Australian Unity Property Syndicate No.3

Annual Report – 30 June 2010

ARSN 093 243 228

Contents

These financial statements cover Australian Unity Property Syndicate No.3 as an individual entity.
The Responsible Entity of Australian Unity Property Syndicate No.3 is Australian Unity Property Limited (ABN 58 079 538 499).
The Responsible Entity's registered office is 114 Albert Road, South Melbourne VIC 3205.

Directors' report

The directors of Australian Unity Property Limited (ABN 58 079 538 499), the Responsible Entity of Australian Unity Syndicate No 3, present their report together with the financial statements of Australian Unity Syndicate No 3 ("the Scheme"), for the reporting period ended 30 June 2010 ("the reporting period").

Directors

The following persons held office as directors of the Responsible Entity during the reporting period or since the end of the reporting period and up to the date of this report:

Alan Castleman (Chairman)
David Bryant (Group Executive - Investments and Chief Investment Officer)
Rohan Mead (Group Managing Director)
Glenn Barnes (Non Executive Director) (appointed 11 January 2010)
Ian Ferres (Non Executive Director)
Stephen Maitland (Non Executive Director)
Warren Stretton (Non Executive Director)
Anthony Connon (Chief Financial Officer)
Bruce Siney (Non Executive Director) (ceased 27 October 2009)

Principal activities

The Scheme’s objective is to provide investors with regular income and the opportunity for long term capital growth.

The Scheme's principal assets are 2-10 Gaine Road, Dandenong, VIC, 27 Commercial Drive Dandenong VIC, 4 Redland Drive, Mitcham, VIC and 1-5 Siddons Way, Hallam, VIC.

Following the settlement of the properties, the Scheme will be terminated and all proceeds paid to investors by the end of September 2010.

Review and results of operations

Property Sales

On 18 September 2009, the Scheme sold 27 Commercial Drive, Dandenong, VIC for a consideration of $3,800,000. This represented a profit on sale of $248,859.

On the 5th July 2010, a contract of sale become unconditional for the sale of 4 Redland Drive, Mitcham, VIC for a consideration of $3,750,000. This represents a decrease of $50,000 from the previous valuation of $3,800,000 at 31 May 2009. Settlement occurred on 19 July 2010.

On the 5th July 2010, a contract of sale become unconditional for the sale of 2-10 Gaine Road, Dandenong South, VIC for a consideration of $4,565,000. This represents a increase of $165,000 from the previous valuation of $4,400,000 at 31 May 2009. Settlement occurred on 28 July 2010.

On the 1st July 2010, a contract of sale become unconditional for the sale of 1-5 Siddons Way, Hallam, VIC for a consideration of $7,350,000. This represents a increase of $250,000 from the previous valuation of $7,100,000 at 31 May 2009. Settlement occurred on 10 August 2010.

Results

For the year ended 30 June 2010 the Scheme's interests posted a total return of 13.50%, split between a distribution return of 23.44% and a growth return of (9.94%).

The negative return is due to a reduction in value of the Scheme's assets invested in investment properties.

Where no transaction or reinvestment price is available, a price is calculated using the value of the net assets (for valuation purposes) of the Scheme over the interests held in the Scheme.

Net assets for investment valuation purposes at 30 June 2010 is $1.2202 per interest (2009: $1.3549 per interest).

Directors' report (continued)

The performance of the Scheme, as represented by the results of its operations, was as follows:

	For the year ended	
	30 June 2010	30 June 2009
	$	$
Profit/(loss) before finance costs attributable to investors	**1,931,181**	(1,769,599)
Distribution paid and payable (excluding interest expense portion)	**1,967,434**	138,956

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Scheme that occurred during the reporting period.

Events occurring after the reporting period

Except as disclosed in note 16 in the financial statements, no other matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

(i) the operations of the Scheme in future reporting periods, or
(ii) the results of those operations in future reporting periods, or
(iii) the state of affairs of the Scheme in future reporting periods.

Likely developments and expected results of operations

The Scheme will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

Further information on likely developments in the operations of the Scheme and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Scheme.

Indemnity and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Scheme in regards to insurance cover provided to either the officers of Australian Unity Property Limited or the auditors of the Scheme. So long as the officers of Australian Unity Property Limited act in accordance with the Corporations Act 2001, the officers remain indemnified out of the assets of the Scheme against losses incurred while acting on behalf of the Scheme. The auditors of the Scheme are in no way indemnified out of the assets of the Scheme.

Fees paid to and interests held in the Scheme by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Scheme property during the reporting period are disclosed in note 14 of the financial statements.

No fees were paid out of Scheme property to the directors of the Responsible Entity during the reporting period.

The number of interests in the Scheme held by the Responsible Entity or its associates as at the end of the reporting period are disclosed in note 14 of the financial statements.

Interests in the Scheme

The movement in interests on issue in the Scheme during the reporting period is disclosed in Note 8 of the financial statements.

The value of the Scheme's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in note 2 of the financial statements.

Directors' report (continued)

Environmental regulation

The property operations within the Scheme are subject to environmental regulations under Australian law. There have been no known reportable breaches of these regulations.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Signed in accordance with a resolution of the Directors of Australian Unity Property Limited.

Director

Director

13 September 2010

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Auditor's Independence Declaration to the Directors of Australian Unity Property Limited, as Responsible Entity for Australian Unity Property Syndicate No 3

In relation to our audit of the financial report of Australian Unity Property Syndicate No 3 for the financial year ended 30 June 2010, 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

AJ (Tony) Johnson
Partner
Melbourne

13 September 2010

Statement of comprehensive income

	Notes	For the year ended 30 June 2010 $	30 June 2009 $
Income			
Interest income		**25,489**	12,637
Distribution income		**5,854**	-
Net gain on sale of investment property	3	**248,859**	-
Rental income	4	**1,804,907**	1,015,850
Net fair value increment of investment properties		**355,734**	-
Total income		**2,440,843**	1,028,487
Expenses			
Responsible Entity's fees	14	**112,755**	126,354
Accrued termination/rollover fee		**-**	188,000
Custody fees		**10,426**	12,326
Auditor's remuneration	5	**31,150**	6,720
Debt establishment costs		**-**	552
Other Scheme expenses	6	**85,582**	103,589
Property related expenses	7	**290,683**	615,751
Net fair value decrement of investment properties		**-**	1,744,794
Total expenses		**530,596**	2,798,086
Profit/(loss) before finance costs attributable to investors		**1,910,247**	(1,769,599)
Finance costs attributable to investors			
Distributions to investors	9	**(2,340,441)**	(749,591)
Decrease in net assets attributable to unitholders	8	**430,194**	2,519,190
Total comprehensive income for the reporting period attributable to investors		**-**	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at 30 June 2010 $	30 June 2009 $
Assets			
Cash and cash equivalents		**600,212**	286,650
Receivables	11	**634,212**	333,594
Prepaid expenses		**137,689**	181,571
Investment properties	10	**15,665,000**	18,800,000
Total assets		**17,037,113**	19,601,815
Liabilities			
Distributions payable	9	**167,000**	-
Payables	12	**447,921**	576,187
Total liabilities (excluding net assets attributable to investors)		**614,921**	576,187
Net assets attributable to investors	8	**16,422,192**	19,025,628

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in net assets attributable to investors

	For the year ended	
	30 June 2010	30 June 2009
	$	$
Net assets attributable to investors at the beginning of the reporting period	**19,025,628**	21,571,019
Profit/(loss) before finance costs attributable to investors	**1,910,247**	(1,769,599)
Distributions to investors	**(1,967,434)**	(138,956)
Interest expenses paid on behalf of investors	**(373,007)**	(610,635)
Swap hedging reserve	**-**	(177,228)
(Decrease)/Increase in borrowings	**(2,173,242)**	151,027
Net assets attributable to investors at the end of the reporting period	**16,422,192**	19,025,628

The above statement of changes in net assets attributable to investors should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	For the year ended **30 June 2010** **$**	 30 June 2009 $
Cash flows from operating activities			
Interest received		**25,489**	12,637
Trust distributions received		**3,884**	-
Rental income received		**1,488,077**	1,303,752
Payments to suppliers		**(596,796)**	(885,128)
Net cash inflow from operating activities	15(a)	**920,654**	431,261
Cash flows from investing activities			
Capital expenditure		**3,739,593**	(36,598)
Insurance reimbursement received		**-**	377,016
Net cash inflow from investing activities		**3,739,593**	340,418
Cash flows from finance activities			
(Repayment)/proceeds of borrowings		**(2,173,244)**	151,027
Interest costs paid		**(373,007)**	(529,460)
Distributions paid		**(749,293)**	(303,045)
Return of capital distribution		**(1,051,141)**	-
Net cash (outflow) from finance activities		**(4,346,685)**	(681,478)
Net increase in cash and cash equivalents		**313,562**	90,201
Cash and cash equivalents at the beginning of the reporting period		**286,650**	196,449
Cash and cash equivalents at the end of the reporting period	15(b)	**600,212**	286,650

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 General information

These financial statements cover Australian Unity Property Syndicate No 3 ("the Scheme") as an individual entity. The Scheme was established on 8 December 1998. The Scheme commenced operations on 24 February 1999 when the properties were purchased. On 31 December 2005 the Scheme was rolled over for a further four year term. It was decided that it was not in the interest of investors to terminate the Scheme on 31 May 2009 and hence the Scheme's termination date was deferred until 30 November 2009 by amending the Constitution. Since 30 November 2009, the Scheme has been in the process of termination, as assets have been realised to complete termination.

The Responsible Entity of the Scheme is Australian Unity Property Limited (ABN 58 079 538 499), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888). The Responsible Entity's registered office is 114 Albert Road, South Melbourne, VIC, 3205. The Responsible Entity of the Scheme is incorporated and domiciled in Australia.

The financial statements are for the period from 1 July 2009 to 30 June 2010 ("the reporting period').

The financial statements were authorised for issue by the directors on 13 September 2010. The directors of the Responsible Entity have the power to amend and reissue the financial statement.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all reporting periods presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Scheme Constitution, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in investment properties and net assets attributable to investors. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

Compliance with International Financial Reporting Standards

The financial statements of the Scheme comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This financial report is presented in the local reporting currency being Australian dollars.

Financial Statement Presentation

AASB 101 (revised) Presentation of Financial Statements

The Scheme has applied the revised standard which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in net assets attributable to investors. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Scheme had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

AASB 7 Improving Disclosures about Financial Instruments (Amendments to AASB 7 Financial Instruments: Disclosures)

The Scheme has applied the amendment to the standard which became effective from 1 January 2009. The amendment expands the disclosures required in respect of fair value measurements and liquidity risk. The Scheme has elected not to provide comparative information for these expanded disclosures in current reporting period.

2 Summary of significant accounting policies (continued)

(b) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. There are no key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the Scheme's assets and liabilities within the next annual reporting period.

(c) Investment Properties

Initially, investment properties are measured at the cost of acquisition being the purchase consideration determined at the date of acquisition plus costs incidental to the acquisition. Costs incidental to acquisition may include legal fees, stamp duty and other government charges, professional fees preceding acquisition and where applicable, financing charges incurred during the construction or development of an asset.

Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the statement of comprehensive income in the year 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. Any gains or losses on the derecognition of an investment property are recognised in the statement of comprehensive income in the year of derecognition.

Independent valuations of investment properties are obtained at intervals of generally one year from suitably qualified valuers. Less frequent valuations are permissable however, the intervals between such valuations are not to exceed three years. Such valuations are reflected in the financial statements of the Scheme. Notwithstanding, the directors of the Responsible Entity determine the carrying value of each investment property at each reporting date to ensure that its carrying value does not materially differ from its fair value. Where the carrying value differs from fair value, that asset is adjusted to its fair value.

Where assets have been revalued, the potential effect of the capital gains tax on disposal has not been taken into account in the determination of the revalued carrying amount because the Scheme does not expect to be ultimately liable for capital gains tax in respect of the assets.

Expenditure capitalised to properties includes the cost of acquisition, capital and refurbishment additions, and during development, includes financing charges, related professional fees incurred and other directly attributable transaction costs.

(d) Financial instruments (other than derivatives)

(i) Classification

The Scheme's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold.

These are investments in unlisted unit trusts.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Scheme's documented investment strategy. The Scheme's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

Loans and receivables/payables comprise amounts due to or from the Scheme.

(ii) Recognition/derecognition

The Scheme recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

2 Summary of significant accounting policies (continued)

(d) Financial instruments (other than derivatives) (continued)

Investments are derecognised when the right to receive cash flows from the investments have expired or the Scheme has transferred substantially all risks and rewards of ownership.

(iii) Measurement

- Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities held at fair value through profit and loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and liabilities held at fair value through profit or loss are expensed immediatly. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their value recognised in the statement of comprehensive income.

- Loans and receivables

Loan assets are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment.

If evidence of impairment exists, an impairment loss is recognised in profit or loss as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

- *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(e) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Scheme's main income generating activity.

(f) Receivables

Receivables may include amounts for interest, rental income arrears, trust distributions and securities sold where settlement has not yet occurred. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(i) below. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Input Tax Credits and application monies receivable from unitholders.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Scheme will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

2 Summary of significant accounting policies (continued)

(f) Receivables (continued)

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(g) Payables

Payables include liabilities and accrued expenses owed by the Scheme which are unpaid as at reporting date.

Liabilities for trade creditors are carried at original invoice amount, 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 Scheme.

Payables to related parties are recognised and carried at the nominal amount due. They are carried at the nominal amount due to the short term nature of the payable. Interest is taken up as an expense on an accrual basis.

Provisions are recognised when the Scheme has a present obligation as a result of the past event and it is probable that the Scheme will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The distribution amount payable to investors as at the reporting date is recognised separately on the statement of financial position as investors are presently entitled to the distributable income as at the reporting date under the Scheme's Constitution.

(h) Borrowings and borrowing costs

In accordance with the Constitution and Loan Agreement documents, the Responsible Entity arranged and executed underlying loans on behalf of Investors. The loans, therefore, form part of each Investors' Contribution. The property syndicate, on behalf of the investors, pays the interest due on the borrowings. The principal amount of the loan is recorded in the statement of financial position as part of the net assets attributable to investors (see note 8). The interest expense on the loan represents part of the distribution to investors (see note 9).

All loans are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with borrowings.

After initial recognition, loans are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses are recognised in the statement of comprehensive income when liabilities are derecognised or impaired.

There were no gains or losses in relation to loans taken to profit for the current reporting period.

Borrowing costs are recognised as an expense in the period in which they are incurred except for the costs that are directly attributable to the acquisition or construction of qualifying assets. Borrowing costs attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of that asset.

(i) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured. Revenue brought to account but not received at reporting date is recognised as a receivable. The following specific recognition criteria must also be met before revenue is recognised:

Rental revenue

Rental income is recognised on a straight-line basis over the lease term.

Contingent rentals, such as turnover rent and market rent adjustments, are recognised as income in the financial period in which they are earned.

2 Summary of significant accounting policies (continued)

(i) Revenue (continued)

Fixed rental increases which do not represent direct compensation for underlying cost increases or capital expenditure are recognised on a straight-line basis over the term of the lease.

The rental adjustments resulted from this policy are disclosed in the financial statements for financial reporting presentation purposes only.

Incidental incomes (costs) derived from an investment property undergoing construction or development but not directly related to bringing the assets to the working condition, are recognised in the statement of comprehensive income for the year.

Rent not received at reporting date is reflected in the statement of financial position as a receivable or if paid in advance, as a liability.

Interest revenue

Interest income is recognised in the statement of comprehensive income as it accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

Investment income

Interest income is recognised in the the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(d).

Scheme distributions (including distributions from cash management trusts) are recognised on an entitlements basis.

(j) Leasing costs and Lease incentives

Leasing costs

Costs that are directly associated with negotiating and arranging an operating lease (including commissions, legal fees and costs of preparing and processing documentation for new leases) are capitalised as part of the Scheme's assets and amortised on a straight-line basis over the lease term on the same basis as the lease income.

Lease incentives

Lease incentives which may take the form of up front payments, contributions to certain lessee's costs, relocation costs and fit outs and improvements are recognised as part of the Scheme's assets. The aggregate cost of incentives is recognised on a straight-line basis over the lease term as part of lease income.

(k) Expenses

All expenses, including Responsible Entity's fees and custodian fees, are recognised in the statement of comprehensive income on an accruals basis.

(l) Income tax

Under current legislation, the Scheme is not subject to income tax as investors are presently entitled to the income of the Scheme.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

2 Summary of significant accounting policies (continued)

(l) Income tax (continued)

Realised capital losses are not distributed to investors but are retained in the Scheme to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to investors.

(m) Distributions

In accordance with the Scheme's Constitution, the Scheme distributes income adjusted for amounts determined by the Responsible Entity, to investors by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to investors.

(n) Increase/decrease in net assets attributable to investors

Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as part of finance costs. The movements include undistributable income which may consist of undistributable unrealised changes in the net fair value of investments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any investments (including any adjustments for tax deferred income previously taken directly to net assets attributable to investors) and accrued income not yet assessable will be included in the determination of distributable income in the same year in which it becomes assessable for tax.

(o) Applications and redemptions

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after the cancellation of units redeemed.

Unit redemption prices are determined by reference to the net assets fo the Scheme divided by the number of units on issue.

All units fully paid with proportionate share of distribution and equal voting rights. They are recognised at the fair value of the consideration received by the Scheme.

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Scheme by third parties such as custodial services and investment management fees have been passed onto the Scheme. The Scheme qualifies for Reduced Input Tax Credits (RITC) at a rate of 75%; hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting period and have not yet been applied in the financial statements. The directors' assessment of the impact of these new standards (to the extent relevant to the Scheme) and interpretations is set out below:

(i) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 and 139] (effective from 1 July 2010)*

2 Summary of significant accounting policies (continued)

(q) New accounting standards and interpretations (continued)

In May 2009 the AASB issued a number of improvements to AASB 5 *Non-current Assets Held for Sale and Discontinued Operations,* AASB 8 *Operating Segments,* AASB 101 *Presentation of Financial Statements,* AASB 107 *Statement of Cash Flows,* AASB 117 *Leases,* AASB 118 *Revenue,* AASB 136 *Impairment of Assets* and AASB 139 *Financial Instruments: Recognition and Measurement.* The Scheme will apply the revised Standards from 1 July 2010. The Scheme does not expect that any adjustments will be necessary as a result of applying the revised rules.

(ii) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)*

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013. The current four categories of financial assets, stipulated in AASB 139 *Financial Instruments: Recognition and Measurement*, will be replaced with two measurement categories: fair value and amortised cost. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains/(losses) on debt investments, for example, will therefore have to be recognised directly in profit or loss. The Scheme does not expect any significant impact on the Scheme's financial statements arising from an adoption of the Standard.

(iii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards (effective from 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures.* It is effective from 1 January 2011. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The amendment will not have any effect on the Scheme's financial statements.

(iv) AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective from 1 July 2010/1 January 2011)*

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Scheme will apply the amendments from 1 July 2010. It does not expect that any adjustments will be necessary as the result of applying the revised rules.

(v) AASB 1053 *Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 January 2013)*

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Scheme has public accountability as defined in AASB 1053 and is therefore not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the Scheme.

3 Net gain on sale of investment property

Net gain on sale of investment property	**248,859**	-

4 Rental income

	For the year ended 30 June 2010 $	30 June 2009 $
Rental income *	**1,672,189**	880,192
Outgoings income	**132,718**	135,658
	1,804,907	1,015,850

* includes income arising from recognising lease income on a straight line basis.

5 Auditor's remuneration

The auditor's remuneration is paid directly by the Responsible Entity.

During the year the following fees were paid or payable for services provided by the auditor of the Scheme:

	For the year ended 30 June 2010 $	30 June 2009 $
(a) Audit services		
Audit and review of financial reports	**25,515**	15,303
Over accrual from prior year	**-**	(14,583)
Total remuneration for audit services	**25,515**	720
(b) Non-audit services		
Tax compliance services	**5,635**	4,000
Other services in relation to the Scheme	**-**	2,000
Total remuneration for taxation services	**5,635**	6,000
	31,150	6,720

6 Other Scheme expenses

	For the year ended 30 June 2010 $	30 June 2009 $
Accounting fees	**32,800**	27,300
Scheme rollover expenses	**-**	(5,650)
Registry fees	**13,500**	4,524
Compliance expenses	**7,468**	7,324
Bank charges	**(1)**	-
Project consulting expenses	**(24,806)**	69,780
Sundry expenses	**56,621**	311
	85,582	103,589

7 Property related expenses

	For the year ended **30 June 2010 $**	30 June 2009 $
Recoverable outgoings	**161,540**	481,204
Non-recoverable outgoings	**67,468**	78,386
Leasing fees and incentives	**36,055**	24,117
Legal expenses	**21,632**	18,985
Consulting expenses	**3,988**	13,059
	290,683	615,751

8 Net assets attributable to investors

All investors' contribution is fully paid with a proportionate share of distribution and equal voting rights. An Interest, as per the Constitution, is a percentage share in the beneficial interest in the Scheme equal to the aggregate amount of the Applicant's Contribution divided by the aggregate of all the Contributions subscribed. Each Interest in the Scheme comprises the Investor Cash Portion and Loan Portion.

As net assets attributable to investors are classified as liability rather than equity, distributions and the movement in the net assets attributable to investors are recognised as a finance cost in the Scheme's statement of comprehensive income.

The Responsible Entity on behalf of the investors has entered into the underlying loan facility agreement totaling $9,975,000. The facility expired on 31 May 2009 and was renewed with the same lender with expiry date 31 May 2011.

The loan is secured by a first registered mortgage over the Schemes properties and is non-recourse to the investors.

The balance of loan as at 30 June 2010 is $7,516,849 (2009: $9,690,092). The undrawn portion of the loan facility will be drawndown as required.

No new swap arrangements have been enterered into since 31 May 2009 and hence the loan is unhedged.

Movements in number of interests and net assets attributable to investors during the year were as follows:

	As at			
	30 June 2010 No.	30 June 2009 No.	**30 June 2010 $**	30 June 2009 $
Investors' contribution				
Opening balance	**6,616,978**	6,616,978	**6,384,486**	6,384,486
Borrowings	**-**	-	**7,516,849**	9,690,092
Closing balance	**6,616,978**	6,616,978	**13,901,335**	16,074,578
Undistributed income				
Opening balance			**2,951,050**	5,470,240
(Decrease) in net assets attributable to investors			**(430,193)**	(2,519,190)
Closing balance			**2,520,857**	2,951,050

	As at	
	30 June 2010 $	30 June 2009 $
Total net assets attributable to investors	**16,422,192**	19,025,628

9 Distributions to investors

Timing of distributions

The distributions for the reporting period were as follows:

	For the year ended			
	30 June 2010 $	**30 June 2010 CPI**	30 June 2009 $	30 June 2009 CPI
Distribution paid during the period	**500,434**	**7.563**	138,956	2.100
Distribution payable	**167,000**	**2.524**	-	-
Capital distribution paid during the period	**1,300,000**	**19.646**	-	-
Interest expenses paid on behalf of investors	**373,007**	**-**	610,635	-
Total distributions	**2,340,441**	**29.733**	749,591	**2.100**

10 Investment properties

30 June 2010	Opening balance $	Sale Consideration $	Gain on sale $	Capital costs $	Revaluation $	Closing balance $	Latest valuation $
Investment properties							
4 Redland Drive, Mitcham, VIC	3,800,000	-	-	-	(50,000)	3,750,000	3,750,000
27 Commercial Drive, Dandenong, VIC	3,500,000	(3,800,000)	248,859	51,141	-	-	-
2 - 10 Gaine Road Dandenong, VIC	4,400,000	-	-	9,266	155,734	4,565,000	4,565,000
1 - 5 Siddons Way, Hallam, VIC	7,100,000	-	-	-	250,000	7,350,000	7,350,000
Total	18,800,000	(3,800,000)	248,859	60,407	355,734	15,665,000	15,665,000

30 June 2009	Opening balance $	Capital costs $	Revaluation $	Closing balance $	Latest valuation $
Investment properties					
4 Redland Drive, Mitcham, VIC	3,700,000	-	100,000	3,800,000	3,800,000
27 Commercial Drive, Dandenong, VIC	4,200,000	116,954	(816,954)	3,500,000	3,500,000
2 - 10 Gaine Road, Dandenong, VIC	4,300,000	-	100,000	4,400,000	4,400,000
1 - 5 Siddons Way, Hallam, VIC	8,227,840	-	(1,127,840)	7,100,000	7,100,000
Total	20,427,840	116,954	(1,744,794)	18,800,000	18,800,000

The investment property valuation policy is to have independent valuations conducted regularly, typically annually to aid with the determination of the fair value of the assets (the latest valuations are noted below). At each reporting date the appropriateness of those valuations is assessed by the Responsible Entity.

The market for many types of real estate is being affected by volatility in financial markets. This has translated into a general weakening of market sentiment towards real estate and the number of real estate transactions has significantly reduced.

The current lack of comparable market evidence relating to pricing assumptions and market drivers, particularly for transactions involving willing buyers and willing sellers, means that there is less certainty in regard to valuations and the assumptions applied to valuation inputs. The period of time needed to negotiate a sale in this environment may also be significantly prolonged.

10 Investment properties (continued)

The stated fair value of each investment property at the end of the reporting period represents the Responsible Entity's best estimate as at the end of the reporting period. This is based on sales contracts that were entered into prior to 30 June 2010. Since reporting date, these sales have been settled at the prices indicated above. This is an increase of $365,000 from the previous valuation of $15,300,000 at 31 May 2009. Refer to Note 17 Events occurring after the reporting period for further detail.

Since the latest valuation, no capital expenditure has been incurred.

11 Receivables

	As at	
	30 June 2010 $	30 June 2009 $
Trade receivables	**37,565**	36,720
Other receivables*	**580,689**	287,308
GST receivable	**15,958**	9,566
	634,212	333,594

*Includes assets arising from recognising lease income on straight-line basis.

12 Payables

	As at	
	30 June 2010 $	30 June 2009 $
Accrued expenses	**404,313**	526,756
GST payable	**43,608**	35,129
Income received in advance	**-**	14,302
	447,921	576,187

13 Financial risk management

(a) Objectives, strategies, policies and processes

The Scheme's activities expose it to a variety of financial risks: market risk (including price risk and interest risk), credit risk and liquidity risk.

Financial instruments of the scheme comprise borrowings, financial assets held at fair value through profit and loss, net assets attributable to investors, cash as well as cash equivalents and other financial instruments such as trade receivables and payables, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The Scheme's overall risk management program focuses on ensuring compliance with the Scheme's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Scheme is exposed. Financial risk management is carried out by an Investment Manager (Investment Manager) under policies approved by the Board of Directors of the Responsible Entity (the Board).

The Scheme uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rates.

13 Financial risk management (continued)

This information is prepared and reported to relevant parties within the Responsible Entity on a regular basis as deemed appropriate, including senior management, Risk and Investment Committees and ultimately (on an exception basis) the Board of Directors of the Responsible Entity.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: price risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Scheme's direct investments.

The sensitivity of the Scheme's net assets attributable to investors (and profit/(loss) before finance costs attributable to investors) to interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates and interest rate market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

(i) Price risk

Equity price risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As the Scheme has entered into sale agreements with its entire property portfolio, price risk sensitivity is not expected to impact on the scheme.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Scheme's interest bearing financial liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Scheme has established limits on its borrowings, which are monitored on a regular basis. The interest rate risk is measured using sensitivity analysis, as stated below.

	Impact on operating profit/Net assets attributable to investors	
	+75 bps (2009: +50 bps)	**-75 bps (2009: -50 bps)**
30 June 2010	**56,376**	**(56,376)**
30 June 2009	48,450	(48,450)

(c) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Scheme to incur a financial loss.

With respect to credit risk, the Scheme's exposure relates to trade receivables, financial assets held at fair value through profit or loss, cash and cash equivalents and deposits with banks and other financial institutions.

With respect to credit risk arising from the financial assets of the Scheme, other than derivatives, the Scheme's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these investments as disclosed in the statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

13 Financial risk management (continued)

Credit risk is not considered to be significant to the Scheme.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Scheme's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Scheme maintains sufficient cash and cash equivalents to meet normal operating requirements.

Maturity analysis for financial liabilities

The table below analyses the Scheme's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Financial liabilities such as trade payables, where there are no specific contractual settlement dates, have been grouped into the 'less than 1 month' maturity grouping as such liabilities are typically settled within 30 days.

	Less than 1 month	1-3 months	3-12 months	12-60 months
At 30 June 2010				
Payables	447,921	-	-	-
Distributions payable	167,000	-	-	-
Net assets attributable to investors - external loan portion	-	-	7,516,849	-
Net assets attributable to investors - remainder	-	-	8,926,277	-
Total financial liabilities	614,921	-	16,443,126	-

	Less than 1 month	1-3 months	3-12 months
At 30 June 2009			
Payables	576,187	-	-
Distributions payable	-	-	-
Net assets attributable to investors - external loan portion	-	-	9,690,092
Net assets attributable to investors - remainder	-	-	9,335,536
Total financial liabilities	576,187	-	19,025,628

(e) Estimation of fair values of financial assets and financial liabilities

The Scheme's financial assets and liabilities in the statement of financial position are carried at amounts that approximate fair value.

14 Related party disclosures

Responsible Entity

The Responsible Entity of Australian Unity Property Syndicate No 3 is Australian Unity Property Limited (ABN 58 079 538 499), a wholly owned subsidiary of Australian Unity Limited (ABN 23 087 648 888).

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Australian Unity Property Limited at any time during the financial year as follows:

Alan Castleman (Chairman)
David Bryant (Group Executive - Investments and Chief Investment Officer)
Rohan Mead (Group Managing Director)
Glenn Barnes (Non Executive Director) (appointed 11 January 2010)
Ian Ferres (Non Executive Director)
Stephen Maitland (Non Executive Director)
Warren Stretton (Non Executive Director)
Anthony Connon (Chief Financial Officer)
Bruce Siney (Non Executive Director) (ceased 27 October 2009)

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Scheme, directly or indirectly during the reporting period.

Key management personnel interests

At 30 June 2010 no key management personnel held material interests in the Scheme (2009: Nil).

Key management personnel compensation

Key management personnel are paid by Australian Unity Property Limited. Payments made from the Scheme to Australian Unity Property Limited do not include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Other transactions within the Scheme

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Scheme since the end of the previous reporting period and there were no material contracts involving director's interests subsisting at reporting period end.

Responsible Entity's fees and other transactions

Under the terms of the Scheme's Constitution, the Responsible Entity is entitled to receive fees quarterly, calculated at 0.45% per annum of the Total Assets and 2.25% of the Gross Property Income of the Scheme.

In addition to the Responsible Entity's fee, the Responsible Entity and its associates are entitled to be reimbursed out of the Scheme for costs including expenses in connection with the keeping and preparation of accounting records and the maintenance of the investor register.

14 Related party disclosures (continued)

	As at	
	30 June 2010 $	30 June 2009 $
Management fees for the period paid/payable by the Scheme to the Responsible Entity	**112,755**	126,354
Termination fee accrued by the Responsible Entity on the termination of the Scheme's term	**153,000**	188,000
Accounting fees for the period paid or payable to the Responsible Entity	**32,800**	21,000
Registry fees for the period paid or payable to the Australian Unity Funds Management	**13,500**	9,000

The Scheme in accordance with the Scheme Constitution has reimbursed other administration expenses incurred by the Responsible Entity in full.

Related party holdings

As at 30 June 2010 there were no holdings by Australian Unity Property Limited and its associates (2009: Nil).

15 Reconciliation of profit/(loss) to net cash inflow from operating activities

	For the year ended	
	30 June 2010 $	30 June 2009 $
(a) Reconciliation of net profit/(loss) to net cash inflow from operating activities		
Profit/(loss) for the reporting period	**-**	-
(Decrease)/increase in net assets attributable to investors	**641,881**	(2,519,190)
Add revaluation decrement/(increment)	**(355,734)**	1,744,794
Realised gain on disposal of properties	**(248,859)**	-
Add back debt establishment costs	**-**	552
(Increase) in receivables	**(335,855)**	-
Decrease in other assets and prepayments	**43,882**	381,454
(Decrease) in liabilities	**(113,962)**	74,060
Add back financing costs - distributions	**667,434**	138,956
Add back financing costs - interest expense paid on behalf of investors	**373,007**	610,635
Net gain on sale of investment property	**248,859**	-
Net cash inflow/(outflow) from operating activities	**920,653**	431,261
(b) Components of cash and cash equivalents		
Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash and cash equivalents	**600,212**	286,650
(c) Non-cash financing activities		
There were no non-cash financing and investing activities carried out during the reporting period.	**-**	-

As described in note 2(n), non-distributable income is included in net assets attributable to investors. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

16 Events occurring after the end of the reporting period

On the 5th July 2010, a contract of sale become unconditional for the sale of 4 Redland Drive, Mitcham, VIC for a consideration of $3,750,000. This represents a decrease of $50,000 from the previous valuation of $3,800,000 at 31 May 2009. Settlement occurred on 19 July 2010.

On the 5th July 2010, a contract of sale become unconditional for the sale of 2-10 Gaine Road, Dandenong South, VIC for a consideration of $4,565,000. This represents a increase of $165,000 from the previous valuation of $4,400,000 at 31 May 2009. Settlement occurred on 28 July 2010.

On the 1st July 2010, a contract of sale become unconditional for the sale of 1-5 Siddons Way, Hallam, VIC for a consideration of $7,350,000. This represents a increase of $250,000 from the previous valuation of $7,100,000 at 31 May 2009. Settlement occurred on 10 August 2010.

The scheme is expected to be terminated and all proceeds paid to investors by the end of September 2010.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2010 and 30 June 2009.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 6 to 27 are in accordance with the *Corporations Act 2* 2001, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Scheme's financial position as at 30 June 2010 and of its performance, as represented by the results of its operations and cash flows for the reporting period ended on that date; and

(b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

(c) the financial statements are in accordance with the provisions of the Scheme's Constitution.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Director

Director

13 September 2010

Ernst & Young

Ernst & Young Building
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
www.ey.com/au

Independent auditor's report to the unitholders of Australian Unity Property Syndicate No 3

We have audited the accompanying financial report of Australian Unity Property Syndicate No 3, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Statement

The directors of the Responsible Entity are responsible for the preparation and fair presentation of the financial statement in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial statement complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity an Auditor's Independence Declaration, a copy of which is included in the directors' report.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

1. the financial report of Australian Unity Property Syndicate No 3 is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the financial position of Australian Unity Property Syndicate No 3 at 30 June 2010 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Ernst & Young

AJ (Tony) Johnson
Partner
Melbourne

13 September 2010

Contact Australian Unity Investments

Call	**13 29 39** (Australia-wide or contact your financial adviser)
Website	australianunityinvestments.com.au
Email	investments@australianunity.com.au

Australian Unity Property Limited
ABN 58 079 538 499, AFS Licence No. 234455
114 Albert Road, South Melbourne VIC 3205