

### ABRIDGED UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 AUGUST 2019, DECLARATION OF 4.5 GBP PENCE DIVIDEND **PER SHARE**

### **Atlantic Leaf Properties Limited**

Incorporated in Jersey Registration number: 128426 SEM share code: "ALPL.N0000" JSE share code: "ALP" ISIN: "MU0422N00009"

www.atlanticleaf.mu ("Atlantic Leaf" or "the Company")

STATEMENT OF CHANGES IN EQUITY

Balance as at 31 August 2019

# Highlights • Successful sale of DFS retail warehouse joint venture

Re-deployment of sale proceeds into five diversified industrial assets Increased debt hedging from 75% to over 90% New leases concluded at Haydock and Brecon properties

The board of directors of Atlantic Leaf (the "Board") is pleased to present the Company's results for the 6 months ended 31 August 2019. These reflect a positive outcome in what has been a challenging operating environment. Atlantic Leaf is also pleased to announce an interim dividend of 4.50 GBP pence per share (2018: 4.65 GBP pence per share).

Ney events
On 23 April 2019, the Company finalised the sale of its joint venture investment in a portfolio of 10 retail warehouse and industrial properties in the United Kingdom ("UK") leased to DFS Trading Limited (the "DFS Disposal"). The sale effectively eliminated Atlantic Leaf's direct exposure to the UK retail sector whilst realising a positive internal rate of return of approximately 9% over the period of this investment. We have subsequently seen evidence of a further decline in the valuation of these types of assets which supports the timing of our decision to exit this investment.

In line with our strategy, the Company reinvested the DFS Disposal proceeds into five diversified industrial assets at a total cost of GBP In line with our strategy, the Company reinvested the DFS Disposal proceeds into five diversified industrial assets at a total cost of GBP 39.9 million. The new properties were purchased at a blended net initial yield of 6.7% and when combined with the competitive debt margin and swap rate secured are expected to yield an initial return on equity of 8.5%. The new acquisitions were purchased over the period from May 2019 to August 2019. For a period after the DFS Disposal, we held cash whilst we sought assets that met our overall investment criteria. While this did result in a small cash drag which has impacted our first half earnings, we are pleased with the quality of the properties acquired and these assets will contribute to earnings for the full second half period.

The overall outcome of this sectoral repositioning reaffirms our commitment to the Company's primary investment focus of industrial and distribution warehouse assets. This sector in the UK continues to benefit from increasing volumes in e-commerce and logistics business. Atlantic Leaf's industrial exposure by value is now 79%, up from 70% at the 2019 year-end.

Debt and Reaging
The five acquisitions were financed with the proceeds from the DFS Disposal and by drawing down on a new GBP 22 million 3-year revolving credit facility with Lloyds Bank Pic (the "Facility"). The Facility is secured against the five properties and the terms negotiated are attractive, interest-only at a margin of 1.80% and loan-to-value ratio ("LTV") of 48%.

To take advantage of the low interest rate environment, the Company increased the hedging on its portfolio and concluded GBP 36 million of additional swaps at a weighted average fixed rate of 65bps including costs. Some of these were concluded after 31 August 2019. This has increased the hedging on our portfolio from 75% to over 90% and strategically is a very positive outcome for the Company to almost completely protect it from any adverse movement in interest rates.

The effective interest rate on the portfolio is 3.53%, and the Company's LTV at half year was 48% with a strategy to gradually reduce this over the next few years. Atlantic Leaf has an interest cover ratio of over four times which is well in excess of its banking covenants and there is sufficient headroom in its LTV covenants to withstand reasonable downward valuation pressures.

During the period under review, the Haydock property previously vacated by Palmer & Harvey was let to Law Distribution Limited on a 12-year lease at a headline rental of GBP 4.50 per square foot ("psf").

The building in Brecon, previously tenanted by Homebase and subject to a Company Voluntary Arrangement ("CVA"), has been re-let to B&M Limited ("B&M"). The new 15-year lease with B&M at a headline rental of GBP 12.61 psf compares favourably to the rent under the Homebase CVA of GBP 9.25 psf.

Both leases are positive developments in securing long-term income for the Company and each will result in an uplift in property valuation

Reporting as a UK REIT for the first time, the Company will publish European Public Real Estate Association ("EPRA") performance measures going forward. EPRA sets out best practice reporting guidelines on a number of financial and operational performance indicators relevant to the real estate sector. Also new since being a REIT, the earnings for the current year no longer provide for taxation on rental income.

EPRA earnings per share during the period was 4.9 GBP pence per share (2018: 4.9 GBP pence per share). Adjusted headline earnings (which excludes straight line lease income) decreased by 2% to 4.5 GBP pence per share (2018: 4.6 GBP pence per share) mainly due to the impact of the cash drag whilst re-investing the proceeds from the DFS Disposal. The 2020 interim distribution of 4.5 GBP pence per share is marginally lower than the previous period and slightly below 50% of the full year distribution guidance.

Several rent reviews across the portfolio have recently been concluded or will soon be effective. Whilst these rent reviews will not have a asserting the terms across the portion have techniqued or will soon be enective. Whilst, these rein terviews will nit have a material impact on the current year's earnings, it provides Atlantic Leaf with a positive growing base of income. During the period a rent review was finalised at the office property in Greenock tenanted by EE Limited. The rent review resulted in an uplift of 12%. The Booker properties are due for a contractual rent review on 28 February 2020 and this will provide a minimum rental uplift of 13% on those assets. The property in Runcorn tenanted by DHL Supply Chain Limited is due for a rent review in December 2019 and a strong uplift of between 12% - 20% is expected.

The industrial and logistics sectors of the UK property market have remained stable since our last external valuations as at 28 February 2019. The Company's valuation policy is to value assets annually at the year-end unless there are circumstances or factors that clearly evidence a valuation shift throughout the year. The next external valuations will be performed across the portfolio in January 2020 as part of the year end audit.

The Company considered it prudent to revalue the property in Peterborough down to GBP 24 million from GBP 25.6 million to reflect Thomas Cook Group UK Limited's ("Thomas Cook") liquidation and potential period of vacancy. This fair value adjustment along with the fair value adjustment on the listed share portfolio negatively impacted the Company's net asset value ("NAV") by 1.24 GBP pence per share at the end of the period.

IFRS 16 became effective for Atlantic Leaf from 1 March 2019. Atlantic Leaf will apply the modified retrospective approach and will IFRS to became effective for Atlantic Lear from I march 2019. Atlantic Lear will apply the modified retrospective approach and will recognise both the Right of Use Asset, which has been included in investment property and a lease liability of approximately GBP 16 million. The impact of the implementation of this standard on the statement of comprehensive income will result in the operating lease expense being replaced with an interest expense and a fair value adjustment to the investment properties. This will marginally lower basic earnings by GBP 100,000 to GBP 200,000 in the initial years and marginally increase earnings towards the end of the leases when compared with the prior recognition of an operating lease expense.

Thomas Cook occupies 65% of the Peterborough building and contributes 4.75% of Atlantic Leaf's income on an annualised basis. Thomas Cook had paid rent up to 28 September 2019 and will continue to pay rent while it remains in occupation during the liquidation process. The expectation is that Thomas Cook will continue to utilise the property until at least the end of the year. If this assumption is incorrect the liquidation could have an impact on the current year's earnings of 0.1 to 0.3 GBP pence per share.

The Company's debt against this asset is cross collateralised across several properties and is structured to withstand short-term valuation ments on individual properties. The lower valuation on the Peterborough building is not expected to result in a breach of any of the

Thomas Cook are paying GBP 12.0 psf which is considered low for the area and for this quality of office space. The building is attractive and modern, and the Company has an action plan to bring the property to the market as soon as possible. It is expected that given the size of the unit the space may be split into smaller lots which could attract higher individual rentals.

As part of our strategy to reduce our single tenant exposure, in September 2019 the Company entered into an agreement to sell two of its non-core Booker properties located in Leicester and Barnsley at their current carrying value of GBP 7 million. This provides positive support for our existing valuations on our remaining Booker properties.

The Board is pleased to announce a dividend of 4.50 GBP pence per share for the six months ended 31 August 2019. Further information regarding the dividend, including salient dates and exchange rates, will be announced separately. As a REIT, the distribution for the current year will be on a pre-UK withholding tax basis whereas previous distributions were made from tax-paid income.

Brexit and general property market uncertainty has continued to weigh on sentiment and the trading conditions under which we operate are expected to remain challenging. Atlantic Leaf is now invested 79% by value in the key industrial asset sector in the UK and has an average forward yield on its assets of over 7.4%, with debt hedged against adverse interest rate movements.

The Company is aiming for a distribution of 10 GBP pence per share for the 2020 financial year, however depending on the outcome of some key asset management initiatives including the outcome of the Thomas Cook liquidation, this distribution could be slightly lower.

This forecast is based on existing leases in place. This forecast statement and the forecasts underlying such statement are the responsibility of the Board and have not been reviewed or reported on by the Company's auditors.

# Results presentation

enting the financial results at 11:00 CAT on Wednesday, 16 October 2019 via live webcast which can be viewed

Alternatively, the presentation may be accessed via the conference call numbers below:

UK: 033 3300 1418

International: +27 11 535 3600

Ocorian Secretaries (Jersey) Limited

Current portion of lease liability

Derivative financial instrument

Items that will be reclassified subsequently to profit or loss Fair value movement on interest rate swaps

Total comprehensive income for the period

Tax payable

15 October 2019

## STATEMENT OF FINANCIAL POSITION

ASSETS Non-current assets Investment properties Listed investments Investment in joint venture	as at 31 Aug 19 GBP 386 665 939 383 483 536 3 018 742	as at 31 Aug 18 GBP 362 058 171 333 375 021 4 058 956 24 460 533	as at 28 Feb 19 GBP 332 691 273 328 910 000 3 617 612
Other receivables	163 661	163 661	163 661
Current assets	7 845 463	12 186 532	38 999 422
Trade and other receivables Held for sale Tax receivable Cash and cash equivalents	3 403 839 - 239 761 4 201 863	3 753 225 - - 8 433 307	3 401 513 23 000 356 - 12 597 553
Total assets	394 511 402	374 244 703	371 690 695
EQUITY AND LIABILITIES Equity	190 039 688	203 521 607	195 279 858
Share capital (Accumulated losses) / retained earnings Cash flow hedge reserve	198 467 699 (4 899 786) (3 528 225)	198 498 451 5 347 172 (324 016)	198 467 699 (2 063 544) (1 124 297)
LIABILITIES Non-current liabilities	188 846 099	102 450 411	163 850 876
Interest-bearing borrowings Long-term lease liability	173 518 846 15 327 253	102 450 411	163 850 876 -
Current liabilities	15 625 615	68 272 685	12 559 961
Trade and other payables Current portion of interest-bearing borrowings	4 952 829 6 288 248	5 060 764 61 769 032	4 441 201 6 296 381

Total equity and liabilities	394 511 402	374 244 703	371 690 695
Number of shares in issue	188 976 628	188 976 628	188 976 628
Net asset value per share (GBP)	1.01	1.08	1.03
Net asset value per share excluding cash flow hedge reserve	1.02	1.08	1.04
STATEMENT OF COMPREHENSIVE INCOME			

	Group Unaudited Six months ended 31 Aug 19 GBP	Group Unaudited Six months ended 31 Aug 18 GBP	Group Audited Year ended 28 Feb 19 GBP
Rental income	12 947 673	11 847 970	24 111 358
Tenant recoveries	594 872	570 680	1 228 146
Straight-line lease income	757 269	1 028 618	1 520 500
Revenue	14 299 814	13 447 268	26 860 004
Property operating expenses	(819 328)	(1 111 178)	(2 373 275)
Net property income	13 480 486	12 336 090	24 486 729
Other operating expenditure	(1 443 355)	(1 687 557)	(2 818 787)
Operating income	12 037 131	10 648 533	21 667 942
Other income	-	39 416	140 560
Investment income	140 764	295 129	435 945
(Loss) on disposal of Joint Venture (net of accrued income)	(771 710)	-	-
Profit on disposal of investment property and listed investments	-	378 068	378 068
(Loss)/profit on foreign exchange	(76 550)	3 354	100 252
Fair value adjustments	(2 111 903)	(1 889 129)	(9 117 807)
Finance costs	(3 266 561)	(2 710 223)	(5 592 367)
Equity accounted profit	-	1 868 844	2 663 929
Profit before taxation	5 951 171	8 633 992	10 676 522
Taxation	-	(827 609)	(1 493 442)
Profit for the period	5 951 171	7 806 383	9 183 080

### Stated Accumulated Cash flow Loss

	Capital GBP	Loss GBP	hedge reserve GBP	Total GBP
Balance at 1 March 2018	198 467 699	6 233 714	(495 679)	204 205 734
Total comprehensive income for the period	-	9 167 494	-	9 167 494
Amounts reclassified through P&L	-	15 586	(15 586)	-
Other comprehensive income	-	-	(613 032)	(613 032)
Dividends	-	(17 480 338)	-	(17 480 338)
Issue of shares (net of transactions costs)	-	-	-	-
Balance as at 28 February 2019	198 467 699	(2 063 544)	(1 124 297)	195 279 858
Total comprehensive income for the period	_	5 951 171	-	5 951 171
Other comprehensive income	-	-	(2 403 928)	(2 403 928)
Amounts reclassified through P&L	-	-	-	-
Dividends	-	(8 787 413)	-	(8 787 413)
Issue of shares (net of transactions costs)	-	-	-	-
Balance as at 31 August 2019	198 467 699	(4 899 786)	(3 528 225)	190 039 688

4 201 863

8 433 307

12 597 553

	Group Unaudited Six months ended 31 Aug 19 GBP	Group Unaudited Six months ended 31 Aug 18 GBP	Group Audited Year ended 28 Feb 19 GBP
Cash generated from operations	11 581 796	10 522 409	20 742 469
Interest received	54 495	25 095	146 508
Finance costs	(3 029 396)	(2 316 299)	(4 901 062)
Tax paid	(793 826)	(621 974)	(1 722 044)
Net cash generated from operating activities	7 813 069	7 609 231	14 265 871
Cash flows from investing activities			
Acquisition of investment properties	(40 275 370)	(15 885 297)	(15 969 982)
Disposal of investment in joint venture	22 740 640	-	-
Sale of investment property	-	1 182 724	1 182 724
Sale of listed investments	-	3 345 085	3 345 084
Dividends received	766 741	3 388 469	4 700 743
Net cash utilised in investing activities	(16 767 989)	(7 969 019)	(6 741 431)
Cash flow from financing activities			
Proceeds from borrowings	13 807 999	14 521 815	21 808 033
Repayment of borrowings	(4 349 881)	(3 650 896)	(5 973 289)
Lease liability	(34 925)	-	-
Dividends paid	(8 787 413)	(8 692 925)	(17 480 338
Net cash (utilised in)/generated from financing activities	635 780	2 177 994	(1 645 594
(Decrease)/increase in cash and cash equivalents	(8 319 140)	1 818 206	5 878 846
Cash and cash equivalents at beginning of the year	12 597 553	6 618 455	6 618 455
Effects of exchange difference on cash and cash equivalents	(76 550)	(3 354)	100 252

## SEGMENTAL REPORTING - SIX MONTHS ENDED 31 AUGUST 2019

Cash and cash equivalents at end of period

	Industrial GBP	Office GBP	Retail Warehouse GBP	Unallocated GBP	Total GBP
Operating income	9 778 324	3 264 260	100 964	(1 106 417)	12 037 131
Other income and foreign exchange	-	-	-	64 214	64 214
Profit/(loss) on disposal of investments - joint					
venture	32 942	-	(804 652)	-	(771 710)
Fair value adjustments - property	(736 723)	(1 793 524)	-	-	(2 530 247)
Fair value adjustments - asset held for sale	183 068	-	834 145	-	1 017 213
Fair value adjustments - listed portfolio	-	-	-	(598 869)	(598 869)
Interest expense	(2 489 811)	(729 512)	(41 012)	(6 226)	(3 266 561)
Profit/(loss) for the period	6 767 800	741 224	89 445	(1647 298)	5 951 171
Fair value adjustments to investment property and					
listed investments	553 655	1793 524	(834 145)	598 869	2 111 903
Loss on disposal of joint venture	33 905	-	1 109 177	-	1 143 082
EPRA earnings	7 355 360	2 534 748	364 477	(1 048 429)	9 206 156
Straight-line lease income adjustment	(557 453)	(265 465)	-	_	(822 918)
Once off REIT transaction costs	-	-	-	82 109	82 109
Adjusted earnings	6 797 907	2 269 283	364 477	(966 320)	8 465 347
Loss on disposal of joint venture	(33 905)	-	(1 109 177)	_	(1143 082)
Adjusted earnings (including capital profits)	6 764 002	2 269 283	(744 700)	(966 320)	7 322 265
Operating income includes:					
Segment revenue	11 016 131	3 167 963	115 720	-	14 299 814
Statement of financial position					
Additions to investment property	40 240 545	34 825	_	_	40 275 370
Total assets	307 768 879	71 838 438	4 300 000	10 604 085	394 511 402
Total borrowings	136 319 954	39 905 003	2 421 779	1 160 358	179 807 094

## **SEGMENTAL REPORTING - SIX MONTHS ENDED 31 AUGUST 2018**

			Retail		
	Industrial GBP	Office GBP	Warehouse GBP	Unallocated GBP	Total GBP
Operating income	8 455 769	2 860 887	104 434	(772 557)	10 648 533
Other income and foreign exchange	-	-	-	337 899	337 899
Profit on disposal of investments	249 724	-	-	128 344	378 068
Fair value adjustments - property	(619 762)	319 144	(1 710 000)	-	(2 010 618)
Fair value adjustments - listed portfolio	-	-	-	121 489	121 489
Equity accounted profit (net of tax)	579 411	-	1 289 433	-	1868844
Tax expense	(405 403)	(212 300)	(162 878)	(47 028)	(827 609)
Interest expense	(2 029 253)	(623 176)	(49 041)	(8 753)	(2 710 223)
Profit/(loss) for the period	6 230 486	2 344 555	(528 052)	(240 606)	7 806 383
Profit on disposal of investments	(249 724)	-	-	(128 344)	(378 068)
Fair Value adjustments to investment property					
and listed investments	419 423	(319 144)	1 795 538	(121 489)	1 774 328
EPRA earnings	6 400 185	2 025 411	1 267 486	(490 439)	9 202 643
Straight-line lease income adjustment	(572 460)	(20 846)	-	-	(593 306)
Adjusted earnings	5 827 725	2 004 565	1 267 486	(490 439)	8 609 337
Profit on disposal of investments	249 724	-	-	128 344	378 068
Adjusted earnings (including capital profits)	6 077 449	2 004 565	1 267 486	(362 095)	8 987 405
Operating income includes:					
Segment revenue	10 359 312	2 877 556	210 400	-	13 447 268
Statement of financial position					
Additions to investment property	15 885 297	_	_	_	15 885 297
Total assets	257 477 802	78 097 985	22 972 335	15 696 581	374 244 703
Total borrowings	119 238 360	41 554 384	2 122 552	1 304 147	164 219 443

## RECONCILIATION OF BASIC EARNINGS TO ADJUSTED HEADLINE EARNINGS Unaudited

5 951 171 1 530 247 1 143 082 - (1 017 213) 607 287 598 869 - 206 156 (822 918) 82 109	7 806 383  2 010 618	9 183 080 7 052 205 (249 724) 348 229 1 017 213 17 351 003 319 856 (128 344) 728 533 18 271 048 (1 186 full) 129 246
1143 082 - (1 017 213) 607 287 598 869 - - 206 156 (822 918) 82 109	(249 724) (114 801) - 9 452 476 (121 489) (128 344) - 9 202 643 (593 306)	(249 724) 348 229 1 017 213 17 351 003 319 856 (128 344) 728 533 18 271 048 (1 186 611) 129 246
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- 206 156 (822 918) 82 109	9 202 643 (593 306)	(128 344) 728 533 <b>18 271 048</b> (1 186 611) 129 246
(822 918) 82 109	(593 306)	(1 186 611) 129 246
82 109	-	129 246
465 347	8 609 337	17 217 627
		17 213 083
- 1 143 082)	128 344 249 724	128 344 249 724
322 265	8 987 405	17 591 751
976 628 3.1 4.6 4.5 4.9	188 976 628 4.1 5.0 4.6 4.9	188 976 628 4.9 9.2 9.1 9.7
503 948	8 787 413 -	8 787 413 8 787 413
503 948	8 787 413	17 574 826
4.50	4.65	4.65 4.65
4.50	4.65	9.30
	4.6 4.5 4.9 503 948 - 503 948 4.50 - 4.50	3.1 4.1 4.6 5.0 4.5 4.6 4.9 4.9 1.503 948 8 787 413 - 503 948 8 787 413 4.50 4.65

**RELATED PARTY TRANSACTIONS** 

### fees for the half year ended August 2019 paid to Martial Eagle Limited amounted to GBP 1 185 068 (2018: GBP 993 662).

Group

1 208 517

8 554 462

1048 098

394 791

171 663

7 978 046

3 638 411

(2 403 928)

NOTES

The Company is required to publish financial results for the six months ended 31 August 2019 in terms of paragraph 3.15 of the JSE Listing Requirements and in terms of Listing Rule 15.44 of the Stock Exchange of Mauritius Ltd ("SEM"). The abridged unaudited financial statements for the six months ended 31 August 2019 ("financial statements") have been prepared in accordance with the framework concepts and the measurement and recognition requirements of international Financial Reporting Standard's Board ("IASB"), interpretations issued by the IFRS Interpretation Committee ("IFRS") is issued by the IFRS Interpretation Committee ("IFRS") the requirements of the SAICA Financial Reporting Guides and the Pronouncements as issued by the Financial Reporting Standards Council, the Mauritian Financial Reporting Act 2004, the Mauritian Securities Act 2005, the SEM Listing Rules and the JSE Listings Requirements and contains the information required by IAS 34: Interim Financial Reporting.

The accounting policies and methods of computation adopted in the preparation of these financial statements are in terms of IFRS and consistent with those applied in the preparation of the audited financial statements for the year ended 28 February 2019. These finar statements were approved by the Board on 15 October 2019. The financial statements have not been reviewed or reported on by the Company's external auditors.

Copies of these financial statements and the statement of direct and indirect interests of each officer of the Company, pursuant to Rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 of Mauritius, are available free of charge, upon request at the Registered Office of the Company at c/o Ocorian Secretaries (Jersey) Limited, 26 New Street, 5t Helier, Jersey, JE2 3RA and at the office of the Company's SEM authorised representative and SEM sponsor, Perigeum Capital Ltd, at Level 4, Alexander House, 35 Cybercity, Ebene 72201, Mauritius.

Copies of the audited financial statements, the unmodified audit opinion and the statement of direct and indirect interests of each officer of the Company, pursuant to Rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007 of Mauritius, are available free of charge, upon request at the Registered Office of the Company at c/o Ocorian Secretaries (Jersey) Limited, 26 New Street, St Helier, Jersey, JEZ 3RA and at the offices of the Company's SEM authorised representative and SEM sponsor, Perigeum Capital Ltd, at Level 4, Alexander House, 35 Cybercity, Ebene 72201, Mauritius.

This communique is issued pursuant to SEM Listing Rules 15.24 and 15.44 and Section 88 of the Mauritian Securities Act 2005. The Board accepts full responsibility for the accuracy of the information contained in these financial statements and this announcement. The Directors have disclosed all matters or circumstances arising subsequent to the period ended 31 August 2019 that require any additional disclosure

or adjustment to the financial statements. Atlantic Leaf has a primary listing on the Main Board of the JSE Limited and a secondary listing on the Official Market of the SEM

15 October 2019

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