

Leyshon Property Fund No.3 Investors' Report

Quarter ending
31 March 2006



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1. Overview

This is the Leyshon Property Fund No. 3 (“the Fund”) Quarterly Investors’ Report for the quarter ending 31 March 2006.

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 March 2006 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 6,145 square metre quality commercial office building located at 99 Melbourne Street, South Brisbane. The building was constructed in 2004. The Fund purchased the building on 21 December 2004 for \$24.5 million. The building was revalued from its 30 June 2005 carrying cost of \$27 million to \$28.5 million in the accounts of the Fund at 31 December 2005 in accordance with a Directors’ valuation. The revaluation increment of \$1.5 million is included as Other Income in the attached Income Statement (Appendix 2).

The building continued to operate well during the March 2006 quarter. Only a few building defects remain to be rectified by the project’s builder.

The building remains fully leased.

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 March 2006 unconditional sales contracts had been executed on 41 of the 89 residential apartments and five of the nine ground level retail shops. Conditional sales contracts have been executed for the remaining four 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 at 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 the design development phase. 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 development approval is expected to be received prior to 30 June 2006.

5. Financial Results

Attached at Appendices 1 and 2 are the Fund's Balance Sheet as at 31 March 2006 and Income Statement to 31 March 2006.

These unaudited management accounts 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 accounts show unitholders' equity in the equity section of the Balance Sheet.

The Fund's profit after tax for the period ending 31 March 2006 is \$55,702. This small profit primarily results from the adoption of IFRS which requires the Fund to expense all development marketing costs and all pre-development costs from 1 July 2005. Pre-development costs include all costs of the development incurred until such time as the Fund "commits" to a development project. "Commitment" on the Palm Beach project will occur when Board approval to commence construction is obtained. Development marketing costs expensed on the London Woolstore project and pre-development costs expensed on the Palm Beach project for the period ending 31 March 2006 total \$3.2 million.

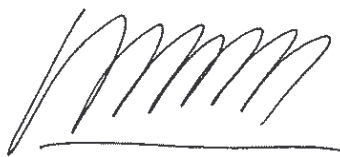
The attached Income Statement is presented in the format of actual current year figures compared to prior year figures which is standard practice for a listed property fund. The prior year figures have been presented under Australian Generally Accepted Accounting Principles ("AGAAP") and under IFRS which replaced AGAAP from 1 July 2005.

The 8% per annum distributions for the March 2006 quarter were paid to Investors on 28 April 2006. For tax purposes these payments are non-taxable as they represent a partial repayment of equity invested.

A handwritten signature in dark ink, appearing to read "N Summerson".

N Summerson
Chairman
Leyshon Corporation Limited

28 April 2006

A handwritten signature in dark ink, appearing to read "G McMahon".

G McMahon
Managing Director
Leyshon Developments No. 3
Limited

28 April 2006

Appendix 1

Balance Sheet as at 31 March 2006

Leyshon Property Fund No. 3

Balance Sheet

As at 31 March 2006

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SECURITYHOLDERS' FUNDS	
ISSUED AND PAID UP CAPITAL	17,218,110
UNITS ISSUED AND PAID UP	13,905,991
HEDGING (SWAP) RESERVE	69,912
RETAINED EARNINGS	1,037,579
PROFIT CURRENT YEAR	55,702
TOTAL SECURITYHOLDERS' FUNDS	32,287,294
ASSETS	
CURRENT ASSETS	
CASH	
Cash at Bank	1,531,500
Money held in Trust - Property Managers	30,200
Money held in Trust - Custodian	5,591,326
TOTAL CASH	7,153,026
RECEIVABLES	
Trade Debtors	103
Income Receivable	699,794
TOTAL RECEIVABLES	699,898
INVENTORY	
Inventory - Work in Progress (London Woolstore)	42,217,156
TOTAL INVENTORY	42,217,156
OTHER CURRENT ASSETS	
Prepayments	62,918
Security Deposits	2,700
TOTAL OTHER CURRENT ASSETS	65,618
TOTAL CURRENT ASSETS	50,135,697
NON CURRENT ASSETS	
PROPERTY PLANT AND EQUIPMENT	
Property Investments held directly	26,165,792
Lease incentives - Fitout Contributions	2,334,508
Accumulated Amortisation - Fitout Contributions	(357,800)
TOTAL PROPERTY PLANT AND EQUIPMENT	28,142,500
INVENTORY	
Inventory - Work in Progress (Palm Beach)	11,599,334
TOTAL INVENTORY	11,599,334
OTHER NON CURRENT ASSETS	
Future Income Tax Benefit	13,839,346
Hedging (Swap) Loan Reserve	69,912
TOTAL OTHER NON CURRENT ASSETS	13,909,258
TOTAL NON CURRENT ASSETS	53,651,092
TOTAL ASSETS	103,786,789
LIABILITIES	
CURRENT LIABILITIES	
ACCOUNTS PAYABLE	
Trade Creditors	40,829
Accrued Expenses	864,160
Prepaid Income	46,412
TOTAL ACCOUNTS PAYABLE	951,401
LOANS	
Other Loans	31,534,136
Less: Net Borrowings Costs	(31,680)
TOTAL LOANS	31,502,456
PROVISIONS	
Provision for Doubtful Debts	17,600
TOTAL PROVISIONS	17,600
TOTAL CURRENT LIABILITIES	32,471,457
NON CURRENT LIABILITIES	
LOANS	
Commercial Bill Facility	23,845,520
Less: Net Borrowings Costs	(93,161)
Accrued Expenses	1,202,619
Other Loans	1,407,914
TOTAL LOANS	26,362,892
PROVISIONS	
Provision for Deferred Income Tax	12,665,147
TOTAL PROVISIONS	12,665,147
TOTAL NON CURRENT LIABILITIES	39,028,039
TOTAL LIABILITIES	71,499,495
NET ASSETS	32,287,294

Appendix 2

Income Statement to 31 March 2006

Leyshon Property Fund No. 3

Income Statement

For the Period Ending 31 March 2006

	MARCH 2006	MARCH 2005*	MARCH 2005*	Variance Notes
	Under IFRS	Under IFRS	Under AGAAP	
OTHER INCOME				
INTEREST REVENUE	409,436	121,195	121,195	
RENTAL REVENUE	1,959,609	658,191	632,344	
OTHER INCOME	1,500,554	340,000	340,000	
TOTAL OTHER INCOME	3,869,599	1,119,386	1,093,539	Refer Section 2
EXPENSES				
OPERATING EXPENSES	4,705,058	795,142	461,959	
TOTAL OPERATING EXPENSES	4,705,058	795,142	461,959	
PROFIT BEFORE TAX	(835,459)	324,244	631,580	
INCOME TAX EXPENSE	(891,161)	111,827	111,827	Tax effect of pre-development costs expensed.
PROFIT AFTER TAX	55,702	212,417	519,753	

* The 2005 comparative period is only for 3.5 months (from 21 December 2004 to 31 March 2005)

Leyshon Property Fund No. 3

Expense Analysis

For the Period Ending 31 March 2006

	MARCH 2006 Under IFRS	MARCH 2005* Under IFRS	MARCH 2005* Under AGAAP	Variance Notes
EXPENSES				
OPERATING EXPENSES				
Accounting Fees	36,080	5,000	5,000	
Airconditioning Expenses	11,535	3,400	3,400	
Advertising/Sponsorship	12,000	0	0	
Amortisation of Borrowing Costs	48,381	12,222	12,222	
Asset Management Fees	91,875	34,317	34,317	
Audit Fees	60,182	10,500	10,500	Some 2005 audit fees included in 2006.
Bank Charges	339	141	141	
Cleaning	28,344	0	0	Palm Beach cleaning. No comparative as Palm Beach project purchased in April 2005.
Consultancy Fees	(4,573)	0	0	
Custodian Fees	8,599	2,545	2,545	
Pre-development Costs Expensed	3,173,729	333,180	0	Refer Section 5.
Doubtful Debts Provision	17,600	0	0	
Electricity	66,672	16,247	16,247	
Entertainment	117	0	0	
Fees and Licenses	4,894	30	30	
Fire Protection	10,994	1,568	1,568	
Gardening	616	264	264	
Insurance	39,153	17,103	17,103	
Interest Paid - Bank	827,684	301,998	301,998	
Land Tax	28,350	14,039	14,039	
Leasing Expenses	3,918	0	0	
Legal Costs	43,068	50	50	Legal fees incurred for Development projects, convertible note and general advice in 2006.
Lift Expenses	6,999	2,000	2,000	
Miscellaneous Expenses	2,696	145	145	
Penalties and Fines	13	0	0	
Pest Control	0	1,026	1,026	
Printing and Stationery	1,266	2,021	2,021	
Property Management Fees	26,328	7,564	7,564	
Public Relations	872	232	232	
Rates	100,564	22,973	22,973	
Refreshments	808	0	0	
Repairs and Maintenance	42,207	3,216	3,216	
Security	8,528	2,421	2,421	
Subscriptions and Publications	5,250	723	723	
Telephone and Facsimile	(29)	217	217	
TOTAL OPERATING EXPENSES	4,705,058	795,142	461,959	
TOTAL EXPENSES	4,705,058	795,142	461,959	

* The 2005 comparative period is only for 3.5 months (from 21 December 2004 to 31 March 2005)