

Leyshon Property Fund No.3 Investors' Report

Quarter ending
31 March 2005



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1. Overview

This is the first Leyshon Property Fund No. 3 (“the Fund”) Quarterly Investors’ Report which covers the period from the date of establishment of the Fund 21 December 2004 to 31 March 2005.

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

Since the establishment of the Fund the focus has been on managing the Fund’s two initial projects being 99 Melbourne Street and London Woolstore.

The Fund has been operating in accordance with expectations since its establishment on 21 December 2004.

As at 31 March 2005 a total of 25,297,000 stapled securities has been allotted. A further 6,350,000 stapled securities were allotted on 1 April 2005. Under the Prospectus and Product Disclosure Statement (“PDS”) dated 8 November 2004 a further 3,353,000 stapled securities remained to be allotted.

The Fund has made no new investments since its establishment. Directors of Leyshon Corporation Limited and Leyshon Developments No. 3 Limited (the Fund’s Asset Managers) are currently assessing a number of suitable property projects.

2. Melbourne Street

Melbourne Street is a newly constructed 6,145 square metre commercial office building located at 99 Melbourne Street, South Brisbane. The Fund purchased the building on 21 December 2004 for \$24.5 million.

The building has been operating well since its acquisition by the Fund. Only a few minor building defects remain to be rectified by the project’s builder.

Lease rental income has been received in accordance with the forecasts contained in the PDS.

3. London Woolstore

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

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

As at 31 March 2005 unconditional sales contracts had been executed on 20 of the 89 residential apartments and sales contracts were being prepared for eight of the nine ground level retail shops.

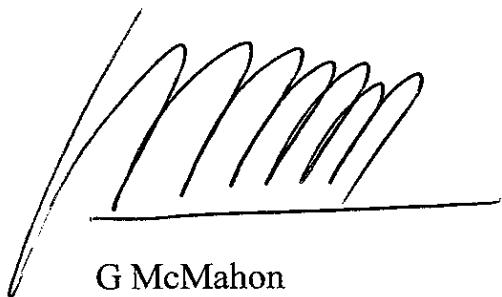
The intention is to on sell the two smaller commercial buildings "as is" when they are placed on individual land titles. It is expected the individual land titles will register in the June 2005 quarter when the sale process will commence.

4. Financial Results

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

The Fund's profit after tax for the period from 21 December 2004 to 31 March 2005 is \$519,753. The Fund is operating in accordance with the PDS forecasts.

The 8% per annum distributions for the March 2005 quarter were paid to equity investors on 29 April 2005.



G McMahon
Managing Director
Leyshon Corporation Limited
18 May 2005



M O'Reilly
Director
Leyshon Developments No. 3 Limited
18 May 2005

Appendix 1

Balance Sheet as at 31 March 2005

Balance Sheet

Leyshon Property Fund No. 3

As At 31 March 2005

	\$
<u>SECURITYHOLDERS' FUNDS</u>	
UNITS ISSUED AND PAID UP	12,375,627
ISSUED CAPITAL	12,443,455
PROFIT CURRENT YEAR	519,753
TOTAL UNITHOLDERS' FUNDS	25,338,835
<u>ASSETS</u>	
CURRENT ASSETS	
CASH	
Cash at Bank	1,313,057
Monies held in Trust - Custodian	4,969,482
Monies held in Trust - Property Managers	1,290
TOTAL CASH	6,283,829
RECEIVABLES	
Trade Debtors	237,310
Income Receivable	2,328,999
TOTAL RECEIVABLES	2,566,309
INVENTORY	
Inventory - Work in Progress (Teneriffe)	19,825,250
TOTAL INVENTORY	19,825,250
OTHER CURRENT ASSETS	
Prepayments	281,028
Security Deposits	300
TOTAL OTHER CURRENT ASSETS	281,328
TOTAL CURRENT ASSETS	28,956,716
NON CURRENT ASSETS	
PROPERTY PLANT AND EQUIPMENT	
Property Investments held directly	25,909,982
TOTAL PROPERTY PLANT AND EQUIPMENT	25,909,982
OTHER NON CURRENT ASSETS	
Borrowing Expenses	195,248
Accumulated Amortisation	(12,222)
Other Non-current assets	231,000
TOTAL OTHER NON CURRENT ASSETS	414,026
TOTAL NON CURRENT ASSETS	26,324,008
TOTAL ASSETS	55,280,725

Balance Sheet

Leyshon Property Fund No. 3

As At 31 March 2005

\$

LIABILITIES

CURRENT LIABILITIES

ACCOUNTS PAYABLE

Trade Creditors Control	753
Accrued Expenses	857,389
Prepaid Income	188,381
TOTAL ACCOUNTS PAYABLE	1,046,523

LOANS

Other loans	10,650,000
TOTAL LOANS	10,650,000

PROVISIONS

Provision for Income Tax	111,827
TOTAL PROVISIONS	111,827

TOTAL CURRENT LIABILITIES

11,808,350

NON CURRENT LIABILITIES

LOANS

Commercial Bill Facility	16,068,520
Accrued Expenses	2,065,020
TOTAL LOANS	18,133,540

TOTAL NON CURRENT LIABILITIES

18,133,540

TOTAL LIABILITIES

29,941,890

NET ASSETS

25,338,835

Appendix 2

Profit and Loss Statement to 31 March 2005

Profit & Loss Statement

Leyshon Property Fund No. 3

For the Period Ending 31 March 2005

	<u>MAR 2005*</u>	<u>MAR 2004</u>	<u>VARIANCE</u>
INCOME			
INTEREST REVENUE	121,195	0	121,195
RENTAL REVENUE	632,344	0	632,344
OTHER	340,000	0	340,000
TOTAL INCOME	<u>1,093,539</u>	<u>0</u>	<u>1,093,539</u>
EXPENSES			
OPERATING EXPENSES	461,959	0	(461,959)
TOTAL EXPENSES	<u>461,959</u>	<u>0</u>	<u>(461,959)</u>
PROFIT BEFORE TAX	<u>631,580</u>	<u>0</u>	<u>631,580</u>
INCOME TAX EXPENSE	111,827	0	(111,827)
NET PROFIT	<u>519,753</u>	<u>0</u>	<u>519,753</u>

* The current year figures are from the date of acquisition (21 December 2004) to 31 March 2005.

Income Analysis

Leyshon Property Fund No. 3

For the Period Ending 31 March 2005

	<u>MAR 2005*</u>	<u>MAR 2004</u>	<u>VARIANCE</u>
OTHER INCOME			
Interest Received - Bank	121,195	0	121,195
Rent Received	614,139	0	614,139
Outgoings Recovered	18,205	0	18,205
Managament Fees Received	340,000	0	340,000
TOTAL OTHER INCOME	<u>1,093,539</u>	<u>0</u>	<u>1,093,539</u>
 TOTAL OTHER INCOME	 <u>1,093,539</u>	 <u>0</u>	 <u>1,093,539</u>

* The current year figures are from the date of acquisition (21 December 2004) to 31 March 2005.

Expense Analysis

Leyshon Property Fund No. 3

For the Period Ending 31 March 2005

	<u>MAR 2005*</u>	<u>MAR 2004</u>	<u>VARIANCE</u>
EXPENSES			
OPERATING EXPENSES			
Accounting Fees	5,000	0	(5,000)
Airconditioning Expenses	3,400	0	(3,400)
Amortisation of Borrowing Costs	12,222	0	(12,222)
Asset Management Fees	34,317	0	(34,317)
Audit Fees	10,500	0	(10,500)
Bank Charges	141	0	(141)
Custodian Fees	2,545	0	(2,545)
Electricity	16,247	0	(16,247)
Fees and Licences	30	0	(30)
Fire Protection	1,568	0	(1,568)
Gardening	264	0	(264)
Insurance	17,103	0	(17,103)
Interest Paid - Bank	301,998	0	(301,998)
Land Tax	14,039	0	(14,039)
Legal Costs	50	0	(50)
Lift Expenses	2,000	0	(2,000)
Miscellaneous Expenses	145	0	(145)
Pest Control	1,026	0	(1,026)
Printing & Stationery	2,021	0	(2,021)
Property Management Fees	7,564	0	(7,564)
Public Relations	232	0	(232)
Rates	22,973	0	(22,973)
Repairs and Maintenance	3,216	0	(3,216)
Security	2,421	0	(2,421)
Subscriptions and Publications	723	0	(723)
Telephone and Facsimile	217	0	(217)
TOTAL EXPENSES	<u>461,959</u>	<u>0</u>	<u>(461,959)</u>

* The current year figures are from the date of acquisition (21 December 2004) to 31 March 2005.