Welcome to your investor newsletter, *Via Appia*.
We strive to keep you informed on your investment with up to date, relevant information.

Should you wish to suggest any changes in the detail or format of this newsletter, please contact us at info@appianproperties.com or 1300 555 505. We welcome your feedback. **The internet web address for Appian Properties Pty Ltd is www.appianproperties.com for all web based information including reports, newsletters and financial statements.**

Investor Information

UPDATES MOVING ONLINE

Via Appia is in digital format on our web site. You will also receive a copy of this report in the postal mail.

In order to assist future communications, please update your registered email address by notifying Appian Properties at info@appianproperties.com with your new details in writing. Please include your investor ID number.

As always we are available during business hours at the number listed above or on Robert Nichevich's mobile 0409 094 833 in Western Australia at any reasonable time.

Disclaimer

The information provided in this report has been carefully prepared and reviewed and is based on various assumptions available to the Manager at the time. Neither the Manager nor any company related to the Manager guarantees the performance or success of either Managed Investment, the total distribution or the repayment of investors' subscription or any capital. Advisors and Investors should appreciate that factors which affect results may be outside the control of the Manager or may not be capable of being foreseen or accurately predicted.

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The Responsible Entity for both schemes is Primary Securities Ltd ABN 96 089 812 635 AFSL 224107.

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APPIAN
PROPERTIES

Avonlee Henley Brook

Project Update

This project is a significant development of an expected 581 residential lots. When the project was originally designed the number of lots to be developed was planned to be 416 single residential lots and 1 unit site. The extra circa 170 lots created have enhanced the profit expectations but have extended the term of the development. On current sales rates the extra 170 lots will add four years to the term of the syndicate compared to the original time frame detailed in the PDS.

The project is now part of the suburb of Brabham in the City of Swan. The suburb now includes development by four other developers. This has created a much more competitive environment affecting the sales rates and pricing of lots for this estate.

Profit for the syndicate was estimated in the PDS (Prospectus) to be $11.5m before tax. The current surplus forecast as at 31st August, 2017 is $16.3m pre-tax. Further detailed life of project cash flows are being prepared for the Responsible Entity prior to the end of the current financial year. The updated cash flow expectations will be reported in September 2018 following the finalisation of the Annual accounts.

In providing past forecasts of expected surplus the manager has used the price growth of 5.7% as considered reasonable by the independent consulting economists report in the PDS. The current forecast has excluded any price growth over the past year.

As the graph below illustrates the price growth for the period from December 2012 to March 2015 would have supported the price growth in the budgets. From the March 2015 period to current dates the price growth in the budgets was well above the actual which was a decline. The property industry did not predict the decline of 11% between March 2015 and September 2017. The manager has now reflected the reality of this changing circumstance. The growth in price per lot has been a total of 2% over the past 5 years. This is compared to earlier budgets which used the 5.7% per annum lot price growth. The difference is significant in the overall estimates.

Sales and Marketing

In any project of this size and duration there are the market movements and fluctuations caused by the very nature of markets over an extended time. These unexpected market movements impact constantly on the returns to be provided by a land development syndicate such as this. The Western Australian property market including the residential subdivision market continues to experience difficult trading conditions in respect to pricing and volume. This has resulted in a reduced sales rate and downward pressure on selling prices.

The graph above demonstrates the state of the market with the average selling price to June 2017 being circa $15,000 per lot above the 2012 selling prices. The sudden increase in the September quarter is considered an aberration to the trend.

The volume of sales shows a quarterly reduction in sales in December 2012 from 3,500 lots to just over 1,000 lots in the September 2017 quarter. Despite the syndicates best efforts ,the decline in demand has affected the rate of sales in this estate. Expectations are that the December 17 quarter and the March 18 quarter will be similar or worse than September 17. Marketing is being undertaken by a full time employee of the project manager calling on all building companies and their representatives in the Swan Urban Growth Corridor. The syndicate has a sales office on site that is manned twice a week, marketing information and plans are available on site at all times.

Extensive use of IT through face book and internet marketing has been a feature of the sales effort. Family functions have been held on a regular basis and offers of vouchers for introductions from existing property owners have been undertaken to support sales. The syndicate is constantly updating parks and recreation areas. There is a considerable effort to keep the gardens and recreation areas clean and inviting.

Advertising is focused on signage and the internet. This is intended to bring buyers to the estate, ensuring they are directed to the estate. Print advertising is a decreasingly less successful tool in the market, with the new focus of the target market being predominantly social media focused.

The syndicate is currently working with various home builders to develop house and land packages for sale. This provides another medium to attract prospective buyers as both parties will be marketing the product. The packages are expected to be made available during the latter weeks of April on the internet.

There is an interchange of sales statistics in the area between the various estates. This estate has achieved a better than average success rate compared to the nearby estates.

A major change in the market is that intending home owners and builders are only interested in titled lots or those where the lots are completed and ready for titles to be issued. Traditionally any new stage would have at least 50% of the lots contracted and ready to settle on the issue of titles. Now the market has experienced a situation where very few if any sales are contracted prior to the issue of titles. This adds considerably to the time frame for the project.

Stage 9 has been selling through the last calendar year to 31st December 2017. Of the 65 lots developed in stage 9 as at the 31st March 2018, 9 remain unsold. This statistic highlights the state of the market and the time taken to sell lots.

Stage 10 was completed on the 2nd of January 2018. As at the 31st March 2018 there were 7 lots sold out of 56 lots developed.

Monthly sales rates reflect the graph above. The syndicate achieved 11 sales in the September quarter, 2 in the December quarter and 7 in the March 2018 quarter.

The syndicate has found that discounting the lots is not a successful strategy. The issue is not the price it is the number of available buyers. The buyers that do sign up for contracts encounter resistance from financiers. In many genuine cases we have supported the efforts of prospective buyers with finance condition extensions. It is not unusual to have finance clauses extended for 270 days from purchase contract to settlement. These uncertainties make the process of predicting cash flows and managing the project difficult.

Facilities

A draw back for the estate has been the lack of facilities for the community such as an essential food retailer and medical facilities. To address this an agreement between Appian Properties Pty Ltd and the syndicate to establish a medical/commercial centre at the southern portion of the estate has been signed. The requirement for rezoning is at Appian Properties' expense as will be all the costs of the development. The syndicate will be responsible for providing the titled land. The purchase price will be determined by the mid-price of two independent valuations, one for the vendor and one for the purchaser.

The West Australian Planning Commission has approved the site for the Commercial centre with two major changes. The Land has been increased in size but the available retail space has been reduced thus making the project uneconomic. Appian is in the process, at its cost, of appealing the decision.

District Roundabout

Investors will be aware that the management team has been attempting to recover the costs of a two lane roundabout at the intersection of Lord Street and Park Street. The syndicate was unfairly forced to pay for this piece of infrastructure to enable stage 5 and 6 to be developed. The cost of the infrastructure was $1.8m of which the syndicate paid $1.5m.

A strong appeal was made to the City of Swan to have the costs reimbursed to the syndicate. The appeal was to have this cost shared with the other developers in the suburb of Brabham. The roundabout being part of mutually beneficial infrastructure that should be covered by the Development Contributions Scheme.

This request was denied and as a consequence the syndicate has appealed to the Minister on the basis of fairness and justice. The initial response from the Minister had been supportive of the syndicates' request. **The syndicate is pleased to announce that after more than two years of persistent effort the Minister provided her decision on the 28th March 2018 in support of the syndicates proposition**.

The syndicate will now work with the City of Swan and other authorities to have the Ministers direction included in the future Developer Contribution calculation for the syndicate. The syndicate is a step further toward having a net reduction of costs of circa $1m. Until the matter is fully resolved the cash flows and projections will continue to exclude this recovery from the estimates.

This decision is a significant step forward for the syndicate, it will require a concerted effort on managements part to see the decision of the Minister result in a positive contribution to the syndicate.

Disputes Arising

The manager has been involved in two disputes that have an impact on the syndicate. Both have been successfully managed at this point.

A dispute arose over the appropriate sharing of cost between the syndicate and the adjoining land developer. A claim for $416,000 has been reduced to a proposed settlement of $200,000. An agreement is yet to be signed but the sum of $200,000 has been agreed.

The Project Manager made a claim for performance fees under the contract for services to the syndicate. The Project manager is paid 3 percent of gross sales for project management and sales. A further 3% of gross profit is payable for performance. The manager contends in the circumstances this is not payable. The claim for $208,741 was put to arbitration by the Project Manager and was defeated through the action of the manager and their team. This claim was only for the period to the 30th June 2016.

Project Financing

The funding for the development has been very difficult. Banks are reluctant to lend to property developments such as this in the current market in Western Australia. The structure of the project excludes the ability for the Bank to take personal guarantees from key officers and or owners. The security is entirely in the assets of the trust only.

This heightened risk profile we believe has made the syndicates prime financier nervous. NAB has been supportive in financing the development however they require presales to cover the key development costs. Due to the disinterest of buyers to entertain buying undeveloped lots it has been impossible to achieve pre sales to meet the banks requirements.

The manager has been able to make arrangements with suppliers and creatively overcome the issues raised by the push pull of the need to keep the project moving and the requirements of pre sales by the Bank.

If the manager had not been able to overcome these issues the syndicate would have been unable to commence stage 10 until now rather than have stage 10 completed and available for sale. This alone would have delayed the completion of the project for a further 12 months over the current time table.

We are pleased to advise that new financing has been finalised with NAB to enable the payment of Civil Construction Costs, Development Contributions and continuing operating costs to a limit of $7.1m through to the 31st December 2018. Various reductions in debt are required through the period and the syndicate is on track to meet those requirements.

NAB have imposed a number of conditions including reporting conditions, approval of any management changes, approval for distributions, regular compliance reports etc.

We are grateful to NAB for their support and the commercial terms that will allow the project to advance as rapidly as our sales levels will permit.

The Audited Interim Financial Statements to the 31st December 2017 have been completed and are available on the website. If you require a printed copy please advise the manager.

Forecast & Distributions

While all information has been carefully considered to prepare this forecast, investors should appreciate that this does not constitute a guarantee of future returns or distributions.

The management group understands the frustration of the delays in distributions and the roller coaster estimate of returns to investors. The supervisor is a significant investor in this syndicate and is as anxious as anyone to see the completion of the project.

Your management team is working diligently through every known process and relationship to maximise sales and speed up the development process. We are investors in the project and are as keen as all our investors to receive distributions.

Current stock on hand represents up to 18 months sales on current trends. Unless the current sales rates improve it is unlikely that a further stage will be started for 12 months. Until there is a solid improvement in the sales rates of lots the manager does not believe it is prudent to consider distributions to investors.

It is imperative to have stock on hand at all times otherwise the estate loses momentum and the project will be further delayed. As funds become available from settlements, after the bank facilities are repaid, the manager will be focused to applying the funds to project development ahead of distributions.

Once the cash flow is strong enough to pay for the next stage and leave the syndicate with a surplus, that surplus will be paid to investors.

With sales slowing and discounting of lots, there has been an impact on expected returns. The manager is conscious of the need to return funds to investors and is working as diligently as possible to begin a return of funds to investors.

Unit profit (pre-tax) is expected to be circa $1.80 per unit. A distribution timeframe is not available at the current time.

Lot Sales at 31st March 2018

	Stage 1-5	Stage 6	Stage 9	Stage 10	Stage 11+	Total
Total Lots	195	64	65	56	201	581
Lots Sold	195	64	57	7		323
Lots Settled	195	62	46	0		303
Lots Available	0	0	8	49	201	258

Key Data

Start Date	December 2005
End Date	December 2021 (estimated)
Units on Issue	11,000,000
Purchase Price	$12,500,000
Latest Valuation	Dated 26th August 2017 showing a value of $17,196,000 ex GST for the balance of land post stage 9 plus completed lots from stage 6 and 9.
Unit Value 31/12/2017	$1.296

Finance Structure

Financial Institution	NAB
Loan Amount	Limit $7,100,000 plus Bank Guarantee Limit of $500,000 loan drawn to $4,049,000 and Bank Guarantee of $39,886 as at 31st March 2018
Loan Term	31st December reducing to zero at that date
Gearing Ratio	Maximum LVR 30%
Loan to Value Ratio (LVR)	The loan is compliant
Current Interest Rate (variable)	4.86%

Note that actual cash distributions will be less than these amounts because the Syndicate is taxed as a company and will have to pay income tax on profits.
However, investors will receive franking credits. The above forecasts are based on current market conditions and are subject to change if those conditions change

Southern River

Project Update

This project is a significant development of an expected 386 residential lots. When the project was originally designed the number of lots to be developed was planned to be 305 single residential lots and 1 commercial site. The extra circa 85 lots created have extended the term of the development and assisted in the syndicate achieving a surplus.

In providing past forecasts of expected surplus the manager has historically used the price growth of 7% as considered reasonable by the independent valuer's report with the PDS when it was issued. The current forecast has excluded any price growth over the past year.

As the graph below illustrates the price growth for the period from December 2012 to March 2015 would have supported the price growth in the budgets. From the March 2015 period to current dates the price growth in the budgets was well above the actual which was a decline. The property industry did not predict the decline of 11% between March 2015 and September 2017.

The manager has now reflected the reality of these changing conditions. The growth in price per lot for has been a total of 2% over the past 5 years. This is compared to earlier budgets which used a 7% per annum lot price growth. The difference is significant in the overall estimates of the surplus.

Sales and Marketing

In any project of this size and duration there are market movements and fluctuations caused by the very nature of markets over an extended time. These unexpected market movements impact constantly on the returns to be provided by a land development syndicate such as this.

The Western Australian property market including the residential subdivision market continues to experience difficult trading conditions in respect to pricing and volume. This has resulted in a reduced level of sales activity and downward pressure on our retail pricing strategy.

The above chart comprehensively explains the state of the residential lot market in Western Australia.

In the south eastern area of the Perth metropolitan area it is possible for example to buy a 3 bedroom house on a lot circa twice as large as the ones the syndicate is selling for $349,000 compared to our land sales prices of circa $260,000 for land only. The home location in the example is 20k from the CBD this estate is 17k from the CBD. The property in question is circa 3 kilometres from this estate.

The perceived value in the established housing market is an additional cause for the reduction in pricing and volumes in the new housing market.

Stage 8 lots were completed in September 2017 and titles for stage 8a were available from January 2017. Stage 8b titles were issued in March 2018. A total of 14 lots have been sold out of 56 lots that were developed.

Marketing is being undertaken by a full time employee of the project manager calling on all building companies and their representatives in the greater Southern River area.

Extensive use of IT through face book and internet marketing has been a feature of the sales effort. Family functions have been held on a regular basis and offers of vouchers for introductions from existing property owners. The syndicate is constantly updating parks and recreation areas. There is a considerable effort to keep the gardens and recreation areas clean and inviting.

Advertising is focused on signage and the internet. This is intended to bring buyers to the estate and ensuring they are directed to the estate. Print advertising has been tried in the local newspapers and has not been as successful as in the past. The focus of the target market being in all things technological hence the concentration on IT systems to promote the project.

The syndicate is currently working with various home builders who have provided house and land packages for sale. This provides another medium to attract prospective buyers as both parties will be marketing the product. The packages are available on the internet.

There is an interchange of sales statistics in the area between the various estates. This estate has achieved a better than average success rate compared to the nearby estates.

A major change in the market is that intending home owners and builders are only interested in titled lots or those where the lots are completed and ready for titles to be issued. Traditionally any new stage would have at least 50% of the lots contracted and ready to settle on the issue of titles. Now the market practice is for very few if any sales to be contracted prior to the issue of titles. This adds considerably to the time frame for the project.

The syndicate has found that discounting the lots is not a successful strategy. The issue is not the price it is the number of available buyers. Most of the buyers that do sign up for contracts encounter resistance from financiers. In many genuine cases we have supported the efforts of prospective buyers with finance condition extensions. It is not unusual to have finance clauses extended for 270 days from purchase contract to settlement.

The manager constantly reviews the market, available land nearby, pricing of lots and discounting by the various competitors in the nearby estates in managing the sales in the project. A number of actions have been undertaken including a “specials package”. This resulted in 5 sales over the period of November and December 2017. The result was very disappointing considering the offer made. There was a significant increase in the expressions of interest for this special deal without culminating in significant sales.

The quarterly sales rates of the estate reflect the graph above. In the September quarter 3 sales were achieved. December quarter 6 and March quarter 5. Management is very conscious that sales rates need to increase to a higher level to enable distributions to recommence. We are exploring all avenues to achieve a higher rate of sales.

Disputes Arising

The Project Manager made a claim for performance fees under the contract for services to the syndicate. The Project manager is paid 3 percent of gross sales for project management and sales. A further 3% of gross profit is payable for performance. The manager contends in the circumstances this is not payable. The claim for

$85,282 was put to arbitration by the Project Manager and was defeated through the action of the manager and their team. This claim was only for the period to the 30th June 2016.

Project Financing

Funding for this stage of the development included a loan for $1,050,000 plus continued Bond facilities of $645,000. The loan and Bonding facilities expire on the 31st August 2018. The syndicate will be required to pay all proceeds from settlements of lots to reduce the debt.

As at the 31st March the debt has been reduced to $457,685 plus the bonding facility of $614,087. Based on current sales and timing of settlements the debt should be extinguished prior to due date. The bonding provided to the City of Gosnells is a continuing obligation.

The manager is in the process of negotiating with NAB on the bonding facility and the payment distributions from the proceeds of the Stage 8 sales. The project has one stage left to develop. The plan is to leave enough funds from the sales of stage 8 to pay for all the costs and distribute the balance of funds to investors.

Forecast & Distributions

While all information has been carefully considered to prepare this forecast, investors should appreciate that this does not constitute a guarantee of this forecast.

The December 2017 cash flow estimates are for a surplus of circa $8.0m before tax. Whole of life comprehensive cash flows are being updated for the 30th June 2018 review of the project. The results of this new update will be reported in the next letter after the completion of the audit of the June 2018 financial statements. The Audited Financial Statements to the 3st December 2017 have been completed and are available on the website. If you require a printed copy please advise the manager.

The syndicate paid its first distribution to investors on 4 November 2015. The 10c per ordinary unit distribution was declared as capital return to defer tax obligations to investors. A further 20 cents per unit was paid 31 March 2016 as a capital return.

Once settlements of lots in stage 8 have repaid the Bank loan, funds will be applied to further distributions and construction of Stage 9 being the last stage in this project.

There is approximately $2.3m held on deposit as bonds and refunds of various costs prepaid by the syndicate to the City of Gosnells. These funds will be returned to the syndicate in due course. The timing is unknown as the City and WAPC continue to complete the terms of the Development Contribution Scheme.

The manager is constantly in touch with all the authorities involved to encourage the completion of this Scheme. When payments are received these funds will be returned to unit holders.

The managers are paid predominantly on a percentage of sales. It is in their best interest as major unit holders as well as the payment method to complete the project as soon as possible. We are as frustrated as you the unit holders at the delays. The current state of the market is at a level not seen for many ‘years, if ever.

We thank you for your patience while we continue to prudently manage the syndicate and continue to pay distributions in line with our current forecast.

Returns for investors of the Southern River Syndicate are currently envisioned to be $1.34 for ordinary units and $0.34 for bonus units (including capital invested) for each unit held before tax.

Of these sums investors have received 30c per ordinary unit and will receive the balance as estimated below.

Note that actual cash distributions will be less than these amounts because the syndicate is taxed as a company and will have to pay income tax on profits. However, investors will receive franking credits.

The below forecasts are based on current market conditions and are subject to change if those conditions change.

Forecast Distributions Pre Tax Cents Per Unit (CPU)

Financial Year	2015/2016	2017/2018	2018/2019	2019/20	
CPU Ordinary	30c	.30c	.64c	.10c	
CPU Bonus	Nil		.24c	.10c	

Lot Sales

	Stage 1-6	**Stage 7**	**8**	**9**	**Total**
Total Lots	222	55^	53	56	386
Lots Sold	222	54	14		290
Lots Settled	221	54	3		278
Lots Available	0	1	39	56	96

^1 lot available for sale in Stage 7. Data correct as at 31st March 2018

Key Data

Start Date	August 2006
End Date	December 2019 (estimated)
Units on Issue	10,000,000 Ordinary 3,000,000 Supplementary 7,200,000 Bonus
Purchase Price of Land	$14,337,000
Latest Valuation	$11,312,000 ex GST (completed 23rd June 2017)
Unit Value December 2017 pre tax	$1.04 Ordinary $0.34c PU Bonus

Finance Structure 31st August 2017

Financial Institution	NAB
Loan Amount	$457,685 plus Bonding of $645,000. To be repaid by 31st August 2018
Cash at Bank	$123,331