14. Statement of Cash Flows

(a) Reconciliation of profit from ordinary activities after income tax to net cash inflows/(outflows) from operating activities

	Consolidated Period to 30 June 2005 \$	LDL3 Period to 30 June 2005 \$
Profit/(loss) from ordinary activities after income tax	353,201	307,478
Amortisation	7,260	7,195
Borrowing costs capitalised	(1,612,091)	(1,426,137)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(339,859)	(257,214)
(Increase)/decrease in other assets	(2,100)	(200)
(Increase)/decrease in inventory	(28,309,909)	(28,309,909)
(Increase)/decrease in deferred tax asset	(9,512,207)	(9,512,207)
Increase/(decrease) in payables	33,009	30,739
Increase/(decrease) in deferred tax liability	9,639,345	9,639,345
Net cash inflows/(outflows) from operating activities	<u>(29,743,351)</u>	<u>(29,520,910)</u>

(b) Financing facilities

Total facilities available – Borrowings	7,777,000	0
Total facility used	7,777,000	0
Total facility unused	0	0
	<u>7,777,000</u>	<u>0</u>

Note 15. Commitments for Expenditure

Capital Expenditure commitments

The only outstanding contracted 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 16. Contingent Liabilities and Contingent Assets

The Directors are of the opinion that there are no contingent liabilities or assets at balance date not already provided for in the financial statements.

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

Note 17. Subsequent Events

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

Note 18. Auditors Remuneration

Amounts received or due and receivable by auditors for:

	Consolidated 30 June 2005 \$	LDL3 30 June 2005 \$
- an audit or review of the financial report of the entity	20,170	20,170
- taxation compliance services	35,875	35,875
	<hr/> 56,045 <hr/>	<hr/> 56,045 <hr/>

Note 19. Leases

Property owned by the consolidated entity is leased to third parties under operating leases at 30 June 2005.

	Consolidated 30 June 2005 \$	LDL3 30 June 2005 \$
Future minimum rental revenues under non-cancellable operating leases at 30 June 2005 are as follows:		
- not later than one year	392,656	0
- later than one year and not later than five years	672,389	0
- later than five years	0	0
	<hr/> 1,065,045 <hr/>	<hr/> 0 <hr/>
Total		

Note 20. Remuneration of Directors

No remuneration is paid to Directors by the consolidated entity.

The Directors received remuneration from entities related to the Responsible Entity of the Fund, Leyshon Corporation Limited. The amount of remuneration received by each Director for activities attributable to the Leyshon Developments No. 3 Limited 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 Developments No. 3 Limited. No other directors received remuneration.

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

Note 21. Related parties

LDL3 is the parent entity of LPBD. LDL3 is the ultimate parent entity.

(a) Directors

The Directors of LDL3 and LPBD during the period were:

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

(b) Other transactions

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 22. Segment Reporting

LDL3 operates in Australia and in the industry of property development.

Note 23. Financial Instruments

(a) Credit risk exposure

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

(b) Interest rate risk exposures

The consolidated entity'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.

	Notes	Fixed Interest maturing in:					Total	Interest Rate
		Floating Interest Charges	1 Year or less	Over 1 to 5 Years	More than 5 Years	Non Interest Bearing		
<i>Financial Assets</i>								
Cash and Deposits	6	3,936,142					3,936,142	5.30%
Receivables	7					455,955	455,955	NA
		<u>3,936,142</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>455,955</u>	<u>4,392,097</u>	
<i>Less: Financial Liabilities</i>								
Payables	10					2,386,627	2,386,627	NA
Secured Loan	11		19,989,658	7,777,000			27,766,658	7.37%
Other	12					895,111	895,111	NA
		<u>0</u>	<u>19,989,658</u>	<u>7,777,000</u>	<u>0</u>	<u>3,281,738</u>	<u>31,048,396</u>	
Net financial assets / (liabilities)		<u>3,936,142</u>	<u>(19,989,658)</u>	<u>(7,777,000)</u>	<u>0</u>	<u>(2,825,783)</u>	<u>(26,656,299)</u>	

(c) Net Fair Values

The Consolidated entity'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.

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

Note 24. Impact of Adopting Australian Equivalents to IFRS

Leyshon Developments Limited No. 3, began a project to address the conversion to Australian equivalents to International Financial Reporting Standards ("AIFRS") in the 2004 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.

Leyshon Developments No. 3 Limited 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 on 2 November 2004.

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 Developments No. 3 Limited;
- (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 24. Impact of Adopting Australian Equivalents to IFRS (Contd)

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

	Notes	Consolidated 30 June 2005 (*) \$	LDL3 30 June 2005 (*) \$
Total equity under AGAAP		17,571,311	17,525,588
<i>Adjustments to retained earnings (net of tax)</i>			
Intangible Assets – Formation Costs	(i)	(1,100)	0
Intangible Assets – Development Costs	(ii)	(469,241)	0
Intangible Assets – Marketing Costs	(iii)	(448,232)	(448,232)
		<hr/>	<hr/>
<i>Adjustment to other reserves (net of tax)</i>		0	0
		<hr/>	<hr/>
Total equity under IFRS		16,652,738	17,077,356
		<hr/>	<hr/>

* This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005. As the company was formed on 2 November 2004, no opening adjustments under AIFRS are expected.

- (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. Revenue and profit on development projects will not be brought to account until completion of construction and settlement of the individual unit contracts. The Company's current accounting policy allows for the capitalisation of such costs.
- (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 continued

FOR THE PERIOD ENDED 30 JUNE 2005

Note 24. Impact of Adopting Australian Equivalents to IFRS (Contd)

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

- (iv) 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.

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

	Consolidated 30 June 2005 \$	LDL3 30 June 2005 \$
Retained earnings (i)-(iii) above	393,203	192,099
Reserves (iv) above	0	0
	<hr/>	<hr/>
Increase in deferred tax liability	393,203	
	<hr/>	<hr/>

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

- (v) 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.

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

	Notes	Consolidated 30 June 2005 \$	LDL3 30 June 2005 \$
Net profit as reported under AGAAP (<i>net of tax</i>)		353,201	307,478
Intangible Assets – Formation Costs	(i)	(1,100)	0
Intangible Assets – Development Costs	(ii)	(469,241)	0
Intangible Assets – Marketing Costs	(iii)	(448,232)	(448,232)
		<hr/>	<hr/>
Net profit under AIFRS		(565,372)	(140,754)
		<hr/>	<hr/>

(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.

Notes to the Financial Statements

FOR THE PERIOD ENDED 30 JUNE 2005

Note 25. Interest in subsidiaries

Name	Country of incorporation	Percentage of equity interest held by the consolidated entity	Investment
		%	\$
Leyshon Palm Beach Development Pty Ltd	Australia	100	1

Note 26. Other Information

Incorporation date of the Parent Company

The registered office for the consolidated entity is:

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

LDL3 is incorporated and domiciled in Australia. The company was incorporated on 2 November 2004 and commenced operations on 21 December 2004.

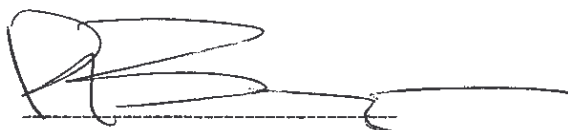
At 30 June 2005 the company had nil employees.

Directors' Declaration

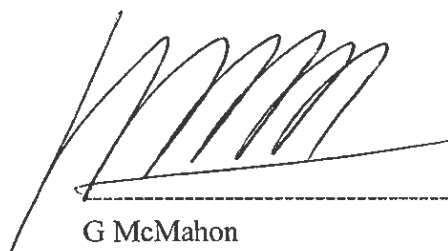
In accordance with a resolution of the Directors of Leyshon Developments No. 3 Limited, we state that:

- (1) In the opinion of the Directors:
- (a) the financial statements and notes of the company and consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2005 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe that the consolidated entity 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 Developments No. 3 Limited
ABN 56 111 628 589

A stylized, handwritten signature in black ink, appearing to be 'R Bryan', written over a horizontal dashed line.

R Bryan
Chairman

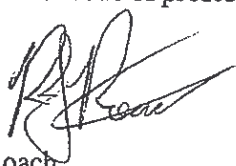
A stylized, handwritten signature in black ink, appearing to be 'G McMahon', written over a horizontal dashed line.

G McMahon
Director

Brisbane
31 August 2005

Auditor's Independence Declaration to the Directors of Leyshon Developments No. 3 Limited

In relation to our audit of the financial report of Leyshon Developments No. 3 Limited 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

Independent audit report to members of Leyshon Developments No.3 Limited

Scope

The financial report and directors' 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 Developments No.3 Limited (the company) and the consolidated entity, for the period ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that period.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. 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 and the additional disclosures.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on them to the members of the company. 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 present fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their 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 directors.

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 directors and management of the company.

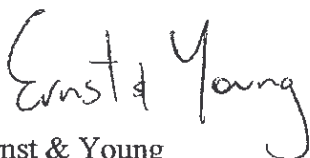
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is attached at page 34. 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.

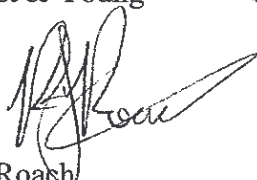
Audit opinion

In our opinion, the financial report of Leyshon Developments No.3 Limited is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Leyshon Developments No.3 Limited and the consolidated entity at 30 June 2005 and of their performance for the period ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



RJ Roach

Partner

Brisbane

31 August 2005

PROXY FORM

Leyshon Developments No. 3 Limited
ACN 111 628 589 ('Company')

PLEASE COMPLETE IN BLACK INK

Member/s name/s and address/es

Name/s: _____

Address/es: _____

I/we appoint as my/our proxy the person named below at the Annual General Meeting of the Company to be held at 2:00pm (Brisbane time) on Tuesday, 2 May 2006 at Level 1, 295 Elizabeth Street, Brisbane, Queensland and at any adjournment thereof.

Appointment of Proxy

Box A

☐

I/we appoint _____

as my/our proxy *or*, failing him/her, the Chairman to exercise my/our votes for me/us on my/our behalf.

OR

Appointment of Chairman

Box B

☐

I/we appoint the Chairman to exercise all of my/our votes for me/us on my/our behalf

Directing your proxy how to vote

I/we direct my/our proxy to vote in the following manner:

No*	Resolution	For	Against	Abstain
1	Adoption of the Financial Statement and Reports			
2	Adoption of Directors' Remuneration Report			
3	Re-election of Robert Bryan			
4	Re-election of William Gerard Collins			

**The resolutions are numbered as in the notice of general meeting.*

Please mark the appropriate box to indicate how your proxy should vote. If no boxes are marked, your proxy will be entitled to vote on the resolution at his discretion.

If you do not wish to direct your proxy how to vote, please place a mark in the box.

☐

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

The Chairman intends to vote in the following manner with respect to all undirected proxies given to him. See paragraph 3 & 4 of the Explanatory Memorandum for details of the nature of the Chairman's interest in the outcome of the following resolutions.

Resolution 1 - For

Resolution 2 - For

Resolution 3 - For

Resolution 4 - For

Individuals to sign

Execution by attorney

Executed by: _____
(insert name of attorney)

(attorney to sign here)

as attorney for

(insert name of individual or company)

in accordance with the Company's Constitution and the *Corporations Act 2001*. The authority or a certified copy of the authority under which the appointment is signed must be attached.

Companies to sign

Executed in accordance with the Company's Constitution:

Director

Director/Secretary OR

Sole Director and Sole Company Secretary

Affix seal
if required

DATED...../...../.....

NOTES FOR COMPLETION OF PROXY FORM

Leyshon Developments No. 3 Limited
ACN 111 628 589

Appointment of proxy

(see *Proxy form*)

- (a) **To appoint a single proxy** - tick **BOX A**, complete name of proxy and sign Proxy Form; **OR**
- (b) **To appoint the Chairman only** - tick **BOX B** and sign Proxy Form.
- (c) A proxy appointed to attend and vote for a member has the same rights as the member to vote (to the extent allowed by this appointment) and to join in the demand for a poll.
- (d) If you mark the abstention box for a particular item, you are directing your proxy not to vote on a show of hands or on a poll and your shares will not be counted in computing the required majority on a poll.
- (e) Note that the Proxy Form sets out the manner in which the Chairman has indicated he will vote any undirected proxies granted to him ie proxies that do not indicate the manner in which such votes are to be cast.
- (f) To appoint 2 proxies to exercise a specified proportion of your votes - see below Note: If you appoint 2 proxies and do not specify the number or proportion of votes each proxy may exercise, then each will be entitled to exercise half of your votes (with fractions being disregarded.).

How to sign proxy form

- (a) The proxy form must be signed by the member or by the member's attorney. If a joint holding then either shareholder may sign.
- (b) If the proxy is signed by a person who is not the registered shareholder, then the relevant authority or a certified copy should either have been exhibited previously with the Company or be enclosed with this proxy. If sent by fax then the authority must be certified.
- (c) If the member is a corporation, the proxy form must be signed in accordance with its constitution and the *Corporations Act 2001*, or under the hand of an authorised officer or attorney who has not received any notice of revocation.

Deadline for receipt of proxies

This Proxy Form must be lodged with the Company **before 5:00pm** (Brisbane time) on **Friday 28 April 2006**, ie not less than 48 hours before the time for holding the meeting by:

- (a) mailing your proxy to the Company at its registered office/ at Level 1, 295 Elizabeth Street, Brisbane, Queensland 4000; **OR**
- (b) depositing your proxy with the Company at its registered office at Level 1, 295 Elizabeth Street, Brisbane, Queensland 4000; **OR**
- (c) faxing your proxy to 07 3003 0122.

Please bring this letter with you to the meeting to enable us to process your registration efficiently.

Registration will commence at 1.30pm on 2 May 2006.

Appointment of 2 proxies

(If you are entitled to cast 2 or more votes at the meeting, you may appoint 2 proxies instead of a single proxy)

If you wish to appoint 2 proxies then complete below and not details for Appointment of Proxy on Proxy Form

I/We appoint: _____

(insert name of first proxy)

to exercise *(state number or proportion)* _____

of my/our votes for me/us at the general meeting of the company **AND**

I/We appoint: _____

(insert name of second proxy)

to exercise *(state number or proportion)* _____

of my/our votes for me/us at the general meeting of the company **OR**

failing one or both of my 1st and 2nd proxies, then the Chairman to exercise my/our votes for me/us in respect of the number or proportion of my/our shares allocated to the absent proxy/s, as set out above.