

**Atlantic Leaf Properties Limited**  
 Incorporated in Jersey  
 Registration number: 128426  
 SEM share code: "ALPL.N0000"  
 JSE share code: "ALP"  
 ISIN: "MU0422N0009"  
 www.atlanticleaf.mu  
 ("Atlantic Leaf" or "the Company")

**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).

**Key events**

On 23 April 2019, the Company finalised the sale of its joint venture investment in a portfolio of 4 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 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 Hedging**

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 Plc (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.

**New Long-term Leases Concluded**

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 in due course.

**Earnings**

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 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.

**Balance Sheet**

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 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 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.

**Subsequent Events**

**Thomas Cook liquidation**

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 movements on individual properties. The lower valuation of the Peterborough building is not expected to result in a breach of any of the Company's debt covenants.

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.

**Property disposals**

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.

**Distribution**

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.

**Outlook**

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**

Management will be presenting the financial results at 11:00 CAT on Wednesday, 16 October 2019 via live webcast which can be viewed at <http://themediiframe.net/ataticleaf191015>.

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

South Africa: 011 535 3600

UK: 033 3300 1418

International: +27 11 535 3600

By order of the Board

**Ocorian Secretaries (Jersey) Limited**  
 Company Secretary

15 October 2019

**STATEMENT OF FINANCIAL POSITION**

	Group Unaudited as at 31 Aug 19 GBP	Group Unaudited as at 31 Aug 18 GBP	Group Unaudited as at 28 Feb 19 GBP
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>386 665 939</b>	<b>362 058 171</b>	<b>332 691 273</b>
Investment properties	383 483 536	333 375 021	328 910 000
Listed investments	3 018 742	4 058 956	3 617 612
Investment in joint venture	-	24 460 533	-
Other receivables	163 661	163 661	163 661
<b>Current assets</b>	<b>7 845 463</b>	<b>12 186 532</b>	<b>38 999 422</b>
Trade and other receivables	3 403 839	3 753 225	3 401 513
Held for sale	-	-	23 000 356
Tax receivable	239 761	-	-
Cash and cash equivalents	4 201 863	8 433 307	12 597 553
<b>Total assets</b>	<b>394 511 402</b>	<b>374 244 703</b>	<b>371 690 695</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>190 039 688</b>	<b>203 521 607</b>	<b>195 279 858</b>
Share capital	198 467 699	198 498 451	198 467 699
(Accumulated losses) / retained earnings	(4 899 786)	5 347 172	(2 063 544)
Cash flow hedge reserve	(3 528 225)	(324 016)	(1 124 297)
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>	<b>188 846 099</b>	<b>102 450 411</b>	<b>163 850 876</b>
Interest-bearing borrowings	173 518 846	102 450 411	163 850 876
Long-term lease liability	15 327 253	-	-
<b>Current liabilities</b>	<b>15 625 615</b>	<b>68 272 685</b>	<b>12 559 961</b>
Trade and other payables	4 952 829	5 060 764	4 441 201
Current portion of interest-bearing borrowings	6 288 248	61 769 032	6 296 381
Current portion of lease liability	653 215	-	-
Tax payable	92 912	1 048 098	613 862
Derivative financial instrument	3 638 411	394 791	1 208 517
<b>Total equity and liabilities</b>	<b>394 511 402</b>	<b>374 244 703</b>	<b>371 690 695</b>
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
<b>Revenue</b>	<b>14 299 814</b>	<b>13 447 268</b>	<b>26 860 004</b>
Property operating expenses	(819 328)	(1 167 557)	(2 373 275)
<b>Net property income</b>	<b>13 480 486</b>	<b>12 336 090</b>	<b>24 486 729</b>
Other operating expenditure	(1 443 355)	(1 687 557)	(2 818 787)
<b>Operating income</b>	<b>12 037 131</b>	<b>10 648 533</b>	<b>21 667 942</b>
Other income	-	-	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
<b>Profit before taxation</b>	<b>5 951 171</b>	<b>8 633 992</b>	<b>10 676 522</b>
Taxation	-	(827 609)	(1 493 442)
<b>Profit for the period</b>	<b>5 951 171</b>	<b>7 806 383</b>	<b>9 183 080</b>
<b>Other comprehensive income</b>			
Items that will be reclassified subsequently to profit or loss	-	-	(15 586)
Fair value movement on interest rate swaps	(2 403 928)	171 663	(613 032)
<b>Total comprehensive income for the period</b>	<b>3 547 243</b>	<b>7 978 046</b>	<b>8 554 462</b>

**STATEMENT OF CHANGES IN EQUITY**

	Stated Capital GBP	Accumulated Loss GBP	Cash flow hedge reserve GBP	Total GBP
<b>Balance at 1 March 2018</b>	<b>198 467 699</b>	<b>6 233 714</b>	<b>(495 679)</b>	<b>204 205 734</b>
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)
Issue of shares (net of transactions costs)	-	(17 480 338)	-	-
<b>Balance as at 28 February 2019</b>	<b>198 467 699</b>	<b>(2 063 544)</b>	<b>(1 124 297)</b>	<b>195 279 858</b>
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)	-	-	-	-
<b>Balance as at 31 August 2019</b>	<b>198 467 699</b>	<b>(4 899 786)</b>	<b>(3 528 225)</b>	<b>190 039 688</b>

**STATEMENT OF CASH FLOWS**

	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
<b>Cash generated from operations</b>	<b>11 581 796</b>	<b>10 522 409</b>	<b>20 742 469</b>
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)
<b>Net cash generated from operating activities</b>	<b>7 813 069</b>	<b>7 609 231</b>	<b>14 265 871</b>
<b>Cash flows from investing activities</b>			
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
<b>Net cash utilised in investing activities</b>	<b>(16 767 989)</b>	<b>(7 969 019)</b>	<b>(6 741 431)</b>
<b>Cash flow from financing activities</b>			
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)
<b>Net cash (utilised in)/generated from financing activities</b>	<b>635 780</b>	<b>2 177 994</b>	<b>(1 645 594)</b>
(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 differences on cash and cash equivalents	(76 550)	(3 354)	100 252
<b>Cash and cash equivalents at end of period</b>	<b>4 201 863</b>	<b>8 433 307</b>	<b>12 597 553</b>

**SEGMENTAL REPORTING - SIX MONTHS ENDED 31 AUGUST 2019**

	Industrial GBP	Office GBP	Retail Warehouse GBP	Unallocated GBP	Total GBP
<b>Operating income</b>	<b>9 778 324</b>	<b>3 264 260</b>	<b>100 964</b>	<b>(1 106 417)</b>	<b>12 037 131</b>
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	183 028	-	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	(1 647 298)	5 951 171
Fair value adjustments to investment property and listed investments	553 655	1 793 524	(834 145)	598 869	2 113 902
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	(552 453)	(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)	-	(1 143 082)
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
<b>Statement of financial position</b>					
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</			