

Q2

ARTEMIS PROPERTY SCHEME

Quarterly Report – September 2022



THE SCHEME – as at 30 Sept. 2022

Structure:	Proportionate Ownership Scheme
Scheme Type:	Wholesale
Commencement:	17 September 2015
Capital Structure:	
No. of interests:	2,633
Issue Price:	\$10,000 each
Investor Capital:	\$26,330,000
Distribution Rate to 30 Sept:	7.0% p.a
Distribution Rate from 1 Oct:	5.5% p.a
No. of Investors:	64

THE PROPERTIES

Number of Properties:	14
Locations:	Masterton, Porirua, Tawa Blenheim, Richmond, Nelson, Westport, Christchurch (5), Rolleston, Invercargill
Tenants:	Evolve Group (8) Provincial Education Group (2) Best Start Group (1), Grow Canterbury (3)
Use:	Early childcare centres
WALT:	8.8 years

THE NUMBERS

Property value:	\$53.68m
Bank debt:	\$21.72m
Lender:	ASB Bank
LVR:	40.4%
Interest rate:	5.62 – 5.75% p.a.
Repayments:	4 loans - interest only 1 loan - \$100,000 p.a principal reduction

THE PEOPLE

David Kitson (Managing Director)	021 722 231
Michael Kohing (Chief Financial Officer)	021 532 628
Jacque Musson (Investor Liaison Manager)	03 345 8842
Sam Kitson (Marketing & Distribution Manager)	021 066 9206

Quarry Capital Update

Quarry Capital is underway with its second capital raise of the financial year, the Washdyke Limited Partnership.

Vendors, Hilton Haulage Limited Partnership, have agreed to sell part of their substantial property in Washdyke, Timaru, with 6.85ha of industrial land and buildings encompassing six established tenancies under contract for \$10.5m. The properties have recently been valued at \$10.78m.

Quarry intends to raise the \$11.6m required to fund the purchase with no bank debt. The scheme is forecast to provide a pre-tax cash distribution of 6%. The WALT across the six tenancies is seven years. There are a limited number of interests available, so please contact the team for more information. Please note that the confirmation date has been extended to 28 November 2022.

We still have a limited number of underwritten interests available in the Tweed Property Scheme. Please contact the team to find out more information.

You may have noticed that Quarry's AML/CFT and wholesale onboarding processes have intensified recently. The Financial Markets Authority (FMA) has recently concluded a comprehensive review of wholesale offerors over the past year, resulting in public warnings for 7 offerors exhibiting non-compliant and undesirable practices, largely relating to eligible investor certificates. The review found Quarry to be compliant, although we will still continue to improve our processes in line with regulatory standards and latest guidelines.

Property Update

Minor maintenance projects and upgrades are being attended to across several centres, including lighting upgrades in Rolleston and Northwood, bird control in Grenada and a drainage project at one of the Grow centres. Optimum Projects continues to manage these projects with the respective tenants, with Quarry having oversight and discussing any potential larger issues or landlord contribution with the Advisory Group.

Three centres experienced rental increases during the latest quarter, adding \$27,708 to the scheme's annual rental income. CPI rental increases across the eight Evolve centres and the Westport Centre (PEG) are due in December, which will see the scheme's rental income increase by a further \$115,000 per annum based on the latest CPI figure of 6.9%.

The downside of the CPI remaining high is that interest rates are likely to continue to trend upwards. A further interest rate increase on the scheme loans is expected in December when the ASB Bank provide updated terms. We will continue to monitor the impact of this vigilantly.

Advisory Group

Should any investor like to contact an AG member, they have agreed to have their contact details provided. They are:

Investor / AG member	Email
Athol Stephens	athol.stephens@gmail.com
Valerie Jones	valeriefjones@hotmail.com
Tony Gray	tgray@xtra.co.nz
Ron Noordijk	ron.noordijk@gmail.com



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Financial Update

Unaudited results for the period ended 30 September 2022

Profitability	Actual	Forecast	Variance
Rent, Opex and Interest Income	1,541,894	1,539,203	2,691
Property and Scheme Expenses	(246,891)	(214,355)	(32,536)
Interest paid	(509,653)	(523,748)	14,095
Net Operating Income	785,350	801,100	(15,750)

Annualised yield	6.0%	6.1%
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Statement of Financial Position

	Sep-22	Mar-22
Bank and Receivables	239,985	487,202
Investment Properties	53,680,000	53,680,000
Total Assets	53,919,985	54,167,202
Payables and Accruals	327,837	388,680
Bank Debt	21,692,334	21,742,334
Total Liabilities	22,020,170	22,131,014
Net Assets	\$ 31,899,815	\$ 32,036,188

Investors Equity	\$ 31,899,815	\$ 32,036,188
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Secondary Sales Market Update

Current secondary sales opportunities are listed below. If you have any interest in purchasing secondary units, please contact the team to discuss. Similarly, if you are considering selling interests, we will endeavour to connect you to a purchaser via a monthly secondary sales email to our investor database. Please note that Quarry charges a fee for this service. Alternatively, you may wish to sign up to Syndex's secondary sales platform to list or purchase interests via the secondary market. Currently, Syndex charges a \$70 annual fee to use this platform. Additional documentation fees may apply.

Property Scheme	No. of interests on offer	Original Issue Price per interest	Current Net Asset Value per interest (as at 31.3.22)	Asking Price per interest	Total Asking Price	Pre-tax Cash dist. on original issue price (as at 1.10.22)	Effective Cash dist. at asking price (as at 1.10.22)	W.A.L.T
Desi Place Limited Partnership	10	\$10,000	\$13,543	\$12,500	\$125,000	7.0%	5.6%	9.0 years
Desi Place Limited Partnership	5	\$10,000	\$13,543	\$12,500	\$62,500	7.0%	5.6%	9.0 years
Duke Street Limited Partnership	4	\$25,000	\$24,515	\$25,000	\$100,000	5.5%	5.5%	11.2 years
Artemis Property Scheme	40	\$10,000	\$12,167	\$12,167	\$486,680	5.5%	4.5%	8.8 years
Tweed Property Scheme	Multiple	\$10,000	\$10,000	\$10,000		7.1%	7.1%	8.6 years

