

Via Appia Investor Newsletter - September 2021

Welcome to your investor newsletter, *Via Appia*.

We strive to keep you informed on your investment with up to date, relevant information.

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 kerry@appianproperties.com with your new details in writing. Please include your investor ID number.

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.

This report has been prepared for general information only. It does not take into account your current or future financial circumstances. Nothing in the information contained in this update is intended to induce you to acquire or dispose of your units in the Managed Investment.

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

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The logo for Appian Properties features two large, light blue, curved lines that sweep across the page from the bottom left towards the top right. The text 'APPIAN PROPERTIES' is positioned in the bottom right corner, with 'APPIAN' in a larger, serif font above 'PROPERTIES' in a smaller, sans-serif font.

APPIAN
PROPERTIES

Avonlee Henley Brook

Project Update

This project is a development of an expected 581 residential lots. As at the date of this report 426 lots have been developed. Lots sold totalled 449 and there were 419 lots settled.

Profit for the syndicate was estimated in the PDS (Prospectus) to be \$11.5m before tax. The June 30th 2021 budget indicated a forecast profit for the syndicate of \$8.0m pre-tax.

Development of stage 12 for 34 green title lots was contracted in May 2021. Due to lack of contractor resources and plant the major works started in late August. It was decided to pre-sell these lots due to there being limited supply within the syndicate's estate and neighbouring estates. In the past 6 years pre-selling was very difficult due to the excess of supply over demand.

As at the beginning of September 20 lots were already sold suggesting the market remains buoyant despite the reduction in Federal and State stimulus programs.

The syndicate has reacted accordingly by increasing prices for the lots to a level that compensates for the increases in the cost of production of the lots.

Plans are to develop the next two stages, stage 13 and 14 immediately following on from stage 12. This approach will expedite the completion of the syndicate leaving only one stage remaining to be constructed. The managers expect to reduce construction costs for the next stages by adopting this approach.

Subject to sales continuing at the present rates it's expected that Stage 15 will follow soon afterwards.

The units were valued at \$1.38 as at the 30th June 2021.

Sales and Marketing

Market conditions have remained stronger than the past 6 years despite the reduction of Government incentives. With the cheap interest rate regime experienced in Australia and the shortage of rental properties demand for lots should be maintained at a reasonable level.

The demand for lots has enabled us to reduce marketing expenditure. We are now using online media channels and direct representation to home builders driving a satisfactory rate of sales.

Facilities

The proposed commercial centre development has been delayed and is now the subject of a renewed Development Approval. This application will incorporate a Child Care centre. It is expected that approval from the City of Swan will be granted in the third quarter of 2021.

Settlement of this site is expected later this year. Construction will commence as soon as practicable after that approval is obtained delivering much needed additional shopping amenity to the area.

Coles have developed a small shopping/medical centre 1.2kilometres from the syndicates' subdivision. The primary school opposite has been occupied since the beginning of the current school year. The primary sports field has been completed opposite the subdivision and alongside the primary school.

Project Financing

The syndicate is now debt free. The loan was repaid in February 2021 ahead of due date for repayment.

Forecast & Distributions

The audited financial statements will be on the web site by the end of September.

The plan is to pay a distribution prior to the end of the calendar year. The amount per unit to be paid will be impacted by the cost and timing of the initial earth works on stage 13 and 14. More details will be provided in due course.

Key Data

Start Date	December 2005
End Date	December 2024 (estimated)
Units on Issue	11,000,000
Purchase Price	\$12,500,000
Latest Valuation	Dated 30th June 2020 showing a value of \$20,510,850. No valuation was undertaken for the 2021 year end
Unit Value 30 th June 2021	\$1.38

Finance Structure

The syndicate has a cash balance of \$4.96m credit as at the 31st August 2021.

Southern River

Project Update

This project is expected to yield 383 residential lots once completed. 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. In providing forecasts under the PDS of the expected surplus there was an expected annual price growth of 7%. This was considered reasonable by the independent valuer's report contained within the PDS. The actual performance has witnessed a reduction in values of circa 25% from 2014 to today including slight increases in sales prices reflecting the current demand.

The expected project surplus based on the current cash flow is circa \$5.5m pre-tax.

The City of Gosnells has finally approved the Development Contribution Amendment 110. The matter is currently being settled with the WA Planning commission. Once Amendment 110 is finally resolved the syndicate is expecting significant reimbursement of costs, outlays and deposited funds to support past subdivision approvals.

Based on what has been incorporated in Amendment 110, the syndicate is expecting to have more than \$2m returned in comparison to our budgeted amount of \$1.35m.

The history of this Amendment 110 dates to 2009 causing difficulty estimating when the refunds will be made. The managers are hopeful the funds will be returned prior to the end of the calendar year. As the funds become available they will be returned to investors as distributions.

Sales and Marketing

The impact of the government stimulus and low interest rates has seen all the larger lots sold and most of the stage 9a lots settled. Smaller lots, sub 300sqm per lot have met resistance from prospective buyers. A more aggressive marketing approach may be required to boost sales of this product type.

Future sales may be assisted with the completion of a shopping/medical centre adjacent to the subdivision in Holmes Street. This is due for completion by the end of this calendar year.

Stage 9b was recently completed with titles expected late this calendar year and settlements following as soon as titles are issued.

The cost of the development of stage 9b has been met out of cash available to the syndicate. Once the funds on hand accumulate to allow a 10 cents distribution, funds will be distributed. This is a sum of \$1.3m in credit.

Project Financing

There is no debt on the estate and as at the date of this letter there was \$487,000 credit in the bank. A further \$5m in sales is awaiting finance approval and or titles to be issued.

Forecast & Distributions

The Audited Financial Statements to 30th June 2021 are being completed and will be available on the website by the end of September.

The next distribution is dependent on the contracts noted above settling. As soon as there is sufficient funding a further distribution will be paid. The Manager is keen to return funds to investors as quickly and as prudently as possible. Based on current data it is likely that there will be a distribution by the end of this calendar year.

Returns for investors of the Southern River Syndicate are currently envisioned to be \$1.24 for ordinary units and \$0.30 for bonus units (including capital invested) for each unit held before tax.

The reduction in value has been primarily caused by the heavy discounting required to sell lots in this subdivision.

Of these sums investors have received 50c per ordinary unit and will receive the balance as funds permit. Bonus units have received 5c per unit.

Key Data

Start Date	August 2006
End Date	December 2022 (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	\$10,014,545 ex GST (completed 30 th June 2020) no valuation was undertaken for the 2021 financial year
Unit Value 30 th June 2021 pre tax	\$0.75 Ordinary \$0.30 PU Bonus