

# **BIDDER'S STATEMENT**

**To acquire all your units in**

**Blue Tower Trust**

**ARSN 109 093 852**

**by**

**Leyshon Property Fund No. 3**

**being:**

**Leyshon Corporation Limited ACN 090 257 480  
as responsible entity for Leyshon Property Trust No. 3**

**ARSN 109 093 816**

**and**

**Leyshon Developments No. 3 Limited**

**ACN 111 628 589**

**Leyshon Property Fund No. 3 is offering  
2.1846 LPF3 Stapled Securities for every Blue Tower Trust Unit  
(subject to rounding of fractional entitlements)**

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION**  
**If you are in doubt as to how to deal with this document or the Offer contained in it,**  
**please consult your legal, financial or other professional adviser.**



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Bidder's Statement lodged with ASIC	19 July 2006
Date of Offer	3 August 2006
Offer closes (unless withdrawn or extended)*	19 September 2006

*\* LPT3 and LDL3 reserve the right, subject to the Corporations Act 2001 (Cth) and the BSX Listing Rules, to amend this date without prior notice.*

**This Bidder's Statement was lodged with ASIC on 19 July 2006. Neither ASIC nor any of its officers take any responsibility for the contents of this Bidder's Statement.**

## LETTER FROM THE CHAIRMAN

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19 July 2006

Dear Blue Tower Trust Unitholder,

On behalf of the Directors of Leyshon Developments No. 3 Limited and Leyshon Corporation Limited as responsible entity of Leyshon Property Trust No. 3, we are pleased to make this Offer to acquire all of your units in Blue Tower Trust to affect a merger of Blue Tower Trust and Leyshon Property Fund No. 3 ('LPF3').

For every Blue Tower Unit you hold, you will receive 2.1846 Leyshon Property Fund No. 3 Stapled Securities.

Please refer to the Reasons Why You Should Accept the Offer and Summary of the Offer in this Bidder's Statement.

We encourage you to read this Bidder's Statement for more details about the Offer, its terms and benefits.

We look forward to your acceptance of the Offer and welcoming you as an LPF3 Stapled Security Holder.

Yours faithfully



Neil Summerson  
*Chairman*

Leyshon Corporation Limited  
as responsible entity for  
Leyshon Property Trust No. 3  
and

Leyshon Developments No. 3 Limited

## REASONS WHY YOU SHOULD ACCEPT THE OFFER

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Enhanced distributions	It is expected that you will receive distributions of approximately 8.48 cents per annum for every LPF3 Stapled Security. This is equivalent to receiving approximately 18.5% per annum based on the original amount of your investment in Blue Tower Trust.
Increased size of Fund	You will hold Stapled Securities in a larger fund which will give it increased capacity to participate in future strategic property opportunities.
Comalco Place as a flagship asset	Comalco Place will be a flagship asset of the Merged Fund.
More liquid investment	Your holding in LPF3 is likely to be more liquid given the increased number of Stapled Security Holders in the Merged Fund.
Equivalent value	The value of the Stapled Securities you receive will equal the value of your Blue Tower Units. The values of both Blue Tower Trust and the Fund are based on current independent property valuations.
Economies of scale	A Merged Fund should produce economies of scale through reduced administrative costs and increased efficiencies.
Fair and reasonable Offer	<p>The Independent Expert has been engaged by the Directors of Leyshon Corporation Limited and LDL3 and has provided a report which indicates that the Offer is fair and reasonable.</p> <p>The Offer is based on current independent property valuations of Comalco Place and each of the Projects of LPF3.</p>

<p>Partial capital gains tax ('CGT') rollover relief</p>	<p>Where acceptances are received from at least 80% of the Blue Tower Unitholders resulting in LPT3 acquiring at least 80% of the units in Blue Tower Trust, partial CGT rollover relief will be available to Blue Tower Unitholders who would otherwise make a taxable capital gain on disposal of the unit(s) on acceptance of the Offer.</p> <p>It is anticipated that at least 87% of the consideration received in return for the exchange of Blue Tower Units for LPF3 Stapled Securities will be eligible for CGT rollover relief. This means that approximately 13% of the consideration received will potentially be subject to CGT which will be required to be paid by the Blue Tower Unitholders.</p> <p>In the event that the Takeover becomes unconditional (or at an earlier time at the discretion of the directors of the LPT3 Responsible Entity), the Directors of the Blue Tower Responsible Entity have advised that they intend to make a \$2 million return of capital to Blue Tower Unitholders in proportion to their unitholding. These funds may be utilised to fund the payment of any CGT liability that may arise for Blue Tower Unitholders as a result of the Takeover.</p> <p>The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. Accordingly, you should consult your own tax advisers in this regard.</p>
<p>No stamp duty or brokerage</p>	<p>You will not pay any brokerage or stamp duty if you accept the Offer.</p>
<p>There is no other offer</p>	<p>At this time, the Bidder is not aware of any other party having made an offer for Blue Tower Units which is higher than the Offer, or of any other party intending to make a higher offer in the future.</p>

## SUMMARY OF THE OFFER

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This is a summary only. All Blue Tower Unitholders are strongly encouraged to read this Bidder's Statement in its entirety. In particular, the risk factors set out in section 7, the terms of the Offer set out in section 8 and the Financial Report in Annexure B should be carefully examined. Blue Tower Unitholders are urged to seek independent legal and/or financial advice concerning the Offer.

<i>Offer</i>	LPF3 is offering to acquire all of your Blue Tower Units. The Offer is made to all holders of Blue Tower Units as at the Record Date.
<i>Consideration</i>	The consideration offered by LPF3 is <b>2.1846 LPF3 Stapled Securities</b> for every <b>Blue Tower Unit</b> (subject to rounding of fractional entitlements).
<i>Value of Offer</i>	The offer of 2.1846 Stapled Securities for every unit in Blue Tower Trust equates to the ratio of the value of Blue Tower Trust units of \$2.3137 per unit to the value of the Fund's Stapled Securities of \$1.0591 per Stapled Security. These values have been determined by the Directors and are based on the net assets of Blue Tower Trust and the Fund adopting current independent property valuations. The Independent Expert is of the opinion that these values are fair and reasonable to Blue Tower Trust Unitholders and Stapled Security Holders.
<i>Conditions of the Offer</i>	<p>The Offer is subject to a number of conditions. These include, in summary:</p> <p><b>Condition precedent</b></p> <ul style="list-style-type: none"><li>▪ the Blue Tower Units in which LPT3 has a relevant interest at the end of the Offer Period must not be less than 90%;</li></ul> <p><b>Conditions subsequent</b></p> <ul style="list-style-type: none"><li>▪ approval by Stapled Security Holders of resolutions 2A, 2B, 2C, 3, 4 and 5A as set out in the Notice of EGM, a full copy of which is included as Annexure D. A summary of these resolutions is set out in section 3.7;</li><li>▪ there must be no material change to Blue Tower, its operations or financial position; and</li><li>▪ regulatory conditions.</li></ul> <p>This is a very brief summary of the conditions of the Offer. They are set out in full in this Bidder's Statement at section 8.7.</p>
<i>Scheduled Offer Period</i>	The Offer will commence on 3 August 2006 and close at 5 pm on 19 September 2006, subject to an extension of the Offer under the Corporations Act.
<i>Risks</i>	The risks associated with accepting the Offer and becoming an LPF3 Stapled Security Holder are set out in section 7 of this Bidder's Statement, and should be read in full.

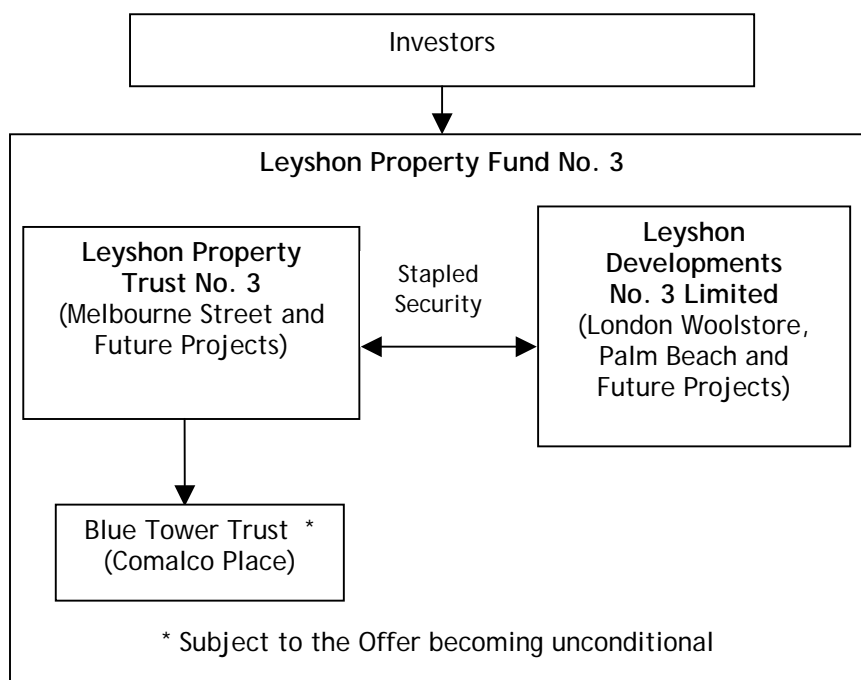
### *Distribution policy*

Currently, LPF3's distribution policy is that distributions are expected to be payable to Stapled Security Holders quarterly in arrears in January, April, July and October of each year.

If the Takeover becomes unconditional prior to 29 September 2006, accepting Blue Tower Unitholders will be entitled to the full LPF3 distribution for the September 2006 quarter, however they will not be entitled to the Blue Tower Trust distribution for the September 2006 quarter.

### *Structure after Takeover*

The diagram below illustrates the structure of the Merged Fund in the event that the Takeover bid becomes unconditional.



## HOW TO ACCEPT THE OFFER

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In order to accept the Offer you should complete the following steps:

1.      **Read this Bidder's Statement**      Read this Bidder's Statement in full.  
  
Consider the information provided on LPF3 and Blue Tower, including all the risk factors set out in section 7 of this Bidder's Statement.  
  
If you have any concerns or queries, or are in any doubt as to what action to take or how to accept the Offer, please contact your legal, financial or other professional adviser.
2.      **Complete the Acceptance Form**      Fill out the Acceptance Form enclosed with this Bidder's Statement in accordance with the instructions on the form.
3.      **Return the Acceptance Form**      Return the Acceptance Form to:  
  
**Post**  
  
Blue Tower Trust Takeover Offer  
Leyshon Property Fund No. 3  
GPO Box 3119  
BRISBANE QLD 4001  
  
**Delivery**  
  
Blue Tower Trust Takeover Offer  
Leyshon Property Fund No. 3  
Level 1, 295 Elizabeth Street  
BRISBANE QLD 4000

Acceptance Forms must be received by 5 pm on 19 September 2006, unless the Offer is extended.



## 1. Glossary of terms

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The following defined terms are used throughout this Bidder's Statement unless the context otherwise requires.

<i>\$</i>	Australian dollars
<i>ACCC</i>	the Australian Competition and Consumer Commission
<i>Acceptance Form</i>	the acceptance form included with this Bidder's Statement for Blue Tower Unitholders
<i>AFSL</i>	Australian Financial Services Licence
<i>Annexures</i>	Annexures to this Bidder's Statement - Annexure A (Summary of BSX announcements made by LPF3), Annexure B (Financial Report), Annexure C (Prospectus and PDS), Annexure D (Notice of EGM), and Annexure E (Independent Expert's Report)
<i>ASIC</i>	Australian Securities and Investments Commission
<i>Asset Manager</i>	Leyshon Corporation Limited
<i>ATO</i>	Australian Taxation Office
<i>Bid Period</i>	the period starting on the date that this Bidder's Statement is given to the Blue Tower Responsible Entity and ending at the end of the Offer Period
<i>Bidder</i>	Leyshon Corporation Limited (as responsible entity for Leyshon Property Trust No. 3) and Leyshon Developments No. 3 Limited
<i>Bidder's Statement</i>	the contents of this document, including the Annexures
<i>Blue Tower or Blue Tower Trust</i>	Blue Tower Trust ARSN 109 093 852
<i>Blue Tower Responsible Entity</i>	the responsible entity and trustee of Blue Tower Trust, being Leyshon Corporation Limited in its capacity as trustee of Blue Tower Trust
<i>Blue Tower Unitholders</i>	holders of Blue Tower Units
<i>Blue Tower Units</i>	units in Blue Tower Trust, at the date of this Bidder's Statement being 30 million units
<i>Board</i>	the board of directors of Leyshon Corporation Limited, the LPT3 Responsible Entity and/or the board of directors of LDL3, as the context requires
<i>BSX</i>	Bendigo Stock Exchange Limited ACN 087 708 898
<i>Capital Raising</i>	the proposed capital raising of the Fund pursuant to the Prospectus and PDS
<i>CGT</i>	capital gains tax which has the meaning set out in the Income Tax Assessment Act 1997
<i>Comalco Place</i>	the land and improvements located at 12 Creek Street, Brisbane
<i>Company</i>	Leyshon Developments No. 3 Limited ACN 111 628 589
<i>Constitution</i>	the Constitution of Leyshon Developments No. 3 as amended from time to time. Refer to the summary of the Constitution in section 11.3 of the Prospectus and PDS

<i>Corporations Act</i>	the Corporations Act 2001 (Cth) including the Corporations Regulations 2001, as amended from time to time
<i>Court or court</i>	has the same meaning allocated to those terms in the Corporations Act
<i>Current Investors</i>	holders of Stapled Securities as at the Record Date
<i>Custodian</i>	The Public Trustee of Queensland ABN 12 676 939 467
<i>Directors</i>	the directors of Leyshon Corporation Limited (LPT3 Responsible Entity) and/or the directors of LDL3, as the context requires
<i>EGM</i>	the extraordinary general meeting of LPF3 Stapled Security Holders to be held on or about 4 September 2006, pursuant to the Notice of EGM
<i>Ernst &amp; Young</i>	Ernst & Young ABN 75 288 172 749
<i>Financial Report</i>	the reviewed financial report of the Fund for the half year ended 31 December 2005, lodged with ASIC and BSX on 16 March 2006 and distributed to Current Investors on or about 16 March 2006, a copy of which is annexed as Annexure B
<i>Fund</i>	Leyshon Property Trust No. 3 and Leyshon Developments No. 3
<i>Fund Managers</i>	LDL3 and the LPT3 Responsible Entity
<i>Future Projects</i>	future projects of LPT3 and LDL3
<i>GST</i>	has the meaning set out in the GST Act
<i>GST Act</i>	A New Tax System (Goods and Services Tax) Act 1999, as amended from time to time
<i>Independent Expert</i>	Ernst & Young Transaction Advisory Services Limited ACN 003 599 844
<i>Independent Expert's Report</i>	the report of the Independent Expert, a copy of which is annexed as Annexure E
<i>LDL3 or Leyshon Developments No. 3</i>	Leyshon Developments No. 3 Limited ACN 111 628 589
<i>LDL3 Shares</i>	ordinary shares in Leyshon Developments No. 3, at the date of this Bidder's Statement being 35 million shares
<i>Leyshon</i>	Leyshon Pty Ltd ACN 010 916 935 and its subsidiaries as the context requires
<i>Leyshon Corporation Limited or LCL</i>	Leyshon Corporation Limited ACN 090 257 480 and holder of AFSL No. 229287
<i>Listing Rules</i>	the listing rules and requirements from time to time of BSX
<i>London Woolstore</i>	the land and improvements located at Vernon Terrace and Florence Street, Teneriffe
<i>London Woolstore Project</i>	the residential, retail and commercial property development project at Vernon Terrace, Teneriffe
<i>LPF3 or Leyshon Property Fund No. 3</i>	the Fund, being LPT3 and LDL3
<i>LPT3 or Leyshon Property Trust No. 3</i>	Leyshon Property Trust No. 3 ARSN 109 093 816 or where the context requires, Leyshon Corporation Limited as responsible entity for LPT3

<i>LPT3 Responsible Entity</i>	the responsible entity and trustee of LPT3, being Leyshon Corporation Limited, in its capacity as trustee of LPT3
<i>LPT3 Unitholders</i>	holders of LPT3 Units
<i>LPT3 Units</i>	fully paid units in Leyshon Property Trust No. 3, at the date of this Bidder's Statement being 35 million units
<i>Melbourne Street</i>	the land and improvements located at 99 Melbourne Street, South Brisbane, described as Lot 8 on SP 172780
<i>Melbourne Street Project</i>	the commercial office building at 99 Melbourne Street, South Brisbane
<i>Merged Fund</i>	LPF3 following the acquisition of Blue Tower Trust as a result of the Offer
<i>Notice of EGM</i>	notice of extraordinary general meeting and explanatory memorandum provided to Stapled Security Holders, a copy of which is annexed as Annexure D
<i>Offer</i>	LPT3 and LDL3's offer to acquire Blue Tower Units set out in section 8 of this Bidder's Statement, and includes any reference to that Offer as varied in accordance with the Corporations Act
<i>Offer Period</i>	the period for which the Offer remains open as set out in section 8.3
<i>Official List</i>	the official list of entities that BSX has admitted and not removed
<i>Palm Beach Project</i>	the proposed residential, retail and commercial property development project located on the Gold Coast Highway, Palm Beach
<i>Projects</i>	the projects of the Fund, currently Melbourne Street Project, London Woolstore Project, Palm Beach Project and Future Projects
<i>Prospectus and PDS</i>	the Prospectus and Product Disclosure Statement issued by LPT3 and LDL3, a copy of which is annexed as Annexure C
<i>Public Authority</i>	any government or any governmental, semi-governmental, administrative, statutory or judicial entity, authority or agency, whether in Australia or elsewhere, including without limitation the ACCC and any self regulatory organisation established under statute or any stock exchange, though excluding: <ul style="list-style-type: none"> <li>(a) ASIC and the Takeovers Panel;</li> <li>(b) any person mentioned in subsection 657G(2) of the Corporations Act who makes an application to the Court for an order under subsection 657G(1) of the Corporations Act;</li> <li>(c) any person mentioned in subsection 659B(1) of the Corporations Act who commences court proceedings under subsection 659B(1) of the Corporations Act in relation to a contravention of Chapter 6 of the Corporations Act in relation to a takeover bid or proposed takeover bid (as defined in the Corporations Act), before the end of the Bid Period; and</li> </ul>

(d) any Court which makes an order in response to an application made under subsection 657G(1) of the Corporations Act in respect of proceedings commenced under subsection 659B(1) of the Corporations Act in relation to a contravention of Chapter 6 of the Corporations Act

<i>Record Date</i>	7.00 pm Brisbane time on 31 July 2006, being the date set by LPT3 and LDL3 under subsection 633(2) of the Corporations Act
<i>Rights</i>	all accretions, rights or benefits of whatever kind attaching to or arising from Blue Tower Units (directly or indirectly after the date of this Bidder's Statement), including in the case of Blue Tower Units, all rights to receive distributions or other distributions or to receive or subscribe for units, stock units, notes, bonds, options or other securities, declared, paid or issued by Blue Tower Responsible Entity (excluding the proposed \$2 million return of capital to be paid to Blue Tower Unitholders upon the Takeover becoming unconditional (or at an earlier time at the discretion of the directors of the LPT3 Responsible Entity) and referred to in section 8.2)
<i>Shareholders</i>	holders of Shares in Leyshon Developments No. 3
<i>Stapled Security</i>	one LDL3 Share and one LPT3 Unit which are stapled and trade together on BSX as one security
<i>Stapled Security Holders</i>	holders of Stapled Securities
<i>Stapling and Asset Management Deed</i>	the deed between Leyshon Developments No. 3, Leyshon Corporation Limited and the LPT3 Responsible Entity to manage the Projects and the stapling of the LDL3 Shares and LPT3 Units, including any variations to the deed that may be made from time to time. Refer to the summary of the deed in section 11.4 of the Prospectus and PDS
<i>Takeover</i>	the off-market takeover bid made by LPT3 and LDL3 pursuant to this Bidder's Statement, for all of the Blue Tower Units, under Chapter 6 of the Corporations Act
<i>Takeovers Panel</i>	the Takeovers Panel constituted under the Corporations Act
<i>Target's Statement</i>	the target's statement issued by Blue Tower Trust in response to this Bidder's Statement pursuant to Sections 638 and 639 of the Corporations Act
<i>Trust Deed</i>	the deed governing the relationship between Unitholders and the Responsible Entity for the Trust, including any variations to the deed made from time to time. Refer to the summary of the deed in section 11.2 of the Prospectus and PDS
<i>Unitholder Reference Number</i>	the number allocated by Blue Tower Responsible Entity to identify a Blue Tower Unitholder

## **2. Important information**

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### **2.1 Bidder's Statement and Offer**

This Bidder's Statement is dated 19 July 2006, and includes an Offer dated 3 August 2006. This Bidder's Statement is given by Leyshon Developments No. 3 and Leyshon Corporation Limited as responsible entity for Leyshon Property Trust No. 3 under Part 6.5 of Chapter 6 of the Corporations Act, and in compliance with Sections 636 and 637 of the Corporations Act in relation to the Offer.

### **2.2 ASIC**

A copy of this Bidder's Statement was lodged with ASIC on 19 July 2006. Neither ASIC nor any of its officers takes any responsibility for the contents of this Bidder's Statement.

### **2.3 Stapled Securities**

Each LPF3 Stapled Security consists of one LDL3 Share stapled to one LPT3 Unit.

### **2.4 LPF3 Stapled Securities**

No LPF3 Stapled Securities will be issued on the basis of this Bidder's Statement more than 12 months after the date of this Bidder's Statement.

### **2.5 Custodian**

The Offer to acquire Blue Tower Units is made by Leyshon Developments No. 3 Limited and Leyshon Corporation Limited as responsible entity of LPT3. However, upon accepting the Offer, all Blue Tower Units will be transferred to the Custodian who is required to hold the assets of LPT3 separate from the assets of the LPT3 Responsible Entity. This is a condition of the AFSL of Leyshon Corporation Limited. The Custodian of LPT3's assets is the Public Trustee of Queensland. Leyshon Developments No. 3 Limited will not hold any Blue Tower Units.

### **2.6 Investment decision**

This Bidder's Statement does not take into account the individual investment objectives, financial situation, tax position or individual needs of each Blue Tower Unitholder or any other person. Blue Tower Unitholders may wish to seek independent financial and taxation advice from a financial or other professional adviser prior to deciding whether or not to accept the Offer.

### **2.7 Financial information and forward looking statements**

This Bidder's Statement includes both information that is historical in character and that consists of forward looking statements.

To the extent that any statements relate to future matters, you should consider that they are subject to risks and uncertainties. Those risks and uncertainties include factors and risks specific to the property industry (including those risks described in section 7) as well as matters such as general economic conditions. Actual events or results may differ materially. Neither the Bidder nor its Directors nor any other person named with their consent in this Bidder's Statement can assure you that forecast or implied results will be achieved.

The Bidder strongly recommends that all Blue Tower Unitholders carefully review the financial information set out in section 4 of this Bidder's Statement, the Financial Report contained in Annexure B, the Prospectus and PDS set out in Annexure C, the Notice of EGM set out in Annexure D and the risk factors identified in section 7.

## 2.8 Interpretation

A number of defined terms are used in this Bidder's Statement. Those terms, and other rules of interpretation applying to this Bidder's Statement, are explained in section 1, Glossary of Terms.

Unless otherwise stated, all references to time in this Bidder's Statement are to Brisbane time.

In this Bidder's Statement, except to the extent the context otherwise requires:

- the singular includes the plural and vice versa and a gender includes the other gender;
- a reference to a person in this Bidder's Statement or any other document or agreement includes its successors and permitted assigns;
- a reference to an item in a section of, or schedule, Annexure or appendix is a reference to an item in the section of or schedule, Annexure or appendix to this Bidder's Statement and references to this Bidder's Statement include its schedules and any Annexures;
- where a word or phrase is given a particular meaning, other parts of speech or grammatical forms of that word or phrase have corresponding meanings;
- a reference to a document or agreement including this Bidder's Statement includes a reference to that document or agreement as amended, novated, supplemented, varied or replaced from time to time;
- in the interpretation of this Bidder's Statement, headings are to be disregarded;
- a reference to a person includes a body corporate, an unincorporated body or other entity and the converse also applies;
- a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including but not limited to persons taking by novation) and assigns;
- a reference to any legislation or to any provision of any legislation includes any modification or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it; and
- a reference to any instrument or document includes any variation to or replacement of it.

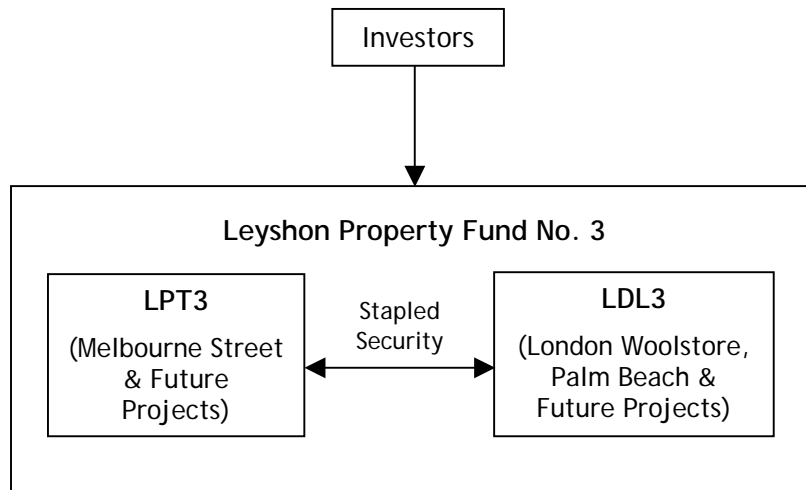
### 3. Leyshon Property Fund No. 3

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#### 3.1 Overview of Leyshon Property Fund No. 3 structure and proposed transactions

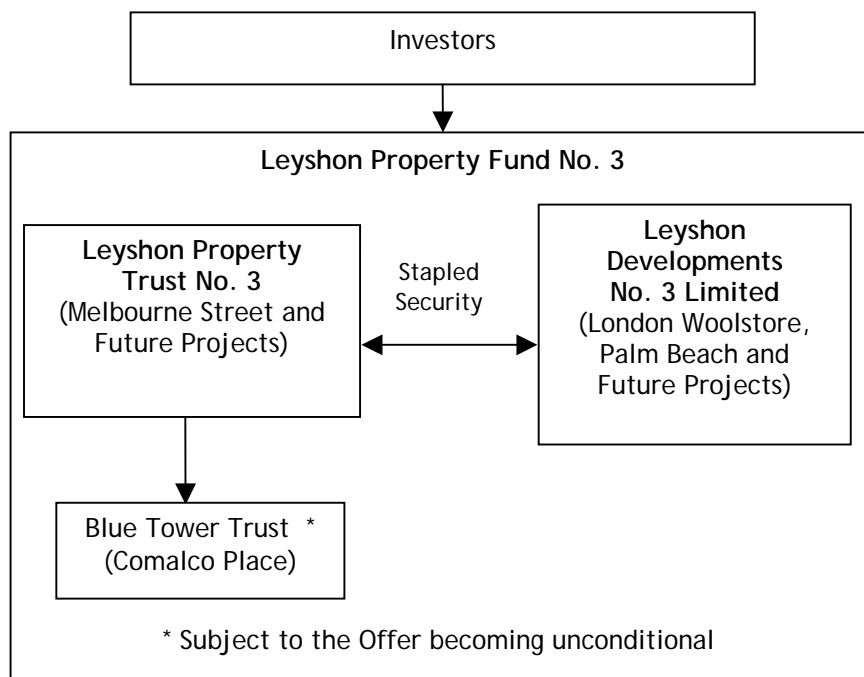
##### Existing structure of the Fund

Leyshon Property Fund No. 3 comprises LPT3 and LDL3. LPT3 Units are stapled to LDL3 Shares and are treated as one security and are quoted on BSX. For further details with respect to the current operation of the Fund, Blue Tower Unitholders should read the Prospectus and PDS, a copy of which is annexed as Annexure C. Set out below is a diagrammatic representation of the structure of the Fund.



##### Proposed Fund structure after Takeover

The change to the structure of the Fund, should the Takeover of Blue Tower Trust become unconditional is illustrated in the following diagram.



### **LPF3 EGM to approve Takeover**

To enable LPF3 to proceed with the takeover Offer, Stapled Security Holders of the Fund must resolve at a general meeting to, among other things, issue LPF3 Stapled Securities to Blue Tower Unitholders pursuant to the Offer and amend the Constitution and Trust Deed. Details of the resolutions to be approved by Stapled Security Holders are summarised in section 3.7 and set out in full in the Notice of EGM, a copy of which is annexed as Annexure D.

Upon a successful Takeover and approval of relevant resolutions at the EGM of the Fund, Blue Tower Unitholders will hold LPT3 Units and LDL3 Shares which will be stapled.

By accepting the takeover Offer, Blue Tower Unitholders acknowledge that they are not entitled to vote at the EGM. However, as the resolutions to be voted on at the EGM will impact on the future of LPF3, Blue Tower Unitholders should carefully consider the resolutions summarised in section 3.7 and detailed in the Notice of EGM, a copy of which is annexed as Annexure D.

### **Capital Raising**

LDL3 and the LPT3 Responsible Entity lodged a Prospectus and PDS with ASIC on 19 July 2006, a copy of which is annexed as Annexure C. The Fund intends to raise up to \$74.2 million by way of an entitlement issue to its current Stapled Security Holders, a priority issue to Blue Tower Unitholders and a public issue. The terms of the Capital Raising are summarised in section 3.8.

## **3.2 Leyshon Property Trust No. 3**

### **Melbourne Street Project**

The Melbourne Street Project is a quality commercial office building which was constructed in 2004. It is located in Brisbane's South Bank precinct adjacent to the Brisbane Convention Centre between West End and the CBD of Brisbane.

Developed on a prime 2,700m<sup>2</sup> site in South Brisbane, the Melbourne Street Project is a five level office building comprising net lettable area of approximately 6,100m<sup>2</sup>.

### **Revenue streams**

The Melbourne Street Project earns regular rental income payable pursuant to executed lease agreements. The building is fully occupied with tenants including Stockland Development, Keilar Fox and McGhie, Lumley Insurance, Conrad Gargett Architects and AustCover. The weighted average remaining lease term is 6.5 years.

### **Strategy and outlook**

It is intended that LPT3 will continue to hold the Melbourne Street Project as a long term passive property investment.

A detailed description and summary of the current independent property valuation of Melbourne Street is set out in section 7 and Annexure A respectively of the Prospectus and PDS, a copy of which is annexed as Annexure C.

### **Blue Tower Trust**

If the Takeover becomes unconditional, LPT3 will beneficially own the Blue Tower Units transferred pursuant to the Offer.



### **3.3 Leyshon Developments No. 3 Limited**

#### **London Woolstore Project**

The London Woolstore Project comprises three separate buildings.

The London Woolstore Project involved the conversion and refurbishment of an early 1900's four storey former Woolstore building into 89 residential apartments, car parking and nine ground level retail shops. Construction commenced in December 2004 and was completed in January 2006. The building structure is heritage listed and could not be demolished or altered in any significant way, therefore, the apartments have been built within the existing structure.

In addition to the main woolstore building, the site also includes two smaller heritage listed buildings which are presently leased to various tenants for professional offices. They have been refurbished into warehouse style office accommodation. These two buildings are under contract for \$5.7 million with settlement due by September 2006.

The total area of the site is approximately 7,000 m<sup>2</sup>. It is well located very close to the Brisbane River in the heart of Teneriffe. The main woolstore building is an attractive and imposing landmark in the area. This part of inner Brisbane was originally an industrial area but in the last five years has become a very popular and fashionable residential address.

#### ***Revenue streams***

The apartment mix comprises 30 one bedroom apartments priced between \$265,000 and \$295,000, 48 two bedroom plus study or three bedroom apartments (all two level) priced between \$450,000 and \$530,000, nine top floor three bedroom apartments between \$645,000 and \$700,000 and two large penthouse apartments at \$800,000 and \$1 million each.

The nine retail shops at ground level range in size between approximately 40 m<sup>2</sup> and approximately 140 m<sup>2</sup> and have been sold on average for \$500,000 each.

The Project's total anticipated revenue is approximately \$48 million.

The Project's total development cost is approximately \$45.8 million.

#### ***Strategy and outlook***

The marketing and sales campaign will continue until the remaining unsold property in the London Woolstore Project is sold.

#### **Palm Beach Project**

On 27 May 2005, Leyshon Palm Beach Developments Pty Ltd, a wholly owned subsidiary of Leyshon Developments No. 3 Limited, acquired the Palm Beach Plaza Shopping Centre for approximately \$11.6 million (including acquisition costs).

The Palm Beach Project property is situated on the corner of the Gold Coast Highway, Fourth Avenue and Fifth Avenue, Palm Beach, Gold Coast. The site comprises two lots totalling 9,819m<sup>2</sup> and currently operates as the Palm Beach Plaza Shopping Centre.

The current shopping centre has a Bi-Lo supermarket as an anchor tenant, along with other ancillary tenants. The centre is in need of redevelopment and has a number of vacant tenancies.

The site is proposed to be developed into approximately 194 residential apartments and a new shopping centre in two stages.

The site is approximately 50 metres from the beach and nearby is a large hotel, post office, Queensland Government Community Health Centre, Centrelink Office, childcare centre and numerous small businesses, restaurants and cafés.

### **Revenue streams**

Projected rents for the retail shopping centre component of the project are between \$400 per m<sup>2</sup> and \$600 per m<sup>2</sup> per annum. On completion it is expected that the shopping centre will be either held by the Trust or sold as a single holding for a price above \$20 million.

The proposed apartment mix comprises approximately 104 apartments in stage one and approximately 90 apartments in stage two. Stage one apartments will average \$300,000 for one bedroom apartments, between \$370,000 and \$600,000 for two bedroom apartments and between \$1 million and \$1.25 million for large top floor two level penthouses. It is expected that the project's management rights will be sold for approximately \$3 million.

### **Strategy and outlook**

After development approval is obtained from the Gold Coast City Council formal marketing of the apartments will commence. It is anticipated that construction of stage one will take approximately 12 months and will commence once sufficient unconditional sales contracts are secured to obtain construction debt finance. Stage two construction will take an additional 12 months and will commence once the majority of stage one apartments are sold and sufficient stage two unconditional sales contracts are secured to obtain construction debt finance.

Detailed descriptions and summary of the current independent property valuations of each of the abovementioned Projects is set out in section 7 and Annexure A respectively of the Prospectus and PDS, a copy of which is annexed as Annexure C.

## **3.4 Future Projects**

The Fund Managers intend to utilise the majority of the funds raised in the Capital Raising for Future Projects that satisfy the Fund's investment strategy and its project selection criteria. The Fund Managers intend to focus on building a quality portfolio of property investments that will produce long term capital growth and stable rental income streams.

It is anticipated that Future Projects will be undertaken by both LPT3 and LDL3.

For full details of the project selection process and criteria refer to section 7.16 and 7.17 of the Prospectus and PDS, a copy of which is annexed as Annexure C.

## **3.5 Directors and management of LPT3 and LDL3**

### **LPT3 Responsible Entity - Leyshon Corporation Limited**

Leyshon Corporation Limited is the responsible entity of LPT3. Its duties, responsibilities and powers are set out in the Trust Deed. The assets of LPT3 are held by the Custodian.

LPT3 is managed by Leyshon Corporation Limited, on terms set out in the Trust Deed and the Stapling and Asset Management Deed.

The Directors of LPT3 Responsible Entity are:

Neil Summerson  
Geoff McMahon  
Bill Collins  
Michael O'Reilly

### **Leyshon Developments No. 3 Limited**

LDL3 was incorporated as part of the Fund for the purpose of property funds management and undertaking property development projects.

The Directors of LDL3 are:

Neil Summerson  
Geoff McMahon  
Bill Collins  
Michael O'Reilly  
Robert Bryan  
Scott Bryan  
Ken Pickard

### **The Custodian**

In accordance with the conditions of its AFSL, Leyshon Corporation Limited has appointed The Public Trustee of Queensland to hold the assets of LPT3 separate to its own assets.

### **The Asset Manager**

The Asset Manager of each of the Projects of LPT3 and all Future Projects is Leyshon Corporation Limited in its own capacity.

The Asset Manager's directors and officers have a wide variety skills and experience in areas critical to the successful acquisition, management and ultimate sale of the Projects including property acquisition, valuation, financial analysis, loan structuring, marketing, selling and investment management. The Asset Manager's focus is on maximising the return to Stapled Security Holders.

Detailed descriptions of each of the above mentioned directors and management is set out in section 6 of the Prospectus and PDS, a copy of which is annexed as Annexure C.

If the Takeover becomes unconditional it is intended that Leyshon Corporation Limited will become the asset manager of Blue Tower Trust.

## **3.6 Public announcements by Leyshon Property Fund No. 3**

LPT3 and LDL3 are subject to regular reporting and disclosure obligations. LPF3 is a BSX listed property fund and is subject to the Listing Rules. The Listing Rules require, subject to certain qualifications, continuous disclosure of any information LPF3 has concerning it or its business that a reasonable person would expect to have a material effect on the price or value of its Stapled Securities.

BSX maintains files containing publicly disclosed information about all BSX listed entities. LPF3's file is available for inspection at BSX during normal business hours.

In addition, LPT3 and LDL3 are also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by LPF3 may be obtained from, or inspected at, an ASIC office.

Details of the continuous disclosure notices given to BSX by LPF3 since listing on BSX and before lodgement of this Bidder's Statement are set out in Annexure A.

Copies of any of the continuous disclosure notices set out in Annexure A may be obtained from the registered office of LDL3 and the LPT3 Responsible Entity free of charge during the Offer Period.

### **3.7 EGM of the Fund**

Set out below is a list of the proposed resolutions to be approved by Stapled Security Holders at the EGM of LPF3 to be held on 4 September 2006:

#### **Resolution 1A - Issue of Stapled Securities for the Capital Raising**

This resolution seeks the approval of Stapled Security Holders to the proposed issue of 70 million Stapled Securities at \$1.06 per Stapled Security (with \$1.05 being allocated to the Units in LPT3 and \$0.01 being allocated to Shares in the Company). Stapled Security Holders' approval is required as the proposed issue of Stapled Securities will exceed the maximum 15% of the Fund's total Stapled Securities that can be issued in any 12 month period without Stapled Security Holder approval. This approval is required under the BSX Listing Rules.

#### **Resolution 1B - Issues to Related Parties (Capital Raising)**

This resolution seeks the approval of Stapled Security Holders for the issue of Stapled Securities in the \$74.2 million Capital Raising to related parties of LPT3 and/or the Company. The related parties are listed in section 1.3 of the attached Explanatory Memorandum. This approval is required under the BSX Listing Rules.

#### **Resolution 1C - Approval to Issue Stapled Securities to Leyshon Operations Pty Ltd**

This resolution seeks Stapled Security Holder approval for the issue of Stapled Securities to Leyshon Operations Pty Ltd equal to its entitlement in relation to the \$74.2 million Capital Raising. Leyshon Operations Pty Ltd presently holds greater than 20% of the Fund's Stapled Securities. This approval is required as the Corporations Act prohibits the acquiring of a "relevant interest" in Stapled Securities if the person's voting power increases from a starting point which is above 20% and below 90%, unless the acquisition is approved by Stapled Security Holders at a general meeting. Corporate law requires that an independent expert's report is prepared on the fairness and reasonableness of this transaction. The Independent Expert's Report is included in Annexure E and concludes that the issue of Stapled Securities under the \$74.2 million Capital Raising to Leyshon Operations Pty Ltd is fair and reasonable to the non-associated Stapled Security Holders. As at the date of this Bidder's Statement and subject to this resolution being approved, Leyshon Operations Pty Ltd intends to accept its full entitlement and invest approximately \$22 million in the Capital Raising.

#### **Resolution 1D - Approval to Issue Stapled Securities to Keats Group Pty Ltd (as trustee for the Guy Keats Family Trust)**

This resolution seeks Stapled Security Holder approval for the issue of Stapled Securities to Keats Group Pty Ltd (as trustee for the Guy Keats Family Trust) equal to its entitlement in relation to the \$74.2 million Capital Raising. Keats Group Pty Ltd (as trustee for the Guy Keats Family Trust) presently holds greater than 20% of the Fund's Stapled Securities. This approval is required as the Corporations Act prohibits the acquiring of a "relevant interest" in Stapled Securities if the person's voting power increases from a starting point which is above 20% and below 90%, unless the acquisition is approved by Stapled Security Holders at a general meeting. Corporate law requires that an independent expert's report is prepared on the fairness and reasonableness of this transaction. The Independent Expert's Report is included in Annexure E and concludes that the issue of Stapled Securities under the \$74.2 million Capital Raising to Keats Group Pty Ltd (as trustee for the Guy Keats Family Trust) is fair and reasonable to the non-associated Stapled Security Holders.

#### **Resolution 2A - Approval of Takeover**

The Approval of Stapled Security Holders is required to proceed with the Takeover.

The Board is not able to proceed with the Takeover without this approval, because each of the Directors has a material interest in the outcome of the Takeover.

The material interest arises because Leyshon Corporation Limited is the responsible entity of the Bidder (in conjunction with the Company) and of the target, Blue Tower Trust. Leyshon Corporation Limited is also the asset manager of the Fund and will earn an acquisition fee of 2% of the value of Comalco Place (current independent property valuation being \$184 million) upon the acquisition of Blue Tower Trust by LPT3.

The Directors also have a material interest in the Takeover by virtue of the respective interests in the asset manager of Blue Tower Trust which will earn asset management fees of approximately \$17.7 million in the event the Takeover becomes unconditional.

This resolution also seeks the approval of Stapled Security Holders for the Blue Tower Trust Takeover bid as the Takeover would represent a “significant change” in the scale of the Fund’s activities. This approval is required under the BSX Listing Rules.

As LPT3 will own all of the units acquired in Blue Tower Trust under the Takeover, the total consideration of \$1.0591 per Stapled Security will be allocated to the Units issued by LPT3 Responsible Entity with no price allocated to the Shares issued by the Company. The approval of Stapled Security Holders is sought for this allocation.

#### **Resolution 2B - Approval for Substantial Assets to be Acquired from Relevant Parties as part of the Takeover**

This resolution seeks the approval of Stapled Security Holders for the Takeover as some of the unitholdings in Blue Tower Trust to be acquired under the Takeover are:

- considered to be ‘substantial assets’ as their value is greater than 5% of the Fund’s total equity; and
- these substantial unitholdings are being acquired from related parties and major Stapled Security Holders (ie who hold 10% or greater of the Stapled Securities of the Fund).

These approvals are required by the BSX Listing Rules which also require an independent expert’s report to be prepared on the fairness and reasonableness of the transaction. A copy of the Independent Expert’s Report is included in Annexure E and concludes that the transaction is fair and reasonable to non-associated Stapled Security Holders.

#### **Resolution 2C - Approval of Financial Assistance**

As detailed in Resolution 2B above, the Shares issued in the Company as part of the consideration for the Takeover will have no price allocated to them. The issue of Shares for no price under the Takeover may constitute “financial assistance” under the Corporations Act by the Company to Blue Tower Unitholders to enable the acquisition of Shares in the Company. The Corporations Act requires the approval of Stapled Security Holders for this possible financial assistance.

#### **Resolution 3 - Approval of the Modification to the Trust Deed**

The Trust Deed requires modification to document and record the Capital Raising and the Takeover as detailed above. The modifications are detailed in section 3.1 of the Explanatory Memorandum included in the Notice of EGM. The Corporations Act and the Trust Deed require LPT3 Unitholder approval for these modifications.

#### **Resolution 4 - Approval of the Modification to the Constitution**

The Constitution of the Company requires modification to document and record the Capital Raising and the Takeover as detailed above. The modifications are detailed in section 4.1 of the Explanatory Memorandum included in the Notice of EGM. The Corporations Act and the Constitution require Shareholder approval for these modifications.

#### **Resolution 5A - Approval of the Modification to the Stapling and Asset Management Deed with respect to the Capital Raising and the Takeover**

The Stapling and Asset Management Deed requires modification to document and record the Capital Raising and the Takeover as detailed above. The modifications are detailed in section 5.1 of the Explanatory Memorandum included in the Notice of EGM. The Stapling and Asset Management Deed requires Stapled Security Holders’ approval for these modifications.

#### **Resolution 5B – Approval of The Modification to the Stapling and Asset Management Agreement with respect to Frequency of Reporting**

The frequency of reporting to investors is proposed to be changed from quarterly to half yearly to bring the Fund's reporting procedures into line with normal practice for listed property funds. The modifications are detailed in section 5.3 of the Explanatory Memorandum included in the Notice of EGM.

The approval of Stapled Security Holders is sought to this change and to the consequential modification required to the Stapling and Asset Management Agreement.

#### **Resolution 6 – Approval of Changes of Name**

It is proposed to change the name of the Fund to "Australian Property Growth Fund" with corresponding name changes to the LPT3 and the Company. These name changes reflect the vision in which the Fund Managers are seeking to position and grow the Fund. The Fund Managers intend to focus on building a quality portfolio of property investments that will produce long term capital growth and stable income streams. The Corporations Act and BSX Listing Rules require the name changes to be approved by Stapled Security Holders.

#### **Resolution 7 – Approval of the Election of a Director of the Company**

Neil Summerson was appointed to the Board of the Company on 3 May 2006. The Constitution provides that Neil Summerson may hold the office of Director until the next Annual General Meeting of the Company. However, the Board wishes to take the opportunity for the Shareholders to approve his appointment at the upcoming EGM.

For further information with respect to the resolutions proposed to be passed at the upcoming EGM, refer to the Notice of EGM, a copy of which is annexed as Annexure D.

### **3.8 Capital Raising**

The Fund intends to raise up to \$74.2 million by way of a two for one entitlement issue of Stapled Securities at \$1.06 per Stapled Security, being \$1.05 per LPT3 Unit and \$0.01 per LDL3 Share. These funds will be invested in the Fund's existing and Future Projects.

The allocation of equity raised reflects the Fund Managers focus on building a quality portfolio of property investments that will produce long term capital growth and stable rental income streams.

The Prospectus and PDS for the Capital Raising was lodged with ASIC on 19 July 2006.

Blue Tower Unitholders may also subscribe for Stapled Securities under the Prospectus and PDS. Any Stapled Securities not taken up by existing Stapled Security Holders (the 'Shortfall') will be offered to Blue Tower Unitholders under a priority issue.

The balance of any Shortfall will be offered to the public under a public issue.

**Blue Tower Unitholders should carefully consider the terms of the Prospectus and PDS, a copy of which is annexed as Annexure C.**

The Capital Raising will proceed regardless of the outcome of the takeover Offer. Conversely the Takeover is not dependent on the success of the Capital Raising.



## **4. Effect of the Offer on Leyshon Property Fund No. 3**

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### **4.1 LPF3's intentions in relation to Blue Tower Trust's assets and employees**

#### **Introduction**

Set out below is LPF3's intentions, on the basis of the facts and information concerning Blue Tower Trust which are known to LPF3, in relation to the following:

- the continuation of Blue Tower Trust;
- any major changes to be made to Blue Tower Trust, including any redeployment of the fixed assets of Blue Tower Trust; and
- future asset management.

The management of Blue Tower Trust is entirely outsourced and there are no employees.

LPF3's intentions referred to in this section 4 are based on the facts and information concerning Blue Tower Trust and the circumstances affecting Blue Tower Trust's business activities that are known to LPF3 at the date of this Bidder's Statement. They have been formed by the LPT3 Responsible Entity which is also the Blue Tower Responsible Entity.

LPF3 has access to all information, facts and circumstances that are necessary to assess the operational, commercial, taxation and financial implications of its current intentions.

#### **LPF3's intentions if less than 90% of Blue Tower Trust is acquired**

LPF3 is seeking to acquire up to 100% ownership of Blue Tower Trust and the Offer is conditional on LPF3 having a relevant interest in at least 90% of Blue Tower Trust's units then on issue. LPF3 has no present intention of waiving this 90% minimum acceptance condition. However, if it is waived and LPF3 gains control of Blue Tower Trust but is not entitled to compulsorily acquire the outstanding Blue Tower Trust Units, LPF3 currently intends to:

- consider commencing the process of removal of Blue Tower Trust from the Official List of BSX, though any final decision on this will depend to a large extent on the final level of ownership that LPF3 achieves in Blue Tower Trust;
- subject to the Corporations Act and the constitution of Blue Tower Trust, to appoint Leyshon Corporation Limited as asset manager of Blue Tower Trust on the same terms as the asset management agreement in place for LPF3;
- continuation of Trust - LPF3 intends to continue Blue Tower Trust;
- fixed assets - LPF3 intends to retain an ownership of Comalco Place.

LPF3 would only make a decision on these courses of action following receipt of legal and financial advice, and LPF3's intentions must be read as subject to the legal obligations of the Blue Tower Responsible Entity to have regard to the interests of Blue Tower Unitholders.

However, LPF3's ability to implement these intentions will be subject to the percentage of Blue Tower Trust acquired by LPF3 and to applicable legal and regulatory requirements, which may delay or affect the extent of their implementation.

#### **LPF3's intentions if at least 90% of Blue Tower Trust is acquired**

The following intentions of LPF3 set out below apply only to the situation in which LPF3 acquires a relevant interest in at least 90% of Blue Tower Trust's Units then on issue, following which LPF3 can proceed to compulsorily acquire all remaining Blue Tower Units and achieve 100% ownership of Blue Tower Trust.

It is LPF3's present intention to acquire up to 100% of Blue Tower Units. In particular, LPF3's intention is:

- if it becomes entitled to do so under section 661A of the Corporations Act, to give notices to Blue Tower Unitholders to compulsorily acquire any outstanding Blue Tower Units in accordance with section 661B of the Corporations Act;
- if it is required to do so under section 662A of the Corporations Act, to give notices to Blue Tower Unitholders offering to acquire their Blue Tower Units in accordance with section 662B of the Corporations Act;
- if it becomes entitled to do so under section 664A of the Corporations Act, to give notice to Blue Tower Unitholders to compulsorily acquire any outstanding Blue Tower Units in accordance with section 664C of the Corporations Act; and
- to arrange for Blue Tower Trust to be removed from the Official List of BSX.

LPF3's operational intentions with regard to asset management, continuation of the Trust, and fixed assets of Blue Tower Trust are as outlined above under the heading "LPF3's intentions on acquiring less than 90% of Blue Tower Trust".

## **4.2 Effect of the Offer on LPF3's prospects**

### **Earnings per LPF3 Stapled Security**

The impact of the acquisition of Blue Tower Trust on the reported earnings per Stapled Security will depend on a number of variables, including the effective date of the acquisition for accounting purposes, the number of acceptances, the profitability of Blue Tower Trust, the timing and level of cost savings achieved, and the timing, quantum and deployment of proceeds from divestments (if any).

### **Distribution policy**

Section 5.2 contains information about the Fund's distribution policy.

Following completion of the Takeover, payment of any distribution in respect of any year will be subject to there being no material change to the operating performance or financial position of the Merged Fund and the amount of Australian income tax paid on earnings in that year. Future determinations as to the payment of distributions by the Merged Fund will be at the discretion of the Directors and will depend upon the availability of distributable earnings, the operating results and financial condition of the Merged Fund, future capital requirements, covenants in relevant financing agreements, general business and financial conditions and other factors considered relevant by the Directors. Therefore, no assurance can be given in relation to the payment of future distributions or the extent to which any such distributions may be tax sheltered.

## **4.3 Pro-forma financial statements of the Merged Fund**

For the purposes of enabling Blue Tower Unitholders to assess their position relative to a wholly Merged Fund:

- Table 1 shows pro-forma consolidated summary income statement for the six months ended 31 December 2005 on the basis of LPF3 having acquired 100% of Blue Tower Units for the entire six months; and
- Table 2 shows a pro-forma consolidated summary balance sheet as at 31 December 2005, on the basis of LPF3 having acquired 100% of Blue Tower Units for the entire six months.

The following pro-forma financial statements have been prepared based on the reviewed income statements and balance sheets of the Fund and Blue Tower Trust included in their respective financial reports for the six months ended 31 December 2005.

The Bidder is confident that it will obtain acceptances of its Offer of at least 90% and considers that it would be misleading to demonstrate its financial position if it only acquired 50% of Blue Tower Trust.



**Table 1 – 100% acquisition of Blue Tower Units**

<b>Pro-forma Consolidated Summary Income Statement for the six months ended 31 December 2005 (Merged Fund)</b>				
	<b>LPF3</b>	<b>Blue Tower Trust</b>	<b>Adjustments</b>	<b>Pro-forma (Merged Fund)</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
Revenue from operating activities	1,611	7,929	0	9,540
Fair value movements in investment properties	1,500	8,718	0	10,219
Interest revenue	302	8	0	309
<b>Total Revenue and Other Income</b>	<b>3,413</b>	<b>16,655</b>	<b>0</b>	<b>20,068</b>
Operating expenses	(2,871)	(2,645)	0	(5,516)
Borrowing/Interest expense	(556)	(3,629)	0	(4,185)
<b>Total Expenses</b>	<b>(3,427)</b>	<b>(6,274)</b>	<b>0</b>	<b>(9,701)</b>
<b>Net Profit Before Tax</b>	<b>(14)</b>	<b>10,381</b>	<b>0</b>	<b>10,367</b>
<b>Income Tax Expense</b>	<b>(584)</b>	<b>0</b>	<b>0</b>	<b>(584)</b>
<b>Profit After Tax</b>	<b>570</b>	<b>10,381</b>	<b>0</b>	<b>10,951</b>

**Table 2 – 100% acquisition of Blue Tower Units**

**Pro-forma Consolidated Summary Balance Sheet  
for the six months ended 31 December 2005  
(Merged Fund)**

	<b>LPT3</b>	<b>Blue Tower Trust</b>	<b>Adjustments</b>	<b>Pro-forma (Merged Fund)</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	8,731	871	0	9,602
Trade and other receivables	790	2,237	0	3,027
Inventories	41,433	0	0	41,433
Other assets	83	567	0	650
<b>TOTAL CURRENT ASSETS</b>	<b>51,037</b>	<b>3,675</b>	<b>0</b>	<b>54,712</b>
<b>NON-CURRENT ASSETS</b>				
Investment property	28,215	176,411	0	204,626
Inventories	11,599	0	0	11,599
Other assets	945	792	0	1,737
<b>TOTAL NON-CURRENT ASSETS</b>	<b>40,759</b>	<b>177,203</b>	<b>0</b>	<b>217,962</b>
<b>TOTAL ASSETS</b>	<b>91,796</b>	<b>180,878</b>	<b>0</b>	<b>272,674</b>
<b>CURRENT LIABILITIES</b>				
Payables	1,996	1,885	0	3,881
Interest bearing loans and borrowings	30,205	376	0	30,581
<b>TOTAL CURRENT LIABILITIES</b>	<b>32,201</b>	<b>2,261</b>	<b>0</b>	<b>34,462</b>
<b>NON-CURRENT LIABILITIES</b>				
Interest bearing loans and borrowings	23,746	95,372	0	119,118
Other liabilities	2,350	1	0	2,351
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>26,096</b>	<b>95,373</b>	<b>0</b>	<b>121,469</b>
<b>TOTAL LIABILITIES</b>	<b>58,297</b>	<b>97,634</b>	<b>0</b>	<b>155,931</b>
<b>NET ASSETS</b>	<b>33,499</b>	<b>83,244</b>	<b>0</b>	<b>116,743</b>
<b>REPRESENTED BY:</b>				
<b>Attributable to Shareholders of the Company</b>				
Contributed equity	17,218	0	0	17,218
Retained earnings	(1,900)	0	0	(1,900)
<b>Attributable to Shareholders of the Company</b>	<b>15,318</b>	<b>0</b>	<b>0</b>	<b>15,318</b>
<b>Attributable to Unitholders of LPT3 and Blue Tower Trust</b>				
Units on Issue	14,596	26,111	0	40,707
Hedging (swap) loan reserve	10	(1,085)	0	(1,075)
Undistributed earnings	3,575	58,218	0	61,793
<b>Attributable to Unitholders of LPT3 and Blue Tower Trust</b>	<b>18,181</b>	<b>83,244</b>	<b>0</b>	<b>101,425</b>
<b>TOTAL STAPLED SECURITY HOLDERS' INTERESTS</b>	<b>33,499</b>	<b>83,244</b>	<b>0</b>	<b>116,743</b>

## **Notes to the pro forma consolidated summary balance sheets**

### ***Statement of Significant Accounting Policies***

The pro forma consolidated summary balance sheets as at 31 December 2005 have been prepared in accordance with Australian International Financial Reporting Standards ('AIFRS'), applicable Australian Accounting Standards, the Corporations Act, other mandatory professional reporting requirements and the terms of the constitutions of each of LPT3, LDL3 and Blue Tower Trust.

The pro forma consolidated summary balance sheets have been prepared on an accruals basis and are based on historical costs, except for investment properties and derivative financial instruments that have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

#### **4.4 Effect on capital structure**

The Takeover will have an effect on the capital structure of LPF3. This effect is summarised in the table set out below on the basis of LPF3 acquiring 100% of Blue Tower Units and is based on the number of Blue Tower Units as at the date of this Bidder's Statement.

##### **100% acquisition of Blue Tower Units\***

<b>Number of Stapled Securities</b>	<b>Issued and paid up capital</b>
35,000,000	Stapled Securities on issue prior to Takeover
65,538,000	Estimated Stapled Securities to be issued pursuant to Takeover
<b>100,538,000</b>	<b>Total estimated Stapled Securities on issue after Takeover</b>

\* This table excludes any Stapled Securities issued pursuant to the Capital Raising. Refer to section 1 of the Prospectus and PDS annexed to this Bidder's Statement.

## 5. Further information about the Fund

### 5.1 20 largest Stapled Security Holders at the date of Offer

At the date immediately preceding this Bidder's Statement, the 20 largest holders of Stapled Securities were as listed in the table below.

Rank	Name	No. of Stapled Securities held	% of issued Stapled Securities
1	Leyshon Operations Pty Ltd	10,579,000	30.23%
2	Keats Group Pty Ltd atf the Guy Keats Family Trust	8,000,000	22.86%
3	ANZ Nominees Limited	2,000,000	5.71%
4	Ronald Ernest Henry	1,353,000	3.87%
5	Johnson Hotels Pty Ltd atf Johnson Family Trust	1,000,000	2.86%
6	Troxfield Pty Ltd atf McGrath Family Trust	1,000,000	2.86%
7	Whatton Holdings Pty Ltd	1,000,000	2.86%
8	Ms Qing Chen	1,000,000	2.86%
9	Ms Louise King	1,000,000	2.86%
10	Dr Steve Mokrzecki	1,000,000	2.86%
11	Wilkvale Pty Ltd atf Quigg Family Trust	500,000	1.43%
12	Restvale Pty Ltd atf The David and Theodora Catsoulis Super Fund	500,000	1.43%
13	352 Investments Partnership	500,000	1.43%
14	Pickard, Zabala, Norton, Popham, Morris Partnership	500,000	1.43%
15	Mr & Mrs Ralph Douglas	500,000	1.43%
16	Mr & Mrs Dick Camilleri	500,000	1.43%
17	David & Susan Goldsworthy as Trustees for the Goldsworthy Unit Trust	500,000	1.43%
18	Darryl John Henderson	500,000	1.43%
19	Simon Langley Turner	500,000	1.43%
20	Dr Michael Gillman	500,000	1.43%
<b>Total</b>		<b>32,932,000</b>	<b>94.13%</b>

## 5.2 Fund distribution history and distribution policy

### Distributions paid

The distributions paid by LPT3 since its listing on BSX are set out below:

Date paid	Amount
28 April 2006	\$0.08 per Stapled Security
31 January 2006	\$0.08 per Stapled Security
31 October 2005	\$0.08 per Stapled Security
29 July 2005	\$0.08 per Stapled Security
29 April 2005	\$0.08 per Stapled Security
28 January 2005	\$0.08 per Stapled Security

### Distribution policy

Currently, LPT3's distribution policy is that distributions are expected to be payable to Stapled Security Holders quarterly in arrears in January, April, July and October of each year.

If the Takeover becomes unconditional prior to 29 September 2006, accepting Blue Tower Unitholders will be entitled to the full LPT3 distribution for the September 2006 quarter, however they will not be entitled to the Blue Tower Trust distribution for the September 2006 quarter.

## 5.3 Features of LPT3 Units and LDL3 Shares

### Issued capital of LPT3 and LDL3

As at the date of this Bidder's Statement, LPT3 had 35 million units on issue and LDL3 had 35 million shares on issue, all quoted on BSX.

### LPT3 Units to be issued pursuant to the Offer

LPT3 Units to be issued pursuant to the Offer will be issued, credited as fully paid, and will rank equally in all respects from the date of entry in LPT3's unit register with the existing LPT3 Units. LPT3 will make an application for the quotation of the LPT3 Units to be allotted pursuant to the Takeover on BSX within seven days after the start of the Bid Period. Quotation on BSX is not guaranteed or automatic.

### LDL3 Shares to be issued pursuant to the Offer

LDL3 Shares to be issued pursuant to the Offer will be issued, credited as fully paid, and will rank equally in all respects from the date of entry in LDL3's share register with the existing LDL3 Shares. LDL3 will make an application for the quotation of the LDL3 Shares to be allotted pursuant to the Takeover on BSX within seven days after the start of the Bid Period. Quotation on BSX is not guaranteed or automatic.

## 5.4 Stapling provisions

The formal stapling provisions which govern LPT3 and LDL3 are included in the Constitution, the Trust Deed and the Stapling and Asset Management Deed. Those stapling provisions provide that LPT3 and LDL3, as the context requires, must neither do any act, matter or thing nor refrain from doing any act, matter or thing whilst stapling applies if to do so or to refrain from doing so, would result directly or indirectly in any LPT3 Unit no longer being stapled to an LDL3 Share as a Stapled Security.

Specifically, LPT3 and LDL3 must not:

- offer any LPT3 Units for subscription or sale unless an offer is made at the same time and to the same person for an identical number of LDL3 Shares for issue or sale (and vice versa);
- issue or sell any LPT3 Units to any person unless an identical number of LDL3 Shares are also issued or sold to the same person at the same time (and vice versa);
- register any transfer of LPT3 Units to any person unless an identical number of LDL3 Shares are also transferred to the same person at the same time (and vice versa);
- consolidate, sub-divide, forfeit, cancel or buy-back any LPT3 Units or otherwise re-organise the capital of LPT3 unless at the same time there is a corresponding consolidation, sub-division, cancellation or buy-back of LDL3 Shares or re-organisation of the capital of the Company (and vice versa); and
- make any offer relating to LPT3 Units for subscription or sale unless the offer requires the subscription or sale of an equal number of LDL3 Shares to the number of LPT3 Units subscribed for or bought (and vice versa).

Upon the Takeover becoming unconditional, Blue Tower Unitholders will hold LPT3 Units and LDL3 Shares which will be stapled.

Summaries of the Trust Deed, Constitution, and Stapling and Asset Management Deed are set out in sections 11.2, 11.3 and 11.4 of the Prospectus and PDS respectively.

#### **Rights attaching to LPT3 Units**

The rights attaching to the LPT3 Units are principally set out in the LPT3 Trust Deed. The Corporations Act also contains provisions relevant to the rights attached to LPT3 Units. A summary of the significant rights attaching to the LPT3 Units, is set out in section 11.2 of the Prospectus and PDS annexed.

#### **LDL3 Shares**

The rights attaching to LDL3 Shares are principally set out in the Constitution. For a detailed description of the rights attaching to LDL3 Shares, refer to section 11.3 of the Prospectus and PDS annexed.

### **5.5 Consents and disclaimers of responsibility**

None of the parties referred to below has made any statement that is included in this Bidder's Statement or any statement on which a statement made in this Bidder's Statement is based, except as specified below. Each of the parties referred to below, to the maximum extent permitted by law, expressly disclaims, and takes no responsibility for, any part of this Bidder's Statement, other than the reference to its name and a statement included in this Bidder's Statement with the consent of that party, as specified below. None of the parties referred to below has authorised or caused the issue of this Bidder's Statement.

McCullough Robertson has given, and has not withdrawn, its written consent to be named as legal adviser to the Bidder in the form and context in which it is named.

Ernst & Young has given, and has not withdrawn, its written consent to be named as auditors and tax advisers in the form and context in which it is named and to the inclusion of its taxation report in section 6 of this Bidder's Statement.

Ernst & Young Transaction Advisory Services Limited has given, and has not withdrawn, its written consent to be named as Independent Expert in the form and context in which it is named and to the inclusion of its Independent Expert's Report included as Annexure E to this Bidder's Statement.

The Public Trustee of Queensland has given, and has not withdrawn, its written consent to be named as Custodian in the form and context in which it is named.

Savills (Qld) Pty Limited has given, and has not withdrawn, its written consent to be named as an independent valuer in the form and context in which it is named and to the inclusion of its summary valuation reports in the Prospectus and PDS (which is included in Annexure C of this Bidder's Statement) in the form and context in which they are included.

CB Richard Ellis (C) Pty Ltd has given, and has not withdrawn, its written consent to be named as an independent valuer in the form and context in which it is named and to the inclusion of its summary valuation report in the Prospectus and PDS (which is included in Annexure C of this Bidder's Statement) in the form and context in which it is included.

LandMark White (Brisbane) Pty Ltd has given, and has not withdrawn, its written consent to be named as an independent valuer in the form and context in which it is named and to the inclusion of its summary valuation report in the Prospectus and PDS (which is included in Annexure C of this Bidder's Statement) in the form and context in which it is included.

Each of the Directors of LDL3 and Leyshon Corporation Limited have given, and have not withdrawn their written consents to be named in this Bidder's Statement in the form and context in which they are named and have consented to references to each Director in the form and context in which they are included.

Leyshon Corporation Limited has given, and has not withdrawn, its written consent to be named as Asset Manager of the Fund in the form and context in which it is named.

None of the Fund Managers, the Custodian, nor any expert (or any of their lawyers or advisers) gives any advice as to whether any person should accept the Offer and does not guarantee the performance of the Bidder generally.

## **5.6 Interests of experts and advisers**

Other than set out below or elsewhere in this Bidder's Statement:

- (a) no expert or adviser, or any firm in which any expert or adviser is a partner has, or has had in the two years before lodgement of this Bidder's Statement, any interest in the formation or promotion of LPF3, or in any property acquired or proposed to be acquired by LPF3 in connection with its formation or promotion of the Offer; and
- (b) no amounts, whether in cash or units or otherwise, have been paid or agreed to be paid to any expert or adviser (or to any firm in which he or she is or was a partner) for services rendered by the expert or adviser or the firm in connection with the promotion of LPF3 or the Offer, or was a director of LPT3 or LDL3.

No form of payment of any kind will be made or agreed to be made to any such expert or adviser or firm other than in cash.

Ernst & Young has acted as auditors of LPF3 and has provided taxation advice to LPF3 and prepared the taxation report in section 6 of this Bidder's Statement and has been paid or agreed to be paid an amount of approximately \$80,000 (excluding GST and disbursements) in respect of these services. Ernst & Young also acts as auditor and tax advisers of Blue Tower Trust.

Ernst & Young Transaction Advisory Services Limited has prepared the Independent Expert's Report included as Annexure E to this Bidder's Statement. Ernst & Young Transaction Advisory Services Limited was engaged by LPF3 and Blue Tower Responsible Entity to prepare this report and will be paid an amount of \$60,000 (excluding GST and disbursements) which will be paid equally by LPF3 and Blue Tower Trust.

McCullough Robertson has acted as legal adviser to LPF3 in connection with the Takeover for which it will be paid an amount of approximately \$120,000 (excluding GST and disbursements) in respect of these services.

McCullough Robertson has acted for the responsible entity of Blue Tower in providing advice with respect to the acquisition of Comalco Place, its listing on BSX and subsequently with respect to leasing of the building. McCullough Robertson is not advising Blue Tower with respect to the Takeover.

Savills (Qld) Pty Limited has prepared valuations and the valuation summaries included in the Prospectus and PDS (which is included in Annexure C of this Bidder's Statement) and will be paid an amount of approximately \$40,000 (excluding GST and disbursements) in respect of its services.

CB Richard Ellis (C) Pty Ltd has prepared a valuation and a valuation summary included in the Prospectus and PDS (which is included in Annexure C of this Bidder's Statement) and will be paid an amount of approximately \$15,000 (excluding GST and disbursements) in respect of its services.

LandMark White (Brisbane) Pty Ltd has prepared a valuation and a valuation summary included in the Prospectus and PDS (which is included in Annexure C of this Bidder's Statement) and will be paid an amount of approximately \$3,000 (excluding GST and disbursements) in respect of its services.

## 5.7 Interests of Directors

Other than set out below or elsewhere in this Bidder's Statement:

- (a) In the two years before the date of this Bidder's Statement, no Director has had any interest in the formation or promotion of LPF3, or in any property acquired or proposed to be acquired by LPF3 in connection with its formation or promotion of the Offer.
- (b) No amounts, whether in cash or units or otherwise, have been paid or agreed to be paid to any Director or proposed director of LDL3 or the LPT3 Responsible Entity (or to any firm in which they were a partner) either to induce them to become, or to qualify them as a Director, or otherwise for services rendered by them or by the firm in connection with the promotion or formation of LPF3 or the Offer.

### Holdings

As at the date immediately preceding this Bidder's Statement and the Prospectus and PDS, LDL3, Leyshon Corporation Limited and the Directors or entities associated with them have a relevant interest in the following securities of LPF3 or Blue Tower Trust:

Name	Blue Tower Units	%	LPF3 Stapled Securities	%
Leyshon Corporation Limited	5,890,000	19.63	10,601,000	30.29
Leyshon Developments No. 3	-	-	-	-
Neil Summerson	498,000	1.66	10,000	0.03
Geoff McMahon	-	-	14,000	0.04
Bill Collins	175,000	0.50	36,000	0.10
Michael O'Reilly	175,000	0.50	36,000	0.10
Bob Bryan	5,890,000	19.63	10,601,000	30.29
Scott Bryan	-	-	-	-
Ken Pickard	-	-	-	-



### **Contracts with Directors or Director related entities**

The interests of the directors of LDL3, the LPT3 Responsible Entity and the Asset Manager are set out below. The LPT3 Responsible Entity, Leyshon Corporation Limited, is owned by entities including Leyshon Pty Ltd an entity associated with Bob Bryan, Geoff McMahon and Neil Summerson and other entities associated with Neil Summerson, Geoff McMahon, Michael O'Reilly and Bill Collins.

Geoff McMahon, Bob Bryan and Neil Summerson are directors and shareholders of Leyshon Properties Pty Ltd and directors and shareholders of Leyshon Pty Ltd, the providers of corporate guarantees for the London Woolstore Project bank debt.

Scott Bryan is a director of Leyshon Properties Pty Ltd and Leyshon Pty Ltd, the providers of corporate guarantees for the London Woolstore Project bank debt.

Except for fees, remuneration and other interests disclosed in this Bidder's Statement, no other fees or benefits have been paid to, or have agreed to be paid to the Asset Manager, the LPT3 Responsible Entity or LDL3, any directors or proposed directors of the Asset Manager, the LPT3 Responsible Entity and LDL3, or to any promoter of the Fund in connection with this Offer or the formation and promotion of the Fund or any property acquired or proposed to be acquired by LPT3 or LDL3 in connection with its formation and promotion.

### **Transactions with related parties**

Leyshon Corporation Limited, LDL3 and the LPT3 Responsible Entity are parties to the Stapling and Asset Management Deed. Refer to sections 10 and 11.4 of the Prospectus and PDS for a summary of this deed and the fees payable under this deed.

In accordance with the Blue Tower Asset Management Agreement dated 28 November 2003 and amended on 6 June 2006, the Blue Tower Trust asset managers, Leyshon Operations Pty Ltd and Australian and Asia/Pacific Institute of Property Auditors Pty Ltd ('AAPIPA') will earn asset management fees of approximately \$17.7 million in the event the takeover becomes unconditional. This fee is payable by Blue Tower Trust.

Upon the acquisition of Blue Tower Trust by LPT3 Responsible Entity, the Asset Manager will earn an acquisition fee of 2% of the value of Comalco Place (current independent property valuation being \$184 million). This fee is payable by LPT3.

LDL3 and Leyshon Properties Pty Ltd as trustee for the London Woolstore Trust entered into the London Woolstore Development Agreement on 8 November 2004 and some of the directors of the parties to the London Woolstore Development Agreement are common. Refer to section 11.6 of the Prospectus and PDS for a summary of this agreement and the fees payable under this agreement. Leyshon Properties Pty Ltd will be entitled to a guaranteed return of \$300,000 at the completion of the London Woolstore Project.

### **Payments to Directors**

The Constitution of LDL3 provides that the Directors may be paid, as remuneration for their services, a sum determined from time to time by LDL3 Shareholders in general meeting, with that sum to be divided amongst the Directors in such manner and proportion as they agree. However, no Directors' fees are anticipated to be paid.

Except for fees, remuneration and other interests disclosed in this Bidders Statement and the Prospectus and PDS annexed, no other fees or benefits have been paid to, or agreed to be paid to the Asset Manager, LDL3, LPT3 Responsible Entity, AAPIPA, Leyshon Operations Pty Ltd or any proposed directors or promoters of those entities in connection with this Offer or the formation and promotion of the Fund or any property acquired or proposed to be acquired by LPT3 or LDL3.

### **Payments to LPF3 Asset Manager, LPT3 Responsible Entity and LDL3**

Refer to section 11.4 and section 10 of the Prospectus and PDS for a summary of the fees and charges of the LPF3 Asset Manager, LPT3 Responsible Entity and LDL3 with respect to the operation of the Fund.

## 5.8 Other Material Information

Except as set out in this Bidder's Statement, there is no other information which is material to the making of a decision by Blue Tower Unitholders whether or not to accept the Offer, being information that:

- (a) is within the knowledge of the Bidder;
- (b) does not relate to the value of securities offered as consideration under the Takeover; and
- (c) has not previously been disclosed to Blue Tower Unitholders.

## 5.9 Other matters

### Benefits to certain persons

In the four months before the date of this Bidder's Statement, neither LDL3, LPT3 Responsible Entity nor any associate of either offered to give, or agreed to give a benefit to another person which was likely to induce the other person or an associate to:

- (a) accept the Offer; or
- (b) dispose of Blue Tower Units,

which benefit was not offered to all Blue Tower Unitholders.

LDL3, LPT3 Responsible Entity or Directors or their associates have not entered into any agreement with any person that is in connection with or conditional on the outcome of the Takeover.

Other than as disclosed in section 5.7, neither the Directors nor their associates have interests in any contracts to which Blue Tower (or its associates) are a party.

### LPF3's interests in Blue Tower Units and voting power in Blue Tower Trust

The total number of securities on issue in Blue Tower Trust as at the date of this Bidder's Statement is 30 million units.

As at the date of this Bidder's Statement LPF3 has a relevant interest in Blue Tower Units and voting power in Blue Tower Trust as set out in the following table:

Bidder	Blue Tower Units directly held	Relevant interest in Blue Tower Units	Blue Tower Units held by associates	Voting Power
Leyshon Corporation Limited (LPT3 Responsible Entity)	-	-	5,890,000	19.63%
Leyshon Developments No. 3 Limited	-	-	-	-

### **LPT3 dealings in Blue Tower Units**

In the four months before the date of this Bidder's Statement the Bidder or its associates, had the following dealings in Blue Tower Units:

- on 31 March 2006, Leyshon Corporation Limited sold 350,000 Units off-market, at a price of \$2.20 per Blue Tower Unit, to Leyshon Operations Pty Ltd (an entity associated with Leyshon Corporation Limited);
- on 31 March 2006, Leyshon Corporation Limited sold 350,000 Units off-market, at a price of \$2.20 per Blue Tower Unit, to Australian and Asia/Pacific Institute of Property Auditors Pty Ltd; and
- On 31 May 2006, Leyshon Operations Pty Ltd, an entity associated with Leyshon Corporation Limited entered into call option deeds to acquire a total of 3 million Blue Tower Units from Prudence Hendry and John Hendry. Pursuant to these call option deeds Leyshon Operations Pty Ltd agreed to pay John Hendry and Prudence Hendry cash consideration for their Blue Tower Units equal to the value of Blue Tower Trust's net assets as determined by the Directors of the Blue Tower Responsible Entity divided by the number of Blue Tower Units on issue. On 14 July 2006, Leyshon Operations Pty Ltd assigned its interests in the above mentioned call option deeds to Keats Group Pty Ltd (as trustee for the Guy Keats Family Trust) ('Keats Group') and was released in all respects from its obligations under the call option deeds. Keats Group is not associated with the Bidder.

### **5.10 Trading Prices in Stapled Securities**

As at the date of this Bidder's Statement there have only been three trades in Stapled Securities on BSX since the Stapled Securities were quoted. All three were at a price of \$1.04 per Stapled Security and the total volume was 7,000 Stapled Securities.

### **5.11 Issue of Stapled Securities**

If the Takeover becomes unconditional, the Blue Tower Responsible Entity will cause the issue of the relevant number of Stapled Securities to Blue Tower Unitholders to satisfy the Offer terms.

### **5.12 Date for determining holders of units in Blue Tower Trust**

For the purposes of section 633(2) of the Corporations Act, the date for determining the unitholders to whom information is to be sent under items 6 and 12 of section 633(1), that is this Bidder's Statement and the Target's Statement, is 7.00 pm 31 July 2006 (being the Record Date).

### **5.13 Fund charter and policy**

The LPT3 Responsible Entity and LDL3 have adopted a formal corporate governance charter and policy for the Fund to give formal recognition to the scope and responsibility of the Fund Managers, composition of the board of LDL3 and the board of the LPT3 Responsible Entity, and the establishment of compliance and audit and risk management committees.

Further details with respect to the Fund's corporate governance charter are set out in section 6.4 of the Prospectus and PDS, a copy of which is annexed as Annexure C.

## 6. Taxation report

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19 July 2006

The Directors  
Leyshon Corporation Limited as Responsible Entity for  
Leyshon Property Trust No. 3  
Leyshon Corporation Limited as Responsible Entity for  
Blue Tower Trust  
Leyshon Developments No. 3 Limited  
GPO Box 3119  
BRISBANE QLD 4001

Dear Directors

### **Leyshon Property Fund No. 3 Takeover of Blue Tower Trust**

The contents of this advice are intended to provide a general overview of the Australian income tax implications of the proposed takeover of Blue Tower Trust (BTT) by Leyshon Property Fund No. 3 (LPF3) (hereafter referred to as 'the Offer') for investors in BTT (BTT Investors) and investors in LPF3 (LPF3 Investors).

The securities that make up LPF3 comprise units in Leyshon Property Trust No. 3 (LPT3) and shares in Leyshon Developments No. 3 Limited (LDL3). These securities are stapled on a one unit for one share basis (referred to as Stapled Securities) and are listed on the Bendigo Stock Exchange (BSX).

### **Scope of Advice**

This advice is to be included in the Bidder's Statement and referred to in the Target's Statement.

As the advice is general in nature, all of the LPF3 Investors and BTT Investors should seek their own independent taxation advice from a suitably qualified taxation adviser. This advice is primarily relevant for Australian tax resident BTT Investors investing on capital account.

The advice below is based upon an interpretation of the *Income Tax Assessment Act 1936* (the 1936 Act) and the *Income Tax Assessment Act 1997* (the 1997 Act) as amended as at the time of the Bidder's and Target's Statements. Whilst we have regard to proposed changes to the tax law to the extent possible in the preparation of this advice, we do not undertake to update our advice in respect of any future changes to the tax law.

We provide our advice on the basis that the underlying assumptions are fair and reasonable and the representations made to us by the Directors of Leyshon Corporation Limited as Responsible Entity for LPT3 and BTT and the Directors of LDL3 are correct.

Taxation is only one of the matters that must be considered when making a decision on a financial product. Ernst & Young is not licensed to provide financial product advice under the Corporations Act. Under the Corporations Act, this advice is not required to be provided to you by the holder of an Australian Financial Services Licence. You should consider taking advice from the holder of an Australian Financial Services Licence before making a decision on a financial product.

## Background Facts

The advice is also provided based on the following facts:

- The offer is made to BTT Investors.
- Under the Offer, 2,1846 Stapled Securities in LPF3 will be offered to BTT Investors for every unit they own in BTT.
- The contracts, under which the securities are to be transferred pursuant to the Offer, will come into existence once the condition precedent is satisfied and the Offer is accepted by the individual BTT Investor ('Binding Contracts'). The condition precedent is that LPT3 obtains a relevant interest in at least 90% of the units in BTT. The Binding Contracts will be subject to conditions subsequent. Refer to the Bidder's Statement for further details.
- The value of the Stapled Securities offered to BTT Investors will equate to the value of the units held in BTT.
- The value of LPF3 Stapled Securities will be \$1.06 per Stapled Security at the time the Binding Contracts come into existence. The precise value of each LDL3 share and LPT3 unit comprising the LPF3 Stapled Securities to be exchanged for units in BTT cannot be determined at the time of issue of this advice as there is a capital raising taking place in LPF3 up to the time when the Binding Contracts come into existence.

## Executive Summary

The taxation implications for BTT Investors can be summarised as follows:

- Any BTT Investors who would otherwise realise a capital gain once the Binding Contracts come into existence will be able to choose CGT scrip-for-scrip rollover relief in respect of the LPT3 units they receive in exchange for their BTT units (ie the CGT liability which would ordinarily arise will be deferred).

If a BTT Investor chooses for CGT scrip-for-scrip rollover relief to apply they must do so before lodging their income tax return for the income year in which the Binding Contract comes into existence. CGT rollover relief may be required to be chosen jointly by BTT Investors and the Responsible Entity of LPT3. This will be determined in due course.

If CGT rollover relief is required to be jointly chosen it will be necessary for existing BTT Investors to provide details of the tax cost base of the units they held in BTT just prior to the takeover to the Responsible Entity of LPT3.



- BTT Investors will not be able to choose CGT scrip-for-scrip rollover relief in respect of the LDL3 shares they receive in exchange for their BTT units. However, the gross capital gain realised in respect of the receipt of the LDL3 shares may be able to be reduced by the CGT discount. The availability and amount of this CGT discount will depend on the nature of each BTT Investor.
- It is anticipated that at least approximately 87% of the consideration received in return for the exchange of BTT units for LPF3 Stapled Securities will be eligible for CGT rollover relief. This means that approximately 13% of the consideration received will potentially be subject to CGT which will be required to be paid by BTT Investors.
- The Directors of Leyshon Corporation Limited as Responsible Entity of BTT have advised that they intend to make a \$2 million return of capital to BTT Investors, in proportion to their unitholding, in the event that the Offer is approved by the LPF3 Stapled Security holders and the condition precedent is satisfied (or at an earlier time at the discretion of the Responsible Entity). It is possible that these funds may be utilised to fund the payment of any CGT liability that may arise for BTT Investors as a result of the Offer.
- As a result of the return of capital of \$2 million to BTT Investors prior to the Binding Contracts coming into existence, these Investors will be required to reduce the tax cost base of their units in BTT by their portion of the \$2 million received.
- The tax cost base of the LPT3 units and LDL3 shares acquired (ie the LPF3 Stapled Securities) by BTT Investors will be equal to the tax cost base of the BTT units exchanged plus the value of the LDL3 shares at the time the Binding Contracts come into existence.

There will be no taxation liabilities for the LPF3 Investors as a result of the scrip-for-scrip takeover Offer.

## Advice

### 1. General Application of the Tax Laws

A CGT event will occur when a BTT Investor disposes of a unit or units in BTT. The timing of the event for CGT purposes will be taken as the latter of the date when the condition precedent to formation of a contract is satisfied or when the Offer is accepted by the individual BTT Investor.

Subject to the availability of CGT rollover relief, any capital proceeds received by a BTT Investor in respect of each unit that it disposes of that exceeds the tax cost base of each unit held by the BTT Investor will result in a gross capital gain for the BTT Investor. If the capital proceeds received for each unit are less than the reduced cost base of each unit, a capital loss will be realised.

The capital proceeds received for each unit will be equal to the value of the Stapled Securities received on the day the Binding Contract comes into existence.

Where a gross capital gain is realised by a BTT Investor, the resulting tax implications will depend on whether or not that BTT Investor is an Australian resident and whether the BTT Investor holds the asset on revenue or capital account.

The following comments do not apply to non-resident Investors in BTT. The following comments also do not apply to any BTT Investors who carry on a business of trading in securities or otherwise hold BTT units on revenue account. If you are a BTT Investor who falls within one of these categories, you should seek separate taxation advice on the consequences of the Offer.

## 2. Consequences for BTT Investors

### 2.1 *Partial CGT Rollover Relief*

CGT rollover relief will be partially available for BTT Investors (who choose relief in this regard) where the following conditions are satisfied:

- as a result of the Offer, LPT3 acquires 80% or more of the units in BTT; and
- BTT Investors would otherwise make a capital gain on disposal of their unit(s) as a result of the Offer.

The effect of choosing CGT rollover relief is that the capital gain (or part of the capital gain as is the case here) that would otherwise arise from the disposal of the BTT units will be deferred.

As the consideration for the disposal of BTT units comprises both units in LPT3 and shares in LDL3, only partial CGT rollover relief will be available under the CGT scrip-for-scrip rollover relief provisions of the 1997 Act.

CGT rollover relief may be chosen in respect of the part of the consideration received that represents units in LPT3 but not the part of the consideration received that represents shares in LDL3. As the units in LPT3 and shares in LDL3 continue to be contractually stapled, BTT Investors must receive both units and shares as a result of the Offer.

The portion of the value of the LPF3 Stapled Securities that represents the units in LPT3 will be 'eligible consideration' for the purposes of the CGT scrip-for-scrip rollover relief provisions. The portion of the value of the LPF3 Stapled Securities that represents the shares in LDL3 will be 'ineligible consideration' for the purposes of the CGT scrip-for-scrip rollover relief provisions.

The tax cost base of units held by BTT Investors immediately prior to the Binding Contracts coming into existence must be allocated between the 'eligible consideration' (ie units in LPT3) and the 'ineligible consideration' (ie shares in LDL3) in order to determine the tax implications of the Offer for BTT Investors. The example below sets out how the tax cost base of BTT units will be allocated between the eligible and ineligible consideration.

Estimated tax cost base of a unit in BTT*	\$0.77 per unit
Assumed value of the eligible consideration (ie the value of a unit in LPT3)^	\$0.92 per unit
Assumed value of the ineligible consideration (ie the value of a share in LDL3)^	\$0.14 per share
<p>* Determined at the time the Binding Contracts come into existence. This equates to a cost base of approximately \$23.2 million (which has been reduced for tax deferred distributions paid by BTT since it commenced business in November 2003 and the proposed \$2 million return of capital to be paid in the event that the Offer is approved by the LPF3 Stapled Security holders and the condition precedent is satisfied (or at an earlier time if the Directors of the Responsible Entity determine)) divided by 30 million units on issue.</p> <p>^ The Stapled Security value is \$1.06 which is the sum of the value of an LPT3 unit \$0.92 and LDL3 share \$0.14.</p>	

The tax cost base of BTT units would be apportioned as follows:	
Tax cost base referable to eligible consideration	= tax cost base x $\frac{\text{value of eligible consideration}}{\text{value of LPF3 Stapled Security}}$
	= $0.77 \times \frac{0.92}{1.06}$
	= \$0.6683
Tax cost base referable to ineligible consideration	= tax cost base x $\frac{\text{value of ineligible consideration}}{\text{value of LPF3 Stapled Security}}$
	= $0.77 \times \frac{0.14}{1.06}$
	= \$0.1017

Based on the above example, where a BTT Investor chooses to apply the CGT scrip-for-scrip rollover relief, a gross capital gain would be realised by the BTT Investor upon the disposal of each unit in BTT under the Offer of \$0.2041 per unit (or \$408.20 per 2,000 BTT units). This gross capital gain is calculated on the basis that approximately 2.1846 LPF3 Stapled Securities are received for each unit in BTT, and is calculated as follows:



<p>Value of ineligible consideration – cost base referable to ineligible consideration</p> <p>= 0.3058 – 0.1017</p> <p>= \$0.2041</p>
<p>Where:</p> <p>The value of the ineligible consideration = 2.1846 x 0.14</p> <p>The value of the ineligible consideration (ie the value of a share in LDL3) assumes only \$25 million is raised under the Entitlement, Priority and Public Issues.</p>

As outlined under the general comments above, once the gross capital gain is calculated, each BTT Investor needs to determine what their personal tax implications will be and whether they may be eligible to apply the CGT discount to the gross capital gain. The CGT discount is discussed further below.

## 2.2 CGT Discount

For BTT Investors who are individuals, the trustee of a trust or complying superannuation fund, the CGT discount may be available to reduce any gross capital gain otherwise liable to tax in Australia. Whether the CGT discount is available will depend on whether the BTT Investor acquired the BTT units at least 12 months before the Binding Contract comes into existence.

The specific CGT discount available to individuals and trustees of trusts is 50%, whereas for complying superannuation funds it is 33<sup>1</sup>/<sub>3</sub>%.

While the CGT discount available to trustees of trusts is 50%, there are complex tax rules governing the flow through of CGT discounts through trusts to beneficiaries. The consequences may vary depending on each trust's specific circumstances. Accordingly, if a BTT Investor is a trustee of a trust, you should seek separate advice around the flow through to beneficiaries of any capital gain realised as a result of the acceptance of the Offer.

## 2.3 What will be the Tax Cost Base of the LPF3 Stapled Security Acquired

Where the BTT Investor chooses to obtain partial CGT rollover relief under the CGT scrip-for-scrip rollover relief provisions, the portion of the original tax cost base of the unit(s) in BTT that is referable to the eligible consideration (ie the unit in LPT3) will be attributed to unit(s) in LPT3 acquired under the Offer.

As no rollover relief will be available for the ineligible consideration under the Offer, the tax cost base of the shares in LDL3 will equate to the value of the LDL3 shares at the time the Binding Contracts come into existence.

Referring back to the example provided at 2.1 above, the BTT Investor would obtain a tax cost base in each LPF3 Stapled Security acquired calculated as follows:

Tax cost base of Stapled Security (This is determined by adding the cost base of one unit in LPT3 and one share in LDL3.)	\$0.4459
Tax cost base of each unit in LPT3 (This is determined by dividing the tax cost base referable to the eligible consideration as calculated above by the number of LPF3 Stapled Securities issued for each BTT unit exchanged ie \$0.6683 divided by 2.1846.)	\$0.3059
Tax cost base for each share in LDL3 (This is the estimated value of an LDL3 share acquired.)	\$0.14

#### **2.4 What will be the Proportion of the Actual ‘Eligible’ and ‘Ineligible’ Consideration under the Offer**

Due to the capital raising that is taking place immediately prior to, and up to, the close of the Offer, the precise proportion of the eligible and ineligible consideration has been unable to be determined at the time of preparation of this advice. However, based on a capital raising of \$25 million (which we are advised by the Fund Managers is the lowest amount that is likely to be raised under the Entitlement, Priority and Public Issues prior to the condition precedent being satisfied), the proportion of ineligible consideration as a percentage of the total value of consideration offered should approximate 13%. This means that the proportion of eligible consideration should approximate 87%.

Where the capital raising is greater than the \$25 million amount referred to above at the time the Binding Contract for each BTT Investor comes into existence, the ineligible proportion will be lower than 13%. For example, in the event that the capital raising is fully subscribed the ineligible portion should be approximately 10%.

The Responsible Entity of BTT has advised that a further communication will be provided to all BTT Investors confirming the methodology to be applied to calculate the eligible and ineligible proportions of consideration. Shortly after the close of the Offer, the Responsible Entity of BTT will also arrange for an independent valuer to provide a split of the values of the consideration (ie. value per LDL3 share and LPT3 unit) so as to allow BTT Investors to finalise their tax positions.

#### **2.5 How do BTT Investors Choose CGT Scrip-for-Scrip Rollover Relief**

If a BTT Investor chooses to apply the CGT scrip-for-scrip rollover relief to obtain partial CGT relief, the Investor must do so before lodging their income tax return for the income year in which the Binding Contract comes into existence. No formal election is required to be lodged with the Australian Taxation Office, but a record of such a choice should be kept with the BTT Investor’s records prepared for that year’s income tax return.



Subject to the capital raising that takes place up to the close of the Offer, it may be necessary that the Responsible Entity of LPT3 **and** each BTT Investor jointly elect for the partial CGT rollover to apply. In this instance, BTT Investors will also need to inform the Responsible Entity of LPT3 of the tax cost base of their units just before the Binding Contracts come into existence. Should this process be required to be followed, we are advised by the Responsible Entity of LPT3 that it will communicate with each BTT Investor to confirm whether they will be choosing to apply the partial CGT scrip-for-scrip rollover relief and to obtain details of the tax cost base of the BTT units from each BTT Investor.

## 2.6 *Return of Capital to BTT Investors*

It is currently proposed that in the event that the Offer is approved by the LPF3 Stapled Security holders and the condition precedent is satisfied, the Responsible Entity for BTT will make a return of capital to BTT Investors of \$2 million (the Responsible Entity may make the distribution at an earlier time, at the sole discretion of the Responsible Entity).

The \$2 million is the estimated CGT payable by all BTT Investors should they accept the offer. This maximum CGT liability has been calculated assuming that all BTT Investors have to pay CGT at a rate of 30% of the gross capital gain realised as a result of acceptance of the Offer ie no BTT Investor is eligible for the CGT discount. Where a BTT Investor is eligible for the CGT discount the actual CGT payable should be less.

This proposed return of capital will constitute a 'non-assessable' distribution to BTT Investors and therefore BTT Investors will need to assess whether this return will give rise to a CGT 'Event E4'.

A CGT Event E4 will occur where a unitholder receives a 'non-assessable' distribution from a unit trust (other than as a result of disposal of the units in the trust) and that non-assessable amount exceeds the tax cost base of the units held in the trust. Where this occurs a capital gain will be realised by the unitholder equal to the amount by which the non-assessable amount exceeds the tax cost base of the units immediately prior to the distribution occurring.

If the non-assessable amount does not exceed the tax cost base of the units, no capital gain will arise. However, the tax cost base in the units of the trust will be reduced by the non-assessable amount. The effect of this reduction is that the unitholders may be assessed on subsequent non-assessable distributions.

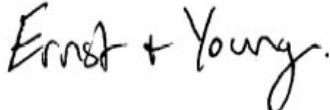
For BTT Investors, the return of \$2 million is not expected to exceed the current tax cost base of the units held in BTT and therefore should not result in a CGT Event E4 arising for BTT Investors. The total tax cost base of all of the units in BTT will, however, be reduced by \$2 million. The tax cost base will be reduced by \$0.0667 per unit (being \$2 million divided by 30 million BTT units on issue). This reduction has been factored into the earlier calculations set out in this advice on the assumption that the \$2 million will be paid to BTT Investors prior to the Binding Contracts coming into existence.

### 3. Consequences for LPF3 Investors

There will be no tax liabilities for the LPF3 Investors as a result of the scrip-for-scrip takeover Offer.

\* \* \* \*

Yours faithfully



Ernst & Young

## **7. Risk factors**

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### **7.1 Overview**

Holders of Blue Tower Units who accept the Offer will receive Stapled Securities as the consideration under the Offer. The value of Stapled Securities and the amount and timing of any distributions that LPF3 pays, will be influenced by a range of factors. Some of these factors are beyond the control of LPF3.

### **7.2 Risks specific to this Offer**

#### **Integration**

The longer term success of the merger of the Fund and Blue Tower Trust will, in part, depend on the establishment of efficient management and operational structures within the Merged Fund.

#### **Issue of Stapled Securities as consideration**

Under the Offer, LPT3 Responsible Entity and LDL3 will issue a significant number of new LPT3 Units and LDL3 Shares. Some Blue Tower Unitholders may not intend to continue to hold their Stapled Securities and may wish to sell on market. There is, in particular, a risk that if a significant number of Blue Tower Unitholders seek to sell their Stapled Securities this may impact upon the market price of Stapled Securities.

### **7.3 Risks specific to LPF3**

Refer to section 8.2 of the Prospectus and PDS which identifies the areas that are believed by the Fund Managers to be the major risks associated with an investment in LPF3.

### **7.4 General investment risks**

Refer to section 8.3 of the Prospectus and PDS which identifies risks commonly associated with property investment and development and apply to an investment in LPF3.

## 8. Offer

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### 8.1 LPF3's Offer

LPF3 offers to acquire all of your Blue Tower Units, together with all Rights attaching to them, upon the terms and conditions set out in this Offer.

The Offer, in this form and bearing the same date, is made to each holder of Blue Tower Units registered in the Blue Tower Trust unit register at 7 pm on the Record Date. To accept this Offer, please follow the instructions in section 8.5 and on the Acceptance Form.

You may accept the Offer for your Blue Tower Units only in respect of **all** of your Blue Tower Units. This Offer may not be accepted in respect of part only of your holding of Blue Tower Units.

### 8.2 Consideration for Blue Tower Units

Subject to the terms of this Offer, LPF3 is offering you 2.1846 LPF3 Stapled Securities for every Blue Tower Unit.

At the time of the issue of this Bidder's Statement, the LPF3 Offer valued Blue Tower at \$69.4 million, being \$2.3137 per Unit. This value has been determined by the Directors based on the net assets of the Blue Tower Trust and adopting a current independent property valuation (refer to the summary property valuation, a copy of which is included in Annexure C). The net assets calculation assumes that a \$2 million return of capital is paid to Blue Tower Unitholders upon the Takeover becoming unconditional (or at an earlier time at the discretion of the directors of the LPT3 Responsible Entity), which may be used to assist in funding the payment of any CGT which may be incurred.

The above net assets calculation of Blue Tower Trust is also after allowing for accrued asset management fees of approximately \$17.7 million which is payable to the Blue Tower Trust asset managers, Leyshon Operations Pty Ltd and Australian and Asia/Pacific Institute of Property Auditors Pty Ltd in the event the Takeover becomes unconditional.

The value of LPF3 Stapled Securities has been determined as \$37.1 million, being \$1.0591 per Stapled Security by the Directors of LPF3. This is based on the net assets of LPF3 and adopting current independent property valuations (refer to the property valuation summaries, copies of which are included in Annexure C).

The Offer of 2.1846 Stapled Securities for every Blue Tower Unit equates to the ratio of the value of Blue Tower Units of \$2.3137 per unit to the value of the Fund's Stapled Securities of \$1.0591 per Stapled Security. The Independent Expert's Report included in Annexure E concludes that this Offer is fair and reasonable to both Stapled Security Holders and Blue Tower Unitholders.

The Directors are of the view that, based on historical performance and expected financial performance, the Offer is in the best interests of Blue Tower Unitholders.

Subject to the rounding of fractional entitlements, the LPF3 Stapled Securities to be allotted will:

- be credited as fully paid; and
- rank equally in all respects with, and confer identical rights to, existing LPF3 Stapled Securities from the date you are registered as a holder of those LPF3 Stapled Securities.

LPF3 will determine the number of LPF3 Stapled Securities to which you will be entitled if you accept this Offer by rounding up or down to the nearest whole number. If the resulting fraction is 0.5 or greater, it will be rounded up to the nearest whole number. If the resulting fraction is less than 0.5, it will be rounded down to the nearest whole number. For example:

- if you hold 2,000 Blue Tower Units, you will receive 4,369 LPF3 Stapled Securities;
- if you hold 5,000 Blue Tower Units, you will receive 10,923 LPF3 Stapled Securities; and
- if you hold 11,500 Blue Tower Units, you will receive 25,123 LPF3 Stapled Securities.

The LPF3 Stapled Securities to be issued as consideration for acceptance of the Offer will be issued in the manner described in section 8.6.

If LPF3 is of the opinion that several Blue Tower Unitholders, each of whom holds Blue Tower Units giving rise to fractional entitlements to LPF3 Stapled Securities under this section 8.2 have, following the announcement of the Takeover, been party to splitting or division of any holding of Blue Tower Units in an attempt to gain any advantage by reference to the rounding provided for in this section 8.2, then LPF3 may give notice ('Notice') to those Blue Tower Unitholders:

- setting out the names and addresses of all of them as recorded in the Blue Tower Trust unit register;
- stating that opinion; and
- attributing to one of them specifically identified in the Notice, the Blue Tower Units held by all of them,

and after the Notice has been given, the Blue Tower Unitholder specifically identified in the Notice shall, for the purposes of this section 8.2, be taken to hold all those Blue Tower Units as existed as at the date the Takeover was announced. Each of the other Blue Tower Unitholders whose names and addresses are set out in the Notice shall, for the purposes of this section 8.2, be taken to hold no Blue Tower Units.

If LPF3 has given Notice, then in causing the Blue Tower Unitholder specifically identified in the Notice to be the deemed holder of all the specified Blue Tower Units, LPF3 shall be taken to have satisfied and discharged its obligations under the Offer to the other Blue Tower Unitholders named in the Notice. The other Blue Tower Unitholders named in the Notice shall have no claim against LPF3 or Blue Tower Trust for any entitlement to LPF3 Stapled Securities they would have had but for the operation of this section 8.2.

### **8.3 Offer Period**

This Offer is dated and commences on 3 August 2006.

This Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 5.00 pm (Brisbane time) on 19 September 2006, being a period of not less than one month, unless it is withdrawn or extended pursuant to the Corporations Act.

LPF3 may extend the Offer Period in accordance with the Corporations Act. If such an extension is made, the date specified in section 8.8 for publication of the notice described in that section will be varied accordingly.

## 8.4 Official quotation of LPF3 Stapled Securities

The Fund has been admitted to the Official List of BSX. Stapled Securities of the same class as those to be issued as consideration under this Offer have been granted official quotation by BSX.

An application will be made, within seven days after the start of the Bid Period, to BSX for the granting of official quotation of the Stapled Securities to be issued under this Offer. However, official quotation is not granted automatically on application. The Offer, and all contracts resulting from acceptances of the Offer, are subject to a statutory condition that permission for quotation must be granted no later than seven days after the end of the Bid Period. This condition cannot be waived.

## 8.5 How to accept the Offer

All Blue Tower Units are in an issuer sponsored holding, ie your holding is directly sponsored by Blue Tower Responsible Entity as issuer and held in its issuer sponsored sub-register.

### Full acceptance required

You may only accept this Offer during the Offer Period for all of your Blue Tower Units.

### How to accept

To accept this Offer you must:

- complete and sign the enclosed Acceptance Form in accordance with the instructions on it; and
- send it, and all other documents required by the instructions on the Acceptance Form, so that they are received before the end of the Offer Period (being 5.00 pm Brisbane time, on 19 September 2006, unless the Offer Period is extended).

### LPF3's discretion regarding incomplete or invalid acceptance

LPF3 may, in its absolute discretion, determine that any Acceptance Form it receives is a valid acceptance, even if one or more of the requirements set out in the Acceptance Form has not been complied with. However, LPF3 may, in its absolute discretion, decide not to issue the LPF3 Stapled Securities to which you are otherwise entitled until:

- the irregularity has been resolved; and
- an acceptable indemnity, and any other document required to enable LPT3 Responsible Entity (or its Custodian) to be registered as the holder of your Blue Tower Units have been given to LPT3 Responsible Entity.

### Acceptance Form

An Acceptance Form forms part of the Offer. You must observe the instructions on the Acceptance Form when accepting the Offer.

Send or deliver your completed Acceptance Form, together with all other documents required by the instructions on the Acceptance Form, to:

#### Post:

Blue Tower Trust Takeover Offer  
Leyshon Property Fund No. 3  
GPO Box 3119  
BRISBANE QLD 4001

#### Delivery:

Blue Tower Trust Takeover Offer  
Leyshon Property Fund No. 3  
Level 1, 295 Elizabeth Street  
BRISBANE QLD 4000

### Acceptance in relation to nominee holding

Beneficial owners whose Blue Tower Units are registered in the name of a broker, investment dealer, bank, trust company or other nominee should contact that nominee for assistance in accepting the Offer.

If you do not understand how to accept this Offer contact your legal, financial or other professional adviser.



## 8.6 Provision of consideration

If you accept this Offer, and the conditions of the Offer (and any contracts resulting from acceptance of the Offer) are waived or fulfilled, then LPT3 Responsible Entity and LDL3 will, subject to the terms of the Offer (including this section 8.6), issue to you, on the terms of this Offer, the Stapled Securities to which you become entitled as a result of acceptance of this Offer, and will send to you a certificate in respect of those Stapled Securities to your address as shown on the Acceptance Form:

- (a) if LPF3 is given the Acceptance Form and any other documents necessary to transfer title of Blue Tower Units to LPT3, including any document required by the instructions on the Acceptance Form, (collectively, the 'Acceptance Documents') at the same time as this Offer is accepted by you, on or before the earlier of:
  - (i) the day one month after the latter of the date this Offer is validly accepted by you and the date of this Offer, or the contract resulting from your acceptance of this Offer, becomes unconditional; or
  - (ii) 21 days after the end of the Offer Period;
- (b) if LPF3 is given the Acceptance Documents after this Offer is accepted by you and before the end of the Offer Period, and the Offer is still subject to a defeating condition at that time, on or before the earlier of:
  - (i) the day that is one month after the date the contract resulting from your acceptance of this Offer becomes unconditional; or
  - (ii) 21 days after the end of the Offer Period;
- (c) if LPF3 is given the Acceptance Documents after this Offer is accepted by you and before the end of the Offer Period, and the Offer is free of any defeating condition at that time, on or before the earlier of:
  - (i) the day that is one month after LPF3 is given the Acceptance Documents; or
  - (ii) 21 days after the end of the Offer Period; or
- (d) if LPF3 is given the Acceptance Documents after this Offer is accepted by you and after the end of the Offer Period:
  - (i) if at the time LPF3 is given the Acceptance Documents, the contract resulting from your acceptance of this Offer is unconditional, within 21 days after LPF3 is given the Acceptance Documents; or
  - (ii) if at the time LPF3 is given the Acceptance Documents, the contract resulting from your acceptance of this Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance set out in subsections 652(C)(1) or (2) of the Corporations Act, within 21 days after the contract becomes unconditional.

If LPF3 is not given the Acceptance Documents within one month after the end of the Offer Period, LPF3 may avoid any contract resulting from the acceptance of this Offer as if it had never been formed, and will have no liability to you arising out of this Offer or any acceptance thereof.

If, at the time of acceptance of this Offer, you are resident in or a resident of a place outside Australia or New Zealand, you will not be entitled to receive any consideration under this Offer until all requisite authorities or clearances of the Reserve Bank of Australia or the ATO have been obtained. There are currently no foreign registered holders of Blue Tower Units. In the event a foreign person becomes a registered holder of Blue Tower Units after the date of issue of this Bidder's Statement, then LPF3 will adapt the acceptance difference in accordance with usual practice adopted by Australian bidders to accommodate that situation.

If you accept this Offer, LPF3 is entitled to all Rights in respect of your Blue Tower Units. LPF3 may require you to provide all documents necessary to vest title to those Rights in LPT3 Responsible Entity (or its Custodian), or otherwise to give it the benefit or value of those Rights. If you do not do so before LPF3 has provided the consideration to you, LPF3 will be entitled to deduct the amount (or value, as reasonably assessed by LPF3) of such Rights from the consideration otherwise due to you. Any such deduction will be made from any Stapled Securities otherwise due to you on the basis that one Stapled Security is worth \$1.0591.

Stapled Securities issued under the Offer will be issued as fully paid and will rank equally for distributions and other Rights in all respects with existing Stapled Securities. The Rights attaching to Stapled Securities are described at section 5.3.

## 8.7 Conditions of the Offer

Subject to section 8.8, this Offer and any contract resulting from your acceptance of this Offer, are conditional on satisfaction or waiver by LPF3 of the following conditions:

### Condition precedent

- (a) Minimum acceptance condition

Before the end of the Offer Period, LPT3 has a relevant interest in 90% or more of Blue Tower Units then on issue.

### Conditions subsequent

- (b) Approved resolutions

Before the end of the Offer Period, the Stapled Security Holders approve resolutions 2A, 2B, 2C, 3, 4 and 5A as set out in the Notice of EGM.

- (c) No material acquisitions, disposals or waivers of pre-emptive rights

Except for any proposed transaction publicly announced by Blue Tower prior to the date of this Bidder's Statement, none of the following events occur during the period from the date of this Bidder's Statement to the end of the Offer Period:

- (i) Blue Tower Trust disposes, or agrees to dispose of one or more companies, businesses or assets (or an interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$500,000;
- (ii) Blue Tower Trust waives, or otherwise impedes, encumbers or disposes of, its rights under any pre-emptive right or rights of first refusal in respect of any asset which has a value of more than \$500,000;
- (iii) Blue Tower Trust disposes, or agrees to dispose of any part of its interest in any joint venture, trust or partnership:
  - (A) in which Blue Tower Trust has an interest which is valued in the most recent balance sheet of Blue Tower Trust at \$500,000 or more; and
  - (B) which results in a change of control of the assets the subject of the joint venture, trust or partnership;
- (iv) Blue Tower Trust enters into or announces that it proposes to enter into any joint venture, franchise, trust or partnership, involving a commitment of greater than one year or a commitment of greater than \$500,000; or
- (v) Blue Tower Trust enters into a franchising arrangement giving a third party rights in relation to its real property or intellectual property.

(d) No material adverse change

Before the end of the Offer Period, there not having occurred, been announced or become known to LPF3 (whether or not becoming public) any event, change or condition that has had, or could reasonably be expected to have, a material adverse effect on the business, financial or trading position, assets or liabilities, profitability or prospects of Blue Tower Trust taken as a whole since 31 December 2005 except for such events, changes or conditions disclosed in public filings by Blue Tower Trust prior to the date of this Bidder's Statement, and any event, change or condition that may arise as a consequence of the announcement or consummation of the Offer, including where it becomes known to LPF3 that information publicly filed by Blue Tower Trust prior to or after the date of this Bidder's Statement, is or is likely to be, incomplete, incorrect, or untrue or misleading.

(e) No persons exercising rights under certain agreements or instruments

There is no person:

- (i) entitled to exercise;
- (ii) exercising or purporting to exercise; or
- (iii) stating an intention to exercise,

any rights under any provision of any agreement or other instrument:

- (iv) to which Blue Tower Trust is a party;
- (v) which give rise to a right of indemnity out of the assets of Blue Tower Trust; or
- (vi) by or to which Blue Tower Trust or any of its assets may be bound or be subject,

which results or could result in:

- (vii) any amount in excess of \$500,000 being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
- (viii) any amount in excess of \$500,000 becoming payable by way of fee, penalty or premium or in satisfaction of any other contingent right or entitlement;
- (ix) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder, to an extent which is material in the context of Blue Tower Trust as a whole;
- (x) the interest of Blue Tower Trust in any material firm, joint venture, trust, corporation or other entity or asset (or any arrangements relating to such interest) being terminated or modified;
- (xi) the business of Blue Tower Trust with any other person being materially adversely affected; or
- (xii) Blue Tower Trust disposing, or being required to dispose of, any interest in any asset for an amount in aggregate greater than \$500,000 including, without limitation, pursuant to the exercise of any pre-emptive right or right of first refusal,

other than as disclosed in full to BSX prior to the date of this Bidder's Statement.

(f) No long-term arrangements

Neither Blue Tower Trust nor any of its related entities, is, becomes a party to, or announces an intention to enter into, any management agreement:

- (i) which has a term in excess of one year;
- (ii) which is not in the ordinary course of business of Blue Tower Trust; or
- (iii) which has a total value or involves total expenditure over the term of the agreement in excess of \$500,000,

where such agreement has not been disclosed in full to BSX prior to the date of this Bidder's Statement.

(g) No related party transactions

Except for any related party transaction publicly announced by Blue Tower Trust prior to the date of this Bidder's Statement, during the period from the date of this Bidder's Statement to the end of the Offer Period, neither Blue Tower Trust enters into or otherwise becomes a party to any transaction with a related party or related entity (as those terms are defined in the Corporations Act).

(h) No prescribed occurrence

None of the occurrences listed in sections 652C(1)(a) to (h) inclusive and 652C(2)(a) to (e) inclusive of the Corporations Act occur during the period from the date of this Bidder's Statement to the date three business days after the end of the Offer Period, ie:

- (i) Blue Tower Trust converting any of its units into a larger or smaller number of units;
- (ii) Blue Tower Trust resolving to reduce its unit capital in any way;
- (iii) Blue Tower Trust:
  - (A) entering into a buy-back agreement; or
  - (B) resolving to approve the terms of a buy-back agreement under subsection 257C(1) or 257D(1) of the Corporations Act;
- (iv) Blue Tower Trust issuing any units, or granting an option over its units, or agreeing to make such an issue or grant such an option;
- (v) Blue Tower Trust issuing, or agreeing to issue, any convertible notes;
- (vi) Blue Tower Trust disposing, or agreeing to dispose, of the whole or a substantial part of its business or property;
- (vii) Blue Tower Trust charging, or agreeing to charge, the whole, or a substantial part, of its business or property;
- (viii) Blue Tower Trust resolving to be wound up;
- (ix) a liquidator or provisional liquidator of Blue Tower Trust being appointed;
- (x) a court makes an order for the winding up of Blue Tower Trust;
- (xi) an administrator of Blue Tower Trust is appointed under section 436A, 436B or 436C of the Corporations Act;
- (xii) Blue Tower Trust Responsible Entity executing a deed of company arrangement;
- (xiii) a receiver, or a receiver and manager being appointed in relation to the whole, or a substantial part, of the property of Blue Tower Trust;

(i) ASIC Relief

LPF3 is granted any ASIC relief necessary for the Takeover bid to proceed in the form anticipated.

(j) ACCC

- (i) At the end of the Offer Period, the ACCC has not commenced or advised in writing that it intends to commence legal proceedings seeking orders to restrain the acquisition of Blue Tower Trust by LPF3 under the Offer.
- (ii) Before the end of the Offer Period, the notice in writing received by LPF3 from the ACCC stating, or stating to the effect, that:
  - (A) the ACCC does not propose to intervene or seek to prevent the acquisition of Blue Tower Units by LPF3 pursuant to section 50 of the Trade Practices Act 1974 (Cth); and
  - (B) the ACCC does not seek to impose conditions on LPF3's acquisition of units in Blue Tower Trust or require undertakings from LPF3 (or any related entity of LPF3) in relation to the acquisition of Blue Tower Units,has not been withdrawn, revoked or amended.

(k) Other Regulatory Approvals

Before the end of the Offer Period, all Approvals as are necessary to permit the Offer to be lawfully made to and accepted by Blue Tower Unitholders are granted, given, made or obtained on an unconditional basis and, at the end of the Offer Period, remain in full force and effect in all respects and are not subject to any notice, intimation or indication of intention to revoke, suspend, restrain, modify or not review the same.

(l) No regulatory action

During the period beginning on the date of this Bidder's Statement and ending at the end of the Offer Period:

- (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority;
- (ii) no action or investigation is announced, commenced or advised by any Public Authority; and
- (iii) no application is made to any Public Authority (other than by LPF3 or any of its associates),

in consequence of or in connection with the Offer (other than an application to, or a decision or order by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede the making of the Offer, or the acquisition of Blue Tower Units under the Offer, or the completion of the transaction contemplated by LPF3 including full, lawful and effectual implementation of its intentions set out in the Bidder's Statement or seeks to require the divestiture by LPT3 of any Blue Tower Units, or the divestiture of any material assets of Blue Tower Trust.

(m) Other matters

During the period between the date of this Bidder's Statement and ending at the end of the Offer Period Blue Tower Trust does not, without the written consent of LPF3:

- (i) declare or distribute any distribution, bonus or other share of its profits or assets other than the proposed \$2 million return of capital (refer to section 8.2);
- (ii) make any change in its constitution;
- (iii) release, discharge or modify any obligation owed to it of a value exceeding \$500,000 or agree to do so;
- (iv) enter or agree to enter into any contract of service or vary or agree to vary any existing contract of service with any director or manager, or pay or agree to pay any retirement benefit or allowance to any director, manager, or make or agree to make any substantial change in the basis or amount of remuneration of any director or manager (other than in each case as required by law or provided under any superannuation or retirement scheme as in effect on the date of this Bidder's Statement) to the extent that any of these matters (or any combination of these matters) would give rise to a liability of Blue Tower Trust of an amount exceeding \$500,000;
- (v) has commenced against it any material claims or proceedings in any court or tribunal;
- (vi) become subject to investigation under the Australian Securities and Investments Commission Act 2001 (Cth) or any corresponding legislation (other than in connection with the Offer) and that has a material adverse effect on the Offer.

## **8.8 Provisions specific to conditions**

### **Nature of conditions**

Each of the conditions set out in section 8.7:

- (a) constitutes and shall be construed as a separate, several and distinct condition and shall not merge on completion of any contract arising from acceptance of the Offer;
- (b) is a condition subsequent (with the exception of the condition specified in section 8.7(a), which is a condition precedent); and
- (c) until the expiration of the Offer Period will be for the benefit of LPF3 alone and may be relied upon only by LPF3 (with the exception of the condition specified in section 8.7(a), which is a condition precedent).

### **Minimum acceptance condition**

The minimum acceptance condition specified in section 8.7(a) is a condition precedent. Any acceptance of the Offer will not create a legally binding contract unless and until the condition in section 8.7(a) is fulfilled.

### **Effect of non-fulfilment**

The breach or non-fulfilment of any of the conditions subsequent set out in section 8.7 does not prevent a contract arising to acquire your Blue Tower Units resulting from your acceptance of this Offer, but if in respect of any condition in section 8.7:

- (a) that condition is breached or not fulfilled, LPF3 may, by written notice to you, rescind the contract resulting from your acceptance as if that contract had not been formed; and
- (b) at the end of the Offer Period:
  - (i) the Offers have not been declared free from that condition; and
  - (ii) that condition has not been fulfilled,then all contracts resulting from the acceptance of Offers and all acceptances that have not resulted in binding contracts are void. In such a case, LPF3 will return any Acceptance Form, and all documents forwarded by you with the Acceptance Form, to your address shown on the Acceptance Form.

### **LPF3 may decide the Offer is free from all or any of the conditions**

LPF3 may, not less than seven days before the end of the Offer Period at its sole discretion (but in compliance with section 650F of the Corporations Act), and by notice in writing to Blue Tower Trust, declare the Offer, and any contracts arising from acceptance of the Offer, free from all or any of the conditions set out in section 8.7 generally or in relation to any specific occurrence (refer to section 8.12 for information on LPF3 freeing the Offer from conditions).

### **Date for giving notice of status of conditions**

The date specified for the publication of the notice as to the status of the conditions set out in section 8.7 referred to in section 630(1) of the Corporations Act is 12 September 2006, subject to extension in accordance with section 630(2) of the Corporations Act in the event that the Offer Period is extended.

## **8.9 Effect of Acceptance**

By signing and returning an Acceptance Form to LPF3, and/or by otherwise initiating acceptance of the Offer, you will be deemed to have:

- (a) subject to the satisfaction of the condition specified in section 8.7(a), which is a condition precedent, irrevocably accepted the Offer in respect of all your Blue Tower Units, notwithstanding any difference between that number and the number of Blue Tower Units shown on the Acceptance Form;



- (b) agreed to transfer to LPT3 Responsible Entity (or its Custodian) all of your Blue Tower Units, subject to this Offer being declared free from the conditions set out in this Bidder's Statement (or such conditions being satisfied or waived);
- (c) irrevocably authorised LPF3 to alter the Acceptance Form on your behalf, including by inserting correct details of your Blue Tower Units, filling in any blanks remaining on the Acceptance Form and rectifying any errors in, and omissions from, the Acceptance Form as may be necessary to make the Acceptance Form a valid acceptance of this Offer and to enable registration of the transfer of your Blue Tower Units to LPT3 Responsible Entity (or its Custodian);
- (d) applied for the Stapled Securities constituting the consideration to which you are entitled pursuant to this Offer, authorised LPF3 to allot and issue those Stapled Securities to you, and agreed to be bound by the Constitution and Trust Deed;
- (e) represented and warranted to LPF3, as a condition of the contract resulting from your acceptance of the Offer, that at the time of acceptance and at the time of transfer to LPT3 Responsible Entity (or its Custodian):
  - (i) you have paid to Blue Tower Trust all amounts which at the time of acceptance have fallen due for payment in respect of your Blue Tower Units (if any);
  - (ii) all of your Blue Tower Units are fully paid and LPT3 Responsible Entity (or its Custodian) will acquire good title to them and full beneficial ownership free from all mortgages, charges, liens and other encumbrances of any nature and that you have full power and capacity to sell and transfer all your Blue Tower Units; and
  - (iii) your Blue Tower Units do not comprise a foreign holding, unless otherwise stated on the Acceptance Form;
- (f) represented and warranted to, and agreed with LPF3, that your Blue Tower Units in respect of which you have accepted the Offer will be purchased by LPT3 Responsible Entity (or its Custodian) with all Rights and that you will execute all such instruments as LPT3 Responsible Entity (or its Custodian) may require for the purpose of vesting in it any such Rights;
- (g) from the date of the Offer becoming unconditional, irrevocably appointed LPT3 Responsible Entity and each of its Directors, secretaries and officers from time to time severally as your agent and attorney for you and on your behalf, to do all things which you could lawfully do in relation to your Blue Tower Units, including without limitation, to:
  - (i) attend and vote in respect of your Blue Tower Units at any and all meetings of Blue Tower Trust;
  - (ii) requisition or join with other holders of Blue Tower Units in requisitioning and/or convening a meeting of the members of Blue Tower Trust;
  - (iii) demand a poll for any vote to be taken at any meeting of Blue Tower Trust;
  - (iv) propose or second any resolutions to be considered at any and all meetings of Blue Tower Trust;
  - (v) appoint a Director of the LPT3 Responsible Entity as the attorney and agent to appoint proxy or proxies to attend and vote on your behalf in respect of your Blue Tower Units at any meeting of Blue Tower Trust;
  - (vi) execute all forms, notices and instruments (including an instrument appointing a Director of LPT3 Responsible Entity as a proxy) in respect of any or all of your Blue Tower Units and resolutions relating to your Blue Tower Units and generally to exercise all powers and rights which you may have as a security holder and perform such action as may be appropriate in order to vest good title in your Blue Tower Units in LPT3 Responsible Entity (or its Custodian); and
  - (vii) do all things incidental and ancillary to the foregoing,

and to have agreed that, in exercising such powers, any such agent and attorney is entitled to act in the interests of LPT3 Responsible Entity (or its Custodian) as the beneficial owner and intended registered holder of your Blue Tower Units;

- (h) agreed to fully indemnify LPT3 Responsible Entity (or its Custodian) in respect to any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Unitholder Reference Number, or in consequence of the transfer of your Blue Tower Units being registered by LPT3 Responsible Entity (or its Custodian) without production of your Unitholder Reference Number for your Blue Tower Units;
- (i) irrevocably authorised and directed Blue Tower Responsible Entity to pay LPT3 Responsible Entity (or its Custodian) or to account to LPT3 Responsible Entity (or its Custodian) for all Rights in respect of your Blue Tower Units subject, however, to any such Rights received by LPT3 Responsible Entity (or its Custodian) being accounted for by LPT3 Responsible Entity (or its Custodian) to you if this Offer is withdrawn or the contract which results from your acceptance of this Offer is rescinded or rendered void in accordance with section 8.8; and
- (j) except where Rights have been paid or accounted for under the previous paragraph (i) of this section 8.9, irrevocably authorised LPT3 Responsible Entity and its Directors from time to time jointly and severally as your attorney in your name and on your behalf, with effect from the date that the Offer, or any contract resulting from your acceptance of the Offer, becomes unconditional, to execute all such instruments as LPT3 Responsible Entity (or its Custodian) may require for the purpose of vesting in it any such Rights;
- (k) represented and warranted to LPT3 Responsible Entity (or its Custodian) that, unless you have notified LPT3 Responsible Entity in accordance with section 8.13, your Blue Tower Units do **not** consist of separate parcels;
- (l) from the date of the Offer becoming unconditional, agreed not to attend or vote in person at any meeting of Blue Tower Trust, or to exercise or purport to exercise any of the powers conferred on LPT3 Responsible Entity under paragraph (g) of this section 8.9; and
- (m) authorised LPT3 Responsible Entity to notify Blue Tower Trust on your behalf that your place of address for the purpose of serving notices upon you in respect of your Blue Tower Units in respect of which you have accepted the Offer is at the registered office of LPF3, being Level 1, 295 Elizabeth Street, Brisbane, Qld 4000, and that all such notices are to be marked care of LPT3 Responsible Entity and to have directed Blue Tower Trust to serve all correspondence, payments or notifications in respect of those Blue Tower Units to LPF3 at that address.

Where you have satisfied the requirements for acceptance in respect of only some of your Blue Tower Units, LPT3 Responsible Entity may, in its sole discretion, regard the Offer to have been accepted in respect of those Blue Tower Units, but not the remainder.

## **8.10 Withdrawal**

LPF3 may withdraw this Offer at any time with the written consent of ASIC and subject to the conditions (if any) specified in such consent. If LPF3 withdraws this Offer, all contracts resulting from its acceptance will be automatically void.

## **8.11 Variation/Extension**

LPF3 may vary or extend this Offer in accordance with Part 6.6 of the Corporations Act.

## **8.12 Freeing the Offer from conditions**

Subject to section 650F of the Corporations Act, LPF3 may declare the Offer free from all or any of the conditions in section 8.7 generally or in relation to any specific occurrence by giving notice in writing to Blue Tower Trust:



- (a) in relation to the condition in section 8.7(h) not later than three business days after the end of the Offer Period; and
- (b) in relation to the remaining conditions in section 8.7, not less than seven days before the end of the Offer Period.

### 8.13 Who may accept the Offer

An offer in the form of this Offer and bearing the same date is being made to each Blue Tower Unitholder registered in Blue Tower Trust's unitholder register as at 7.00 pm on the Record Date.

If, at any time during the Offer Period and before this Offer is accepted, another person is able to give good title to some or all of your Blue Tower Units (the 'Transferred Securities') then:

- (a) a corresponding Offer shall be deemed to have been made at that time to that other person in respect of the Transferred Securities;
- (b) a corresponding Offer shall be deemed to have been made to you in respect of your Blue Tower Units other than the Transferred Securities; and
- (c) this Offer shall be deemed to have been withdrawn immediately after making such corresponding Offers.

If, at any time during the Offer Period and before you accept the Offer, your Blue Tower Units to which the Offer relates consist of two or more separate parcels for the purposes of section 653B of the Corporations Act then, in accordance with section 653B of the Corporations Act, the Offer shall be deemed at that time to consist of separate corresponding 'offers' made to you in relation to the respective separate parcels of Blue Tower Units and an acceptance by you of any of those separate corresponding offers is ineffective unless you have given to LPF3 a notice which must be in writing, indicating that your Blue Tower Units consist of separate parcels and the acceptance indicates the number of Blue Tower Units in the separate parcels to which the acceptance relates, provided that you may at the one time accept two or more such separate corresponding offers as if they were a single offer in relation to separate parcels of Blue Tower Units.

If this applies to you, you should contact the Fund for as many additional copies of this Bidder's Statement and Acceptance Forms as are necessary.

### 8.14 Other matters

Subject to the Corporations Act, a notice or other communication given by LPF3 to you in connection with the Takeover bid shall be deemed to be duly given if it is in writing and:

- (a) is delivered at your address as recorded on the register of unitholders of Blue Tower Trust or the address shown on the Acceptance Form; or
- (b) is sent by pre-paid ordinary mail, or in the case of an address outside Australia by pre-paid airmail, to you at either of those addresses.

If:

- (a) this Offer is withdrawn after your Acceptance Form has been sent to LPF3, but before it has been received; or
- (b) for any other reason LPF3 does not acquire the Blue Tower Units to which your Acceptance Form relates,

LPF3 will dispatch at your risk your Acceptance Form together with all other documents forwarded by you to your address as shown on the Acceptance Form or such other address as you may notify in writing to LPF3 by, where such address is inside Australia, pre-paid ordinary post, or, where such address is outside Australia, pre-paid airmail post.

**8.15 No brokerage or stamp duty payable by holders**

No brokerage or stamp duty is payable by holders of Blue Tower Units upon accepting this Offer.

**8.16 Governing law**

This Offer and any contract that results from your acceptance of this Offer are governed by the laws in force in Queensland.

**8.17 Date of Offer**

This Offer is dated 3 August 2006.

## 9. Approval of Bidder's Statement

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Each of the Directors of Leyshon Corporation Limited (responsible entity for Leyshon Property Trust No. 3) and Leyshon Developments No. 3 Limited has consented to the issue of this Bidder's Statement and have passed a unanimous resolution dated 19 July 2006 to approve and lodge this Bidder's Statement.

Dated 19 July 2006



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Neil Summerson  
Chairman

Leyshon Corporation Limited (responsible entity for Leyshon Property Trust No. 3) and  
Leyshon Developments No. 3 Limited

## Annexure A – Summary of BSX announcements

Date	Title	Summary
16 May 2006	Changes to Board	Leyshon Property Fund No. 3 announces that Neil Summerson has been appointed as Director and Chairman, and Sally Smith has resigned as Director.
3 May 2006	Notice of Initial Substantial Stapled Security Holder	ANZ Nominees Limited notifies Leyshon Property Fund No. 3 that it has acquired 5.94% voting power on 19 May 2005.
28 April 2006	Quarterly Investor Report 31/3/06	Leyshon Property Fund No. 3 Investors' Report for quarter ended 31 March 2006.
13 April 2006	Notice of Substantial Stapled Security Holder	Keats Group Pty Ltd atf the Guy Keats Family Trust notifies Leyshon Property Fund No. 3 that it acquired 23.72% voting power on 20 December 2004.
13 April 2006	Increase in Substantial Stapled Security Holder	Keats Group Pty Ltd atf the Guy Keats Family Trust notifies Leyshon Property Fund No. 3 that it increased its voting power from 23.72% to 25.28% on 1 April 2005.  Keats Group Pty Ltd atf the Guy Keats Family Trust notifies Leyshon Property Fund No. 3 that it decreased its voting power from 25.28% to 23.78% on 19 May 2005.
3 April 2006	Decrease in Substantial Shareholding	Leyshon Operations Pty Ltd notifies Leyshon Property Fund No. 3 that it decreased its voting power from 22.45% to 21.29% on 31 March 2006.
31 March 2006	Distribution Notification	Leyshon Property Fund No. 3 announces quarterly distribution for quarter ended 31 March 2006, distribution payment date 28 April 2006 of 8 cents per Stapled Security per annum.
31 March 2006	Notice of AGM	Leyshon Property Fund No. 3 gives notice of Annual General Meeting to be held on 2 May 2006.
31 March 2006	Notice of Change in Interest of Substantial Shareholder	Leyshon Operations Pty Ltd notifies Leyshon Property Fund No. 3 that it decreased its voting power from 31.8% to 30.6% on 30 June 2005.
30 March 2006	Notice of Change in Substantial Stapled Security Holder	Leyshon Operations Pty Ltd notifies Leyshon Property Fund No. 3 that it decreased its voting power from 42.3% to 31.8% on 1 April 2005.
30 March 2006	Notice of Initial Substantial Stapled Security Holder	Leyshon Operations Pty Ltd notifies Leyshon Property Fund No. 3 that it acquired 42.3% voting power on 20 December 2004.
16 March 2006	Half Yearly Accounts - 31 December 2005	Leyshon Property Fund No. 3 Interim Financial Report half year ended 31 December 2005.
16 March 2006	Annexure 3A - 31 December 2005	Leyshon Property Fund No. 3 Half yearly disclosure for 1 July 2005 to 31 December 2005.

Date	Title	Summary
1 February 2006	Quarterly Investor Report 31/12/05	Leyshon Property Fund No. 3 Investors' Report for quarter ended 31 December 2005.
19 December 2005	Distribution Notification	Leyshon Property Fund No. 3 announces quarterly distribution for quarter ended 31 December 2005, distribution payment date 21 January 2006 of 8 cents per Stapled Security per annum.
28 October 2005	Quarterly Investor Report 30/9/05	Leyshon Property Fund No. 3 Investors' Report for quarter ended 30 September 2005.
29 September 2005	Distribution Notification	Leyshon Property Fund No. 3 announces quarterly distribution for quarter ended 30 September 2005, distribution payment date 31 October 2005 of 8 cents per Stapled Security per annum.
22 September 2005	Annual Report 2004/05	Leyshon Property Fund No. 3 Annual Report for the year ended 30 June 2005.
8 September 2005	Annexure 3A - 30 June 2005	Leyshon Property Fund No. 3 Yearly disclosure for the year ended 30 June 2005.
2 August 2005	Top 20 security holders	Leyshon Property Fund No. 3 top 20 security holders.
29 July 2005	Quarterly Investor Report 30/6/05	Leyshon Property Fund No. 3 Investors' Report for quarter ended 30 June 2005.
26 July 2005	Proposed sale of property	Leyshon Property Fund No. 3 announces it has placed two commercial office buildings on the market, located behind the Fund's London Woolstore apartments development at Teneriffe.
30 June 2005	Closure of Prospectus and PDS	Leyshon Property Fund No. 3 announces that its Prospectus and PDS dated 8 November 2004 has been fully subscribed with \$35 million being raised and allotted. The Prospectus and PDS is now closed.
30 June 2005	Distribution Notification	Leyshon Property Fund No. 3 announces quarterly distribution for quarter ended 30 June 2005, distribution payment date 29 June 2005 of 8 cents per Stapled Security per annum.
30 June 2005	Quotation of additional securities	Leyshon Property Fund No. 3 applies for quotation of additional 1,353,000 Stapled Securities.
8 June 2005	Acquisition of redevelopment site	Leyshon Property Fund No. 3 announces the acquisition of a redevelopment site at Palm Beach on Queensland's Gold Coast for approximately \$11 million.
20 May 2005	Investor Report 31/3/05	Leyshon Property Fund No. 3 quarterly Investor's Report which covers the period from 21 December 2004 to 31 March 2005.

<b>Date</b>	<b>Title</b>	<b>Summary</b>
19 May 2005	Quotation of additional securities	Leyshon Property Fund No. 3 applies for quotation of additional 2,000,000 stapled securities.
19 April 2005	Distribution Notification	Leyshon Property Fund No. 3 announces quarterly distribution for quarter ended 31 March 2005, distribution payment date 29 April 2005 of 8 cents per Stapled Security per annum.
1 April 2005	Quotation of additional securities	Leyshon Property Fund No. 3 applies for quotation of additional 6,350,000 stapled securities.
16 March 2005	Half Yearly Accounts - 31 December 2004 and Annexure 3A	Leyshon Property Fund No. 3 Interim Financial Report for the period ended 31 December 2004.
28 January 2005	Distribution Notification	Leyshon Property Fund No. 3 announces quarterly distribution for quarter ended 31 December 2004, distribution payment date 28 January 2005 of 8 cents per Stapled Security per annum.
23 December 2004	Initial Directors' interests	Summary of Directors' interests in Stapled Securities.
22 December 2004	Commencement of quotation	Leyshon Property Fund No. 3 admitted to the Official List of BSX on 23 December 2004 with 25,297,000 fully paid Stapled Securities.
22 December 2004	Open Prospectus and PDS	Leyshon Property Fund No. 3 announces that its Prospectus and PDS offer remains open until 15 June 2005, and Investors should be aware that any bid price should be compared with the offer price of \$1.00 contained in the Prospectus and PDS.
22 December 2004	Distribution reinvestment plan	Once activated, the Plan enables an Equity Investor to reinvest a cash distribution from all or part of their Stapled Security Holding to acquire additional Stapled Securities at the greater of an amount equal to the Net Asset Value of the Fund divided by all Stapled Securities on issue or \$1.00.
22 December 2004	Top 20 security holders	Leyshon Property Fund No. 3 top 20 Stapled Security Holders.
22 December 2004	Listing contract	Leyshon Property Trust No. 3 and Leyshon Developments No. 3 Limited together known as the Leyshon Property Fund No. 3 agreement for admission to the BSX Official List.
22 December 2004	Prospectus and PDS	Leyshon Property Fund No. 3 announces it is seeking to raise \$30 million in equity to invest in and develop a portfolio of quality property projects.

<b>Date</b>	<b>Title</b>	<b>Summary</b>
22 December 2004	Stapling and Asset Management Deed	Agreement between Leyshon Corporation Limited as Responsible Entity for Leyshon Property Trust No. 3, Leyshon Developments No. 3 Limited and Leyshon Corporation Limited for stapling of the shares and units and asset management.
22 December 2004	Distribution Notification schedule for 2004/05	Leyshon Property Fund No. 3 announces the proposed quarterly distribution amounts for December 2004, March 2005, June 2005 of 8 cents per Stapled Security per annum.
22 December 2004	Custody Agreement	Leyshon Corporation Limited as trustee for Leyshon Property Trust No. 3 appoints The Public Trustee of Queensland as Custodian.
22 December 2004	Trust Deed	Leyshon Property Trust No. 3 Trust Deed.
22 December 2004	Constitution	Leyshon Developments No. 3 Limited Constitution.
21 December 2004	Listing application	Leyshon Property Trust No. 3 and Leyshon Developments No. 3 Limited together known as Leyshon Property Fund No. 3 application for admission to the BSX Official List.

### **Interim Consolidated Financial Report**

### **LEYSHON PROPERTY FUND NO. 3**

Comprising the consolidated financial reports of  
Leyshon Developments No. 3 Limited ABN 56 111 628 589  
and its controlled entities  
and Leyshon Property Trust No. 3 ABN 95 909 819 176

**Half Year Ended  
31 December 2005**



## **Directors' Report**

The Directors of Leyshon Developments No. 3 Limited (LDL3) and the Directors of Leyshon Corporation Limited (LCL) as Trustee and Responsible Entity for Leyshon Property Trust No. 3 (LPT3) present their report together with the financial statements for Leyshon Property Fund No. 3 ("the Consolidated Group") being LDL3 ("the Parent Entity") and its controlled entities, and LPT3 ("the Trust") for the half-year ended 31 December 2005 and the auditor's report thereon.

## **DIRECTORS**

During the period to 31 December 2005 and up to the date of this report the following persons were directors of LDL3 and were directors of LCL as Trustee and Responsible Entity for LPT3 respectively.

### **LDL3**

R Bryan	Date of Appointment 02/11/2004
G McMahon	Date of Appointment 02/11/2004
W Collins	Date of Appointment 02/11/2004
M O'Reilly	Date of Appointment 02/11/2004
S Bryan	Date of Appointment 02/11/2004
S Smith	Date of Appointment 02/11/2004
K Pickard	Date of Appointment 02/11/2004

**Company Secretary** Christina Little

### **LCL as Trustee and Responsible Entity for LPT3**

G McMahon	Date of Appointment 01/11/1999
W Collins	Date of Appointment 14/05/2003
M O'Reilly	Date of Appointment 14/05/2003
N Summerson	Date of Appointment 11/06/2004

**Company Secretary**

C Little

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

## **Directors' Report (continued)**

### **STRUCTURE OF THE FUND**

The Fund was created upon the issue of shares by LDL3 and units by LPT3 and the stapling of the securities on 21 December 2004.

LDL3 was incorporated on 2 November 2004 and issued shares under a Prospectus and Product Disclosure Statement dated 8 November 2004 as part of an equity raising for the Fund. Leyshon Palm Beach Developments Pty Ltd was incorporated on 21 March 2005 as a wholly owned subsidiary of LDL3.

LPT3 was created by a Trust Deed dated 14 May 2004, which was subsequently amended on 8 November 2004, 9 March 2005 and 27 June 2005. Units were issued under a Prospectus and Product Disclosure Statement dated 8 November 2004 as part of an equity raising for the Fund.

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 Bendigo Stock Exchange (BSX). The stapled securities cannot be traded or dealt with separately.

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

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

The Fund is subject to a Stapling and Asset Management Deed dated 8 November 2004, whereby LCL in its own capacity is the Manager of the Fund and Asset Manager of the projects of the Fund.

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

- (a) Subject to the Law, the BSX Listing Rules and approval by resolution of the shareholders and unitholders, the Manager may determine that the provisions of LPT3's Trust Deed relating to stapling will cease to apply. If they do so, they may at a later time give notice that the application of the provisions is to recommence.
- (b) Each unit will remain stapled to the share to which it is stapled to form a stapled security until the date the units are unstapled. Securities will cease to be stapled to any security which ceases to be on issue.
- (c) A provision of LPT3's Trust Deed relating to stapling may not be amended except with the prior written consent of the Manager.

## Directors' Report (continued)

### REVIEW OF OPERATIONS AND CHANGES TO STATE OF AFFAIRS

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

- 99 Melbourne Street, South Brisbane, a recently constructed commercial office building;
- London Woolstore at Vernon Terrace, Teneriffe involving the conversion and refurbishment of three former woolstore buildings into 89 residential apartments, car parking, nine retail shops and commercial office space;
- Palm Beach Plaza, Gold Coast Highway, Palm Beach. This site is to be developed into an approximate 5,000 square metre retail and commercial complex and approximately 200 residential apartments. The project is to be developed in two stages over 2006 – 2008; and
- Future projects which satisfy the Fund Manager's project selection criteria.

### First Financial Report under the Australian equivalents to International Financial Reporting Standards (AIFRSs)

This interim financial report is the first Fund interim financial report to be prepared in accordance with AIFRSs. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements. When preparing the Fund interim financial report for the half-year ended 31 December 2005, management has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS. The comparative figures were restated to reflect these adjustments. Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Fund's equity and net profit are set out in Note 1 (c).

### FINANCIAL RESULTS

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

#### (a) Property Development

Property Development's net loss after tax of \$1,362,791 (Period 21 December 2004 to 31 December 2004 Profit: \$8,259) resulted from the pre-development costs of the Palm Beach project being expensed to date (excluding land costs and associated transaction costs). Revenues and profits from the development of the London Woolstore project will be recognised upon settlement of the respective apartments which is expected to commence in the six months period ending 30 June 2006.

**Directors' Report (continued)**

**FINANCIAL RESULTS (Continued)**

**(b) Property Investment**

The Property Investment division achieved a net profit after tax of \$1,932,411 (Period 21 December 2004 to 31 December 2004: \$37,775) as a result of net commercial rent from the property situated at 99 Melbourne Street, South Brisbane and an increase in the fair value of the property. This property was purchased on 21 December 2004.

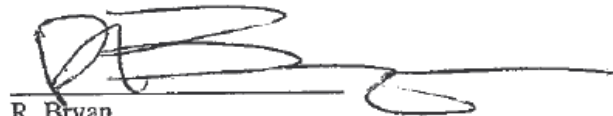
The Net Profit attributable to the security holders for the period 1 July 2005 to 31 December 2005 is \$569,620 (21 December 2004 to 31 December 2004 Profit: \$46,034). This equates to 1.6 cents per security (Period 21 December 2004 to 31 December 2004: 0.9 cents per security) based on the weighted average of 35,000,000 (Period 21 December to 31 December 2004: 5,153,093) securities that were on issue during the period.

**AUDITOR'S INDEPENDENCE DECLARATION**

The Directors have obtained an independence declaration from our auditors, Ernst and Young, as attached at Page 29.

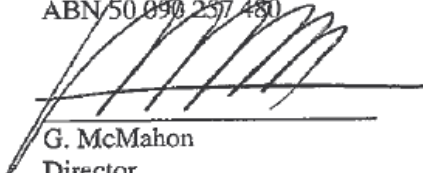
This statement is made in accordance with a resolution of the Directors of LDL3 and the Directors of LCL as Trustee and Responsible Entity for LPT3.

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



R. Bryan  
Director  
Brisbane, 16 March 2006

On behalf of the Board  
Leyshon Corporation Limited as Trustee and Responsible Entity for  
Leyshon Property Trust No. 3  
ABN 50 090 237 480



G. McMahon  
Director  
Brisbane, 16 March 2006

## Condensed Income Statement

### HALF-YEAR ENDED 31 DECEMBER 2005

		Consolidated	
	Note	6 months to 31 December 2005 \$	Period to 31 December 2004 \$
<b>Revenue and Other Income</b>			
Revenue from operating activities	3	1,610,951	66,839
Interest revenue	3	301,751	23,667
		<u>1,912,702</u>	<u>90,506</u>
Fair value movements in investment properties		<u>1,500,554</u>	<u>0</u>
Total Revenue and Other Income		3,413,256	90,506
Amortisation expenses	3	(218,577)	(2,848)
Borrowing expenses	3	(555,936)	(31,913)
Insurance		(32,147)	(2,220)
Development costs expensed		(2,156,668)	0
Land tax		(18,900)	(1,529)
Property management fees		(18,666)	(814)
Recoverable outgoings		(115,953)	(1,855)
Security		(5,588)	(246)
Other expenses		(305,203)	(796)
<b>Operating Expenses</b>		<u>(3,427,638)</u>	<u>(42,221)</u>
<b>Profit/(loss) from operating activities</b>		<u>(14,382)</u>	<u>48,285</u>
<b>Income tax expense/(benefit)</b>		<u>(584,002)</u>	<u>2,251</u>
<b>Earnings attributable to members</b>		<u>569,620</u>	<u>46,034</u>
Basic earnings per share (cents)		3.4	0.9
Diluted earnings per share (cents)		3.4	0.9
Distributions per security (cents)		8.0	8.0

Refer to note 1(c)(xvii) and note 11 for earnings per security.

The above Condensed Income Statement should be read in conjunction with the accompanying notes.

## Condensed Balance Sheet

AS AT 31 DECEMBER 2005

	Note	Consolidated	
		31 December 2005	30 June 2005
		\$	\$
<b>CURRENT ASSETS</b>			
Cash assets		8,730,678	12,434,339
Receivables		789,884	1,493,279
Inventories		41,433,418	31,427,331
Other		83,067	44,856
<b>Total current assets</b>		<b>51,037,047</b>	<b>45,399,805</b>
<b>NON-CURRENT ASSETS</b>			
Property investments held directly	6	26,165,492	25,315,492
Lease Incentive Fitout		2,049,811	1,578,519
Inventories		11,599,334	11,599,334
Deferred tax assets		13,365,000	9,073,086
SWAP Loan		9,917	0
<b>Total non-current assets</b>		<b>53,189,554</b>	<b>47,566,431</b>
<b>TOTAL ASSETS</b>		<b>104,226,601</b>	<b>92,966,236</b>
<b>CURRENT LIABILITIES</b>			
Payables		1,996,035	1,111,187
Interest bearing loans and borrowings		30,205,117	22,282,271
<b>Total current liabilities</b>		<b>32,201,152</b>	<b>23,393,459</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest bearing loans and borrowings		23,746,007	23,733,303
Accrued expenses		1,112,795	1,890,119
Deferred tax liability		12,430,025	8,722,114
Other		1,237,060	895,711
<b>Total non-current liabilities (excluding unitholder interests, refer to note 1(c)(xvii))</b>		<b>38,525,887</b>	<b>35,241,246</b>
<b>NET ASSETS ATTRIBUTABLE TO MEMBERS</b>		<b>33,499,562</b>	<b>34,331,531</b>
<b>REPRESENTED BY:</b>			
<b>Attributable to members of the company</b>			
Contributed equity	5	17,218,110	17,218,110
Retained earnings		(1,899,836)	(537,046)
<b>Attributable to members of the parent</b>		<b>15,318,274</b>	<b>16,681,064</b>
<b>Attributable to unitholders of the trust</b>			
Units on issue	1(c)(xvi), 5	14,596,402	16,007,909
Cash flow hedge reserve		9,917	-
Undistributed earnings		3,574,968	1,642,558
<b>Attributable to members of the trust</b>		<b>18,181,287</b>	<b>17,650,467</b>
<b>TOTAL MEMBERS' INTERESTS</b>		<b>33,499,561</b>	<b>34,331,531</b>

The above Condensed Balance Sheet should be read in conjunction with the accompanying notes.



## **Condensed Cash Flow Statement**

### **HALF-YEAR ENDED 31 DECEMBER 2005**

	<b>Consolidated</b>	
	<b>6 months to 31 December 2005 \$</b>	<b>Period to 31 December 2004 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	1,338,833	129,160
Payments to suppliers	(9,482,454)	(153,117)
Interest received	302,631	23,667
Interest and finance costs paid	(1,969,401)	(18,491,277)
<b>Net cash flows (used in) operating activities</b>	<b>(9,810,391)</b>	<b>(18,491,567)</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
Payments for investment properties	554	(25,905,975)
Proceeds from vendor for leasing incentives	0	2,775,181
Payment for inventory	(1,639,556)	0
Refunded deposit	800,000	0
<b>Net cash flows (used in) investing activities</b>	<b>(839,002)</b>	<b>(23,130,794)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from borrowings	7,895,681	26,718,520
Payment of borrowing costs	0	(170,857)
Proceeds from the issue of securities	0	25,297,000
Payment of transaction costs of securities issue	0	(366,887)
Proceeds from borrowings – related party	406,157	0
Distribution to security holders'	(1,356,106)	0
Proceeds / payment for unsecured notes	0	0
<b>Net cash flows from financing activities</b>	<b>6,945,732</b>	<b>51,477,776</b>
<b>Net (decrease)/increase in cash held</b>	<b>(3,703,661)</b>	<b>9,855,415</b>
<b>Cash at the beginning of the reporting period</b>	<b>12,434,339</b>	<b>0</b>
<b>Cash at the end of the reporting period</b>	<b>8,730,678</b>	<b>9,855,415</b>

The above Condensed Cash Flow Statement should be read in conjunction with the accompanying notes.



## Condensed Statement of Changes in Equity

HALF-YEAR ENDED 31 DECEMBER 2005

	CONSOLIDATED			
	Securities Issued \$	Undistributed Income \$	Other reserves \$	Total Equity \$
<b>At 1 July 2004</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Net gains/(losses) on cash flow hedges	0	0	0	0
Total income and expense for the period recognised directly in equity				
Profit for the period attributable to shareholders	0	8,259	0	8,259
Earnings for the period attributable to unitholders	0	37,775	0	37,775
Total income / expense for the period attributable to members	0	46,034	0	46,034
25,297,000 securities issued 21 Dec 2004	25,297,000	0	0	25,297,000
Transaction costs	(393,703)	0	0	(393,703)
Capital distributions to unitholders	(60,990)	0	0	(60,990)
<b>At 31 December 2004</b>	<b>24,842,307</b>	<b>46,034</b>	<b>0</b>	<b>24,888,341</b>
<b>At 1 July 2005</b>	<b>33,226,019</b>	<b>1,105,512</b>	<b>0</b>	<b>34,331,531</b>
Net gains/(losses) on cash flow hedges	0	0	9,917	9,917
Application of AASB132 – reclassification of unitholder equity to debt	(16,007,909)	-	-	(16,007,909)
Total income and expense for the period recognised directly in equity				
Profit for the period attributable to shareholders	0	(1,362,791)	0	(1,362,791)
Earnings for the period attributable to unitholders	0	1,932,411	0	1,932,411
Total income / expense for the period attributable to members	0	569,620	9,917	579,537
<b>At 31 December 2005</b>	<b>17,218,110</b>	<b>1,675,132</b>	<b>9,917</b>	<b>18,903,159</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## **Notes to the Combined Financial Statements**

### **HALF-YEAR ENDED 31 DECEMBER 2005**

#### **1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the Fund's Constitution and the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The financial report of the Fund consists of the consolidated financial statements of LDL3.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Fund as the full financial report.

The half-year financial report should be read in conjunction with the annual Financial Report of the Fund as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable before 1 January 2005 ('AGAAP').

It is also recommended that the half-year financial report be considered together with any public announcements made by the Fund during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

##### **(a) Basis of accounting**

The half-year financial report has been prepared on a historical cost basis, except for investment properties, land and buildings and derivative financial instruments that have been measured at fair value.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

##### **(b) Statement of compliance**

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Fund under AIFRS are disclosed in Note 1(c) below.

## **Notes to the Combined Financial Statements HALF-YEAR ENDED 31 DECEMBER 2005**

### **1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)**

#### **(b) Statement of compliance (continued)**

Reconciliations of:

- AIFRS equity as at 31 December 2004, 30 June 2005 and 1 July 2005; and
- AIFRS profit for the half-year ended 31 December 2004 and full year ended 30 June 2005, to the balances reported in the 31 December 2004 half-year report and 30 June 2005 full-year financial report prepared under AGAAP are detailed in Note 1(e) and 1(f) below.

#### **(c) Summary of significant accounting policies**

##### **(i) Basis of Consolidation**

This half year financial report includes the financial statements of the consolidated group comprising LDL3 (parent entity) and its controlled entities and LPT3.

The consolidated half year financial report has been drawn up in accordance with ASIC Class Order 05/642 relating to combining accounts under stapling, and for the purposes of fulfilling the requirements of the Bendigo Stock Exchange. Under AASB 3, LDL3 is considered to be the parent entity of the Trust.

Information from the financial statements of subsidiaries is included from the date the Parent Entity obtains control until such time as control ceases. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for that part of the reporting period during which the Parent Entity has control. Subsidiary acquisitions are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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.

Leyshon Palm Beach Developments Pty Ltd (LPBD) was consolidated into the group from the date of incorporation, 21 March 2005. Accordingly, the consolidated financial statements include the results of LPBD for the half-year ended 31 December 2005.

## Notes to the Combined Financial Statements

### HALF-YEAR ENDED 31 DECEMBER 2005

#### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

##### (c) Summary of significant accounting policies (continued)

###### (ii) Investment properties

Property (including land and buildings) held for long-term rental yields and that is not occupied by an entity in the Fund, is classified as an investment property.

Initially, investment properties are measured at cost including transaction costs.

Subsequent to initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted for any difference in the nature, location or condition of the specific asset or where this is not available, an appropriate valuation method which may include discounted cashflow projections and the capitalisation method. The fair value reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. It also reflects any cash outflows (excluding those relating to future capital expenditure) that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Fund and the cost of the item can be measured reliably.

Land and buildings (including integral plant and equipment) that comprise the investment property are not depreciated.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

Any gains or losses on the derecognition of an investment property are recognised in the income statement in the period of derecognition.

###### (iii) Borrowing costs

Borrowing costs such as interest is recognised as an expense in the period in which they accrue using the effective interest method and if not paid at balance date, they are reflected in the balance sheet as a payable. Under AASB 139 borrowing costs such as facility fees are capitalised and recorded as a deduction from borrowings, instead of being recognised as an asset. The borrowing costs are then amortised over the life of the borrowings or part of the effective interest rate method. Borrowing costs relating specifically to a qualifying asset are capitalised as part of inventories.



## Notes to the Financial Statements

### HALF-YEAR ENDED 31 DECEMBER 2005

#### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

##### (c) Summary of significant accounting policies (continued)

###### (iv) Recoverable amount of assets

At each reporting date, the Fund assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Fund makes a formal estimate of recoverable amount. When the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which it belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset.

###### (v) Inventories

###### *Development work in progress*

Inventory is comprised of development properties held for resale. Development properties are carried at the lower of cost and net realisable value. Cost includes the costs of acquisition, development and borrowing costs. Holding costs such as rates and taxes are expensed following the completion of the development and during the development period if income from rent is earned. Associated development costs are expensed to the income statement until such time as the development company has committed to the project.

###### (vi) Trade and other receivables

Trade receivables which generally have 30 day terms are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

###### (vii) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and at-call deposits.

For purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## Notes to the Financial Statements HALF-YEAR ENDED 31 DECEMBER 2005

### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

#### (c) Summary of significant accounting policies (continued)

##### (viii) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. Interest is recognised as an expense as it accrues.

Gains and losses are recognised in the income statement when the liabilities are derecognised.

##### (ix) Provisions

Provisions are recognised when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Fund expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

##### *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.

##### *Distributions*

A provision for distributions is not recognised as a liability in the balance sheet unless the distribution has been declared, determined or publicly recommended prior to balance date. Distributions are of a capital nature paid quarterly in arrears as noted in the Prospectus and Product Disclosure Statement provided to securityholders. As at the reporting date a capital distribution has been declared and is due for payment on 31 January 2006.

## Notes to the Financial Statements HALF-YEAR ENDED 31 DECEMBER 2005

### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

#### (c) Summary of significant accounting policies (continued)

##### (x) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Interest*

Interest revenue is recognised in the Income Statement as it accrues using the effective interest method and if not received at balance date, is reflected in the Balance Sheet as a receivable.

##### *Rental income*

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

##### *Property Development income*

Revenue on the sale of development properties is recognised upon settlement.

##### *Management Fees*

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

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



## **Notes to the Financial Statements HALF-YEAR ENDED 31 DECEMBER 2005**

### **1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)**

#### **(c) Summary of significant accounting policies (continued)**

##### **(xi) Income tax**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

## **Notes to the Financial Statements**

### **HALF-YEAR ENDED 31 DECEMBER 2005**

#### **1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT** (continued)

##### **(c) Summary of significant accounting policies (continued)**

###### **(xi) Income tax (continued)**

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Under current tax legislation, LPT3 is not liable to pay income tax provided its taxable income and taxable realised gains are fully distributed to unitholders.

###### **(xii) Other taxes**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of 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 balance sheet.

Cash flows are included in the Cash Flow Statement 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.

###### **(xiii) Derecognition of financial instruments**

The derecognition of a financial instrument takes place when the Fund no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

## **Notes to the Financial Statements**

### **HALF-YEAR ENDED 31 DECEMBER 2005**

#### **1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT** **(continued)**

##### **(c) Summary of significant accounting policies (continued)**

###### **(xiv) Derivative financial instruments**

The Fund uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

In relation to cash flow hedges (interest rate swaps) which meet the conditions for special hedge accounting, any gain or loss from re-measuring the hedging instrument at fair value is recognised in equity.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

###### **(xv) Trade payables**

Liabilities for creditors 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 Fund. The amounts are unsecured and are usually paid within 30 days of recognition.

###### **(xvi) Contributed equity and unitholders' funds**

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

Each security issued confers upon the security holder an equal interest in the Fund, and is of equal value. A security does not confer any interest in any particular asset or investment of the Fund. The rights, obligations and restrictions attached to each security holder are identical in all respects.

## **Notes to the Financial Statements HALF-YEAR ENDED 31 DECEMBER 2005**

### **1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)**

#### **(c) Summary of significant accounting policies (continued)**

##### **(xvi) Contributed equity and unitholders' funds (Continued)**

For the period 1 July 2004 to 30 June 2005, unitholders' equity in the Trust was treated as equity. From 1 July 2005, as required by AASB 132 Financial Instruments: Disclosure and Presentation, issued units, where there is an obligation under the Trust Deed to repay the unit capital at the end of the Trust's life, is recognised as a liability.

Any transaction costs arising on the issue of securities are recognised directly in equity as a reduction of the security proceeds received.

##### **(xvii) Earnings per share (EPS)**

Basic and diluted EPS is calculated as net profit attributable to security holders, adjusted to exclude costs of servicing equity (other than dividends/distributions) divided by the weighted average number of ordinary shares.

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

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

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

Earnings per security is calculated as net profit attributable to security holders of the Fund, adjusted to exclude costs of servicing equity (other than dividends/distributions) divided by the weighted average number of ordinary securities.

##### **(xviii) Leasing fees**

Leasing fees that are directly associated with negotiating and executing the on-going renewal of tenant lease agreements are deferred and amortised over the lease term. Legal fees and costs of preparing and processing documentation for new leases are expensed to the income statement as they are incurred.

## **Notes to the Financial Statements HALF-YEAR ENDED 31 DECEMBER 2005**

### **1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)**

#### **(c) Summary of significant accounting policies (continued)**

##### **(xix) Leasing incentives**

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

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

Where incentives are provided to lessees in the form of rent-free periods, the total income to be earned under the lease is recognised on a straight line basis over the term of the lease. Income recognised during the rent-free period is held as a debtor.

##### **(xx) Formation costs**

Formation (establishment) costs in respect to the Fund are expensed to the income statement as they are incurred.



## Notes to the Financial Statements

### HALF-YEAR ENDED 31 DECEMBER 2005

#### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

##### (d) AASB 1 Transitional exemptions

The Fund has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

##### *Business combinations*

AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

##### *Exemption from the requirement to restate comparative information for AASB 132 and AASB 139*

The Fund has elected to adopt this exemption and has not applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information.

##### (e) Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') is illustrated below.

##### (i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

Notes	Consolidated	
	30 June 2005 \$	31 December 2004 \$
Total equity under AGAAP	35,173,145	24,886,777
<i>Adjustments to equity (net of tax):</i>		
Intangible Assets – Formation Costs (i)	(1,100)	0
Intangible Assets – Development Costs (ii)	(541,185)	0
Intangible Assets – Marketing Costs (iii)	(415,893)	0
Fitout lease incentive amortisation (iv)	(105,989)	0
Property Investments (iv)	1,086,926	0
Rental income – Straight Line (v)	154,621	1,564
Tax effect of formation costs written off (i)	67,932	
<i>Adjustments to other reserves (net of tax):</i>		
Asset revaluation reserve (iv)	(1,086,926)	0
Total equity under AIFRS	34,331,531	24,888,341

## Notes to the Financial Statements (continued)

### HALF-YEAR ENDED 31 DECEMBER 2005

#### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

##### (e) Impact of adoption of AIFRS (continued)

##### (i) Reconciliation of total equity as presented under AGAAP to that under AIFRS (continued)

- (i) Under AASB 138 *Intangible Assets*, formation costs have been expensed.
- (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. LDL3's previous accounting policy allowed for the capitalisation of such costs.

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

- (iii) Under AASB 138 *Intangible Assets*, marketing costs are to be expensed. LDL3's previous accounting policy allowed for the capitalisation of such costs where they were specific to the project.
- (iv) Under AASB 140 *Investment Property* fair value movements in investment properties are recognised in the income statement. Previously movements were taken to the asset revaluation reserve under AGAAP.

Lease incentives (re: fitout) offered in relation to the ongoing operation of the property have been separated from property investments and amortised over the period of the lease.

- (v) Under AASB 117 Rental income arising on investment properties is accounted for on a straight-line basis for "fixed increase leases" over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.
- (vi) Under AASB 112 *Income Taxes* requires the Fund to recognise deferred tax balances according to the balance sheet liability method, rather than the income statement method. The balance sheet liability method recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base.



## Notes to the Financial Statements (continued)

### HALF-YEAR ENDED 31 DECEMBER 2005

#### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

##### (e) Impact of adoption of AIFRS (continued)

##### (i) Reconciliation of total equity as presented under AGAAP to that under AIFRS (continued)

- (vii) Under AASB 132 Financial Instruments: Disclosure and Presentation capitalised borrowing costs of a financial instrument have been allocated against the financial instrument. This does not result in a change in net equity of the Fund.

The tax effect of the adjustments above led to an increase in deferred tax assets. The total change in deferred tax assets is as follows:

	Consolidated	
	30 June 2005	31 December 2004
	\$	\$
Tax effect of the above adjustments ((i) to (v))	410,177	0
Tax effect of equity raising costs	0	0
Decrease in deferred tax liability	410,177	0

##### (ii) Reconciliation of net profit after tax under AGAAP to that under AIFRS

		Consolidated	
		Year-ended 30 June 2005	Half-year ended 31 December 2004
		\$	\$
Profit after tax as previously reported		860,200	44,470
Intangible Assets – Formation Costs	(i)	(1,100)	0
Intangible Assets – Development Costs	(ii)	(773,122)	0
Intangible Assets – Marketing Costs	(iii)	(594,133)	0
Fair value movement in investment properties	(iv)	1,086,926	0
Fitout lease incentive amortisation	(iv)	(105,989)	0
Rental income – Straight Line	(v)	154,621	1,564
Tax effect of formation costs written off	(i)	67,932	0
Tax effect of the above adjustments	(vi)	410,177	0
Profit after tax under AIFRS		1,105,512	46,034

##### (iii) Explanation of material adjustments to the cash flow statement

There are no material differences between the cash flow statement presented under AIFRS and those previously presented under AGAAP.

## Notes to the Financial Statements (continued)

### HALF-YEAR ENDED 31 DECEMBER 2005

#### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (continued)

##### (f) Change in Accounting Policy

The Fund has elected to adopt AASB 132 *Financial Instruments: Presentation and Disclosure* and AASB 139 *Financial Instruments: Recognition and Measurement* applicable from 1 July 2005. In accordance with AASB 132 and AASB 139, the fair value of the effective portion of cash flow hedging instruments (interest rate swaps) has been recorded directly to equity as at 1 July 2005. Movements in the fair value of the effective portion of cash flow hedging instruments in the period to 31 December 2005 of \$9,917 has been recorded directly to equity. In accordance with AASB132, issued units of \$16,007,909 that were previously classified within equity have been reclassified as debt as at 1 July 2005.

#### 2. SEGMENT REPORTING

The following table represents the revenues and profit information regarding business segments for the half-year periods ended 31 December 2005 and 31 December 2004.

	Property Development \$	Property Investment \$	Total \$
<b>31 December 2005</b>			
Segment revenue	379,259	1,533,443	1,912,702
Segment result	(1,362,791)	1,932,410	569,620
<b>31 December 2004</b>			
Segment revenue	11,275	79,231	90,506
Segment result	8,259	37,775	46,034

## Notes to the Financial Statements (continued)

### HALF-YEAR ENDED 31 DECEMBER 2005

	Consolidated	
	6 months to 31 December 2005 \$	Period to 31 December 2004 \$
<b>3. REVENUE AND EXPENSES</b>		
<b>(a) Specific Items</b>		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity.		
<b>(i) Revenue</b>		
Rents and sub-lease rentals	1,496,539	65,852
Recoverable outgoings	114,412	987
Interest received	301,751	23,667
	<u>1,912,702</u>	<u>90,506</u>
<b>(ii) Expenses</b>		
Interest and finance charges paid or payable to :		
Other parties	555,936	31,913
Amortisation of Lease incentives (fitout)	178,708	0
Amortisation of borrowing costs	39,869	2,848
Expensing of development costs	2,156,668	0
	<u>2,931,181</u>	<u>34,761</u>

### 4. DISTRIBUTIONS / DIVIDENDS PAID AND PROPOSED

Capital distributions on stapled securities

- (a) Capital distributions paid during the half-year  
(8% per annum per stapled security paid quarterly in  
arrears)
- (b) Capital distributions proposed during the half-year  
(8% per annum per stapled security paid quarterly in  
arrears)

	705,753	0
	<u>705,754</u>	<u>60,990</u>
	<u>1,411,507</u>	<u>60,990</u>

	Consolidated		Consolidated	
<b>5. SECURITIES ISSUED</b>	31 December 2005 No. of Securities	31 December 2005 \$	30 June 2005 No. of Securities	30 June 2005 \$
Issue of shares in LDL3	35,000,000	17,218,110	35,000,000	17,218,110
Issue of units in LPT3	35,000,000	<u>14,596,402</u>	35,000,000	<u>16,007,909</u>
Issue of stapled securities in the Fund		<u>31,814,512</u>		<u>33,226,019</u>

During the period 1 July to 31 December 2005, nil stapled securities were issued by the Fund  
(21 December 2004 to 30 June 2005: 35,000,000).

## Notes to the Financial Statements (continued)

### HALF-YEAR ENDED 31 DECEMBER 2005

#### 6. INVESTMENT PROPERTIES HELD DIRECTLY AND INVENTORY

	Date Acquired	Cost & Additions to 31/12/05 \$000	Book Value 31/12/05 \$000	Latest Valuation \$000	Date Last Valuation	Valuer Notes
99 Melbourne Street	21 December 2004	25,913	28,215	28,215	31 December 2005	(i)
London Woolstore	21 December 2004	42,027	41,433	51,358	8 November 2004	(ii)
Palm Beach Plaza	27 May 2005	11,599	11,599	12,615	28 October 2005	(iii)

- (i) Fair value as assessed by the Directors of LCL in accordance with AASB 140.
- (ii) As valued by LandMark White Brisbane Pty Ltd based on the gross realisation "as if complete" assessed through comparison with similar projects in the immediate and surrounding locality.
- (iii) As valued by DTZ Australia (Gold Coast) based on a direct comparison method as well as the discounted cash flow development method.

#### 7. CONTINGENT ASSETS AND LIABILITIES

There are no material contingent liabilities or contingent assets as at 31 December 2005.

#### 8. BUSINESS COMBINATIONS

Under AIFRS one of the Fund's entities is required to be a parent entity. LDL3 is recorded as the parent entity in these accounts to satisfy AIFRS requirements.

The Fund comprises LDL3 and LPT3. Shares issued in LDL3 are stapled to units issued in LPT3 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.

## **Notes to the Financial Statements (continued)**

### **HALF-YEAR ENDED 31 DECEMBER 2005**

#### **9. EVENTS AFTER THE BALANCE SHEET DATE**

There have been no events of a material nature after the balance sheet date of 31 December 2005, to the date of this report.

#### **10. CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>	
	<b>6 months to 31 December 2005 \$</b>	<b>Period to 31 December 2004 \$</b>
<b>(a) Reconciliation of cash</b>		
Cash at bank and on hand	8,730,678	9,855,415

For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as detailed above.

There is no restriction on the use of cash.

#### **11. EARNINGS PER SECURITY**

	<b>Consolidated</b>	
	<b>6 months to 31 December 2005</b>	<b>Period to 31 December 2004</b>
Earnings per security (cents)	1.7	0.9

## Directors' Declaration

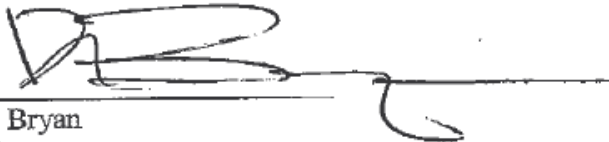
### HALF-YEAR ENDED 31 DECEMBER 2005

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

In the opinion of the Directors:

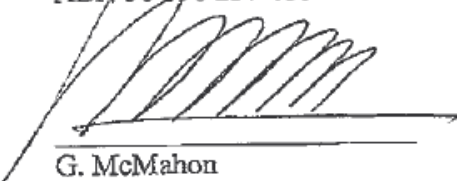
- (a) the financial statements and notes set out on pages 6 to 27:
  - (i) give a true and fair view of the financial position of the Fund as at 31 December 2005 and of its performance for the half-year ended on that date; and
  - (ii) comply with Australian Accounting Standard AASB 134 *'Interim Financial Reporting'* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



R. Bryan  
Director  
Brisbane, 16 March 2006

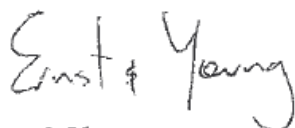
On behalf of the Board  
Leyshon Corporation Limited as Trustee and  
Responsible Entity for Leyshon Property Trust No. 3  
ABN 50 090 257 480



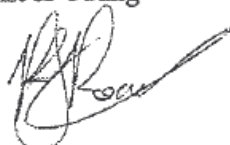
G. McMahon  
Director  
Brisbane, 16 March 2006

**Auditor's Independence Declaration to the Directors of Leyshon Corporation Limited as Responsible Entity of Leyshon Property Trust No.3**

In relation to our review of the financial report of Leyshon Property Trust No.3 for the half-year ended 31 December 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.



Ernst & Young



R J Roach  
Partner  
16 March 2006



## **Independent review report to security holders of Leyshon Property Fund No.3**

### **Scope**

#### *The financial report and directors' and trustee's responsibility*

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity and accompanying notes to the financial statements for the consolidated entity comprising both Leyshon Developments No.3 Limited and the entities it controlled during the period ("The Fund"), and the directors' declaration for Leyshon Developments No.3 Limited and Leyshon Corporation Limited as Trustee and Responsible Entity for the Leyshon Property Trust No.3, for the period ended 31 December 2005.

The directors of Leyshon Developments No.3 Limited and the directors of Leyshon Corporation Limited are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 134 "Interim Financial Reporting", in accordance with the *Corporations Act 2001* and trust deed. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Review approach*

We conducted an independent review of the financial report in order to make a statement about it to the security holders of the fund, and in order for the fund to lodge the financial report with the Bendigo Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, trust deed, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of fund personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

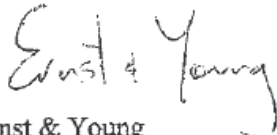
### **Independence**

We are independent of the fund, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of Leyshon Developments No.3 Limited and the directors of the trustee of Leyshon Property Trust No.3 a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

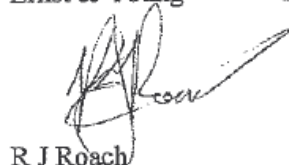
**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising Leyshon Developments No.3 Limited and the entities it controlled during the period is not in accordance with:

- (a) the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the period ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



R J Roach  
Partner  
Brisbane  
16 March 2006

## **Annexure C – Prospectus and PDS**

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A copy of the Prospectus and Product Disclosure Statement lodged with ASIC on 19 July 2006 by LPF3 is enclosed with this Bidder's Statement if not annexed.

## **Annexure D – Notice of EGM**

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A copy of the Notice of EGM of LPF3 is enclosed with this Bidder's Statement if not annexed.

## **Annexure E – Independent Expert's Report**

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A copy of the Independent Expert's Report is enclosed with this Bidder's Statement if not annexed.

# Leyshon Property Fund No. 3 Takeover Bid for Blue Tower Trust Acceptance Form

AFSL 229287

OFFER BY LEYSHON PROPERTY TRUST NO. 3 ARSN 109 093 816 AND  
LEYSHON DEVELOPMENTS NO. 3 LIMITED ACN 111 628 589  
FOR ALL OF YOUR UNITS IN BLUE TOWER TRUST ARSN 109 093 852

You should only complete this form if you wish to exchange your units in Blue Tower Trust for Stapled Securities in Leyshon Property Fund No. 3 pursuant to the Offer.

## NAME AND ADDRESS

<div></div>
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Unitholder Reference No.

Offer consideration: 2.1846 Stapled Securities in Leyshon Property Fund No. 3 ('LPF3') for every Blue Tower Trust Unit you hold

No. of Blue Tower Trust Units held by you

Offer consideration:

2.1846 LPF3 Stapled Securities for every Blue Tower Trust Unit

[ ] Blue Tower Trust Units

[ ] LPF3 Stapled Securities

## YOUR DETAILS

Please ensure that your address, number of Blue Tower Trust Units and other details shown above are correct. If they are incorrect, write the correct details and initial the changes.

## ACCEPTING THE OFFER

To accept this Offer read this Acceptance Form carefully then sign and date this Acceptance Form and return it to the address shown overleaf.

### SIGN HERE (see overleaf for signing instructions)

By signing this Acceptance Form, I/we, the person(s) named above, being the holder(s) of the Blue Tower Trust Units shown above:

- Accept the Offer in respect of all my/our Blue Tower Trust Units (under the terms of the Offer you cannot accept for only part of your holding) and agree to transfer to Leyshon Property Trust No. 3 the number of Blue Tower Trust Units described above for the consideration specified in the Offer.
- Agree to be bound by the terms and conditions of the Offer set out in the Bidder's Statement, and by the Trust Deed of Leyshon Property Trust No. 3 and the Constitution of Leyshon Developments No. 3 Limited.
- If this form is signed under power of attorney, the attorney declares that he/she has no notice of revocation of that power.

### Individual or Unitholder 1

<div></div>
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Sole Director and Sole Secretary/  
Sole Director no Secretary  
(delete one)

### Joint Unitholder 2

<div></div>
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Director

### Joint Unitholder 3

<div></div>
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Director/Company Secretary  
(delete one)

Date \_\_\_\_/\_\_\_\_/ 2006

Please provide a contact name and  
daytime telephone number so that we may  
contact you if necessary.

Contact Name:

Telephone No: ( )

Your acceptance must be received by no later than the end of the Offer Period, which is 5.00 pm on 19 September 2006 (unless the Offer is extended).



# Instructions for Acceptance Form

Please read the Bidder's Statement and the Target's Statement carefully before completing this Acceptance Form.

Please check the front page of this Acceptance Form and correct your details if they are incorrect. Remember to initial any changes you make. If you have recently sold some of your Blue Tower Trust Units or recently bought some Blue Tower Trust Units, the details on the front page of this Acceptance Form may be incorrect.

If you are accepting the Offer please sign and date this Acceptance Form in the box(es) for signature(s) set out in this Acceptance Form in accordance with the following instructions:

- **For individuals:** a single signature is required.
- **For joint holders:** all of the holders must sign this Acceptance Form.
- **Companies:** signed by two directors, a director and company secretary, or by the sole director in the case of an Australian company with a sole director who is also the sole company secretary. Delete titles as applicable.
- **If signed under power of attorney:** please attach a certified copy of the power of attorney when you return this Acceptance Form. By signing this form, the attorney declares that he/she has no notice to revocation of the power of attorney.
- **Deceased estates:** when you return this Acceptance Form, please attach the probate, letters of administration or Certificate of Grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties (if necessary) and by a statement in terms of section 1071B(9)(b)(iii) of the Corporations Act.

## Supply of information

Information you supply on this Acceptance Form will be used by Leyshon Property Fund No. 3 for the purpose of processing your acceptance of the Offer and to provide you with the consideration under the Offer. This information may be disclosed to Leyshon Property Fund No. 3's professional advisers, securities brokers and other third parties in connection with the Offer. If you fail to supply this information your acceptance may not be processed and you may not receive the consideration.

## Mail or delivery instructions

Blue Tower Trust Unitholders should post their completed Acceptance Form and any other documents required by these instructions to:

Blue Tower Trust Takeover Offer  
Leyshon Property Fund No.3  
GPO BOX 3119  
BRISBANE QLD 4001

*or deliver them to:*

Blue Tower Trust Takeover Offer  
Leyshon Property Fund No. 3  
Level 1, 295 Elizabeth Street  
BRISBANE QLD 4000

Applications must be received by no later than 5.00 pm Brisbane time on 19 September 2006.

Acceptances not completed in accordance with these instructions will not be processed and you will receive no benefit. It is therefore important that you complete this Acceptance Form in accordance with these instructions.

## Corporate Information

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### **Leyshon Property Trust No. 3 Responsible Entity**

Leyshon Corporation Limited  
ACN 090 257 480 and AFSL No. 229287

### **Directors of Leyshon Property Trust No. 3 Responsible Entity**

Neil Summerson  
Geoff McMahon  
Bill Collins  
Michael O'Reilly

### **Directors of Leyshon Developments No. 3 Limited**

Neil Summerson  
Geoff McMahon  
Bill Collins  
Michael O'Reilly  
Bob Bryan  
Scott Bryan  
Ken Pickard

### **Registered Office**

Leyshon Property Fund No. 3  
Level 1, 295 Elizabeth Street  
BRISBANE QLD 4000

GPO Box 3119  
BRISBANE QLD 4001

### **Fund Managers**

Leyshon Corporation Limited  
ACN 090 257 480 and AFSL No. 229287

and

Leyshon Developments No. 3 Limited  
ACN 111 628 589

### **Legal Adviser**

McCullough Robertson Lawyers  
Level 11  
Central Plaza Two  
66 Eagle Street  
BRISBANE QLD 4000

### **Auditors**

Ernst & Young  
Level 5  
1 Eagle Street  
BRISBANE QLD 4000

### **Custodian**

The Public Trustee of Queensland  
Level 10  
Trustee House  
444 Queen Street  
Brisbane Qld 4000