Atlantic Leaf

SUMMARISED RESULTS OF THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2020 AND DECLARATION OF 4.5 GBP PENCE DIVIDEND

Atlantic Leaf Properties Limited
Incorporated in Jersey
Registration number: 128426
JSE share code: "ALP"
SEM share code: "ALPL.N0000"
ISIN: "MU0422N00009"
www.atlanticleaf.com
("**Atlantic Leaf**" or "**the Company**")

DIRECTORS' COMMENTARY

The board of directors of Atlantic Leaf ("**the Board**") is pleased to present the Company's results for the financial year ended 28 February 2020.

In presenting these results the Board would like to emphasise that the safety and wellbeing of our staff, tenants and service providers remains of paramount importance during this pandemic. Atlantic Leaf's management team and our external auditors, Mazars are also to be commended for the timely completion of the year-end audit under difficult conditions.

Earnings

The Company is pleased to report a 13% increase in adjusted headline earnings per share to 10.54 GBP pence per share (2019: 9.31 GBP pence per share). We continued to benefit from a strong tenant base, with only one asset, the office previously occupied by Thomas Cook, vacant at year end. Cash rental revenue increased by 8% to GBP26.2m (2019: GBP24.1m) and we also benefitted from the timely disposal of a DHL warehouse asset in February 2020 which realised a profit on sale of GBP 4.3 million. The sale not only resulted in a strong internal rate of return of 16% over the time we held the asset but has significantly strengthened our cash position at an opportune time.

In terms of the Property Services Agreement, the Company has provided a loan to Atlantic Property Investments Limited ("**APIL**"), to fund the acquisition of shares in the Company. As a result of the drop in the JSE listed trading price of Atlantic Leaf at year end, we have made a provision for the possible impairment of this loan.

Atlantic Leaf entered the UK REIT regime from 1 March 2019 and thus no longer pays non-resident landlord tax and the small tax charge relates to prior period adjustments.

Balance sheet

As previously announced on SENS and on the website of the Stock Exchange of Mauritius Ltd, the Company sold its interest in the DFS joint venture and reinvested the sale proceeds into five industrial distribution assets, each of which has performed in line with expectations.

The valuations of the Company's property assets were carried out by independent valuers. The value of the office assets decreased primarily due to the vacant portion of the office previously let to Thomas Cook, but this was offset by an uplift in the value of our industrial assets.

As at year-end there was no evidence of any adverse impact of Covid-19 on these valuations. Since the year end, the impact of Covid-19 cannot be reliably determined but a higher degree of risk and uncertainty exists in the current market environment.

The adoption of IFRS 16 has resulted in the recognition of a lease liability and a corresponding right of use asset in respect of certain leasehold properties that we hold.

The Company has a strong cash position of GBP 26 million at year end which includes the net proceeds from the sale of the DHL warehouse asset. The Company also has GBP 1.6 million of undrawn available facilities. At year-end, our loan to value ratio ("**LTV**") was 40%, down from 48% last year. We are fully compliant with all our loan covenants and have no debt maturing in the next financial year.

Final dividend declared

The Board is pleased to be in a position to announce a dividend of 4.5 GBP pence per share for the six months ended 28 February 2020, which together with the dividend of 4.5 GBP pence per share for the six months ended 31 August 2019 brings the total dividend for the year to 9.0 GBP pence per share (2019: 9.3 GBP pence per share). The Board had previously aimed for a slightly higher distribution but given the current environment, considered it prudent to distribute a slightly lower dividend.

Further information regarding the dividend, including salient dates and exchange rates, will be announced separately.

Cash flow and going concern assessment

Covid-19 has placed a strain on the business operations of many companies and, the ongoing ability of our tenants to pay their rent could have an impact on the cash flows of Atlantic Leaf.

Since the year end, a significant majority of the rent covering the period from March to June 2020 was collected within two weeks of the due date. This was a very positive outcome for the Company in this environment and demonstrates the strength and resilience of our tenants to date.

Whilst the Company will, no doubt be impacted by Covid-19, the current cash position of the Company is strong, and we believe that we are well positioned to deal with this period of uncertainty. The Company has performed additional stress testing on its going concern assumptions and cash flows over the next twelve months, given the potential for additional stresses on rent collection. As a prudent measure in response to the economic environment, the Company has temporarily suspended its acquisition programme for additional investment properties. The short-term portion of the long-term borrowings of GBP 6.5 million relates to scheduled debt amortisations and there is no debt maturing in the year to 28 February 2021. The Board is comfortable that there are sufficient resources to ensure that the Company can continue as a going concern.

Outlook

Whist the Company will benefit from fixed rent uplifts on the 28 properties leased to Booker, on the downside there will be no income from the vacant portion of the *ex*-Thomas Cook Peterborough office until the refurbished space is re-let. The Company's plan is to commence the refurbishment in May (estimated cost GBP 3.3 million) to subdivide the space into smaller lot sizes and secure tenants for the individual units. The occupation of the vacant space is planned to commence from September 2020 and the interest received from the initial marketing has been encouraging. We are however conscious that in the current environment it will take longer than expected to fully let this property.

The management team will continue to work with all our tenants during this very challenging time to ensure that we maximise our rental collections while also providing support to those tenants where it is needed. The first 2021 rent quarter's collection was positive for the Company, and we hope that the businesses which have been required to curtail operations during the lockdown will be able to recommence activities sooner rather than later.

The results cover a period before the full impact of Covid-19 and as such the market should note that going forward there may well be greater uncertainty in the markets in which Atlantic Leaf operates. The Board therefore considers it prudent to not provide any earnings guidance for the year ahead.

Results presentation

Management will be presenting the financial results at 10:00 CAT on Wednesday, 29 April 2020 via live webcast which can be viewed at https://themediaframe.net/10032751.

Should you prefer to dial in, please self-register on http://www.diamondpass.net/7088004

By order of the Board

Ocorian Secretaries (Jersey) Limited
Company Secretary

28 April 2020

STATEMENT OF FINANCIAL POSITION

	Group Audited as at 28 Feb 20 GBP	Group Audited as at 28 Feb 19 GBP
ASSETS		
Non-current assets	**353 948 250**	**332 691 273**
Investment properties	350 866 859	328 910 000
Listed investments	2 926 786	3 617 612
Other receivables	154 605	163 661
Current assets	**28 976 967**	**38 999 422**
Trade and other receivables	2 651 435	3 401 513
Held for sale	–	23 000 356
Tax receivable	167 538	–
Cash and cash equivalents	26 157 994	12 597 553
Total assets	**382 925 217**	**371 690 695**
EQUITY AND LIABILITIES		
Equity	**196 459 624**	**195 279 858**
Share capital	198 467 699	198 467 699
(Accumulated losses) / retained earnings	1 239 063	(2 063 544)
Cash flow hedge reserve	(3 247 138)	(1 124 297)
LIABILITIES		
Non-current liabilities	**171 216 620**	**163 850 876**
Interest-bearing borrowings	155 907 988	163 850 876
Long-term lease liability	15 308 632	–
Current liabilities	**15 248 973**	**12 559 961**
Trade and other payables	4 647 559	4 441 201
Current portion of interest-bearing borrowings	6 537 330	6 296 381
Current portion of lease liability	633 215	–
Tax payable	–	613 862
Derivative financial instrument	3 430 869	1 208 517
Total equity and liabilities	**382 925 217**	**371 690 695**
Number of shares in issue	188 976 628	188 976 628
Net asset value per share (GBP)	1.04	1.03
Net asset value per share excluding cash flow hedge reserve	1.06	1.04

STATEMENT OF COMPREHENSIVE INCOME

	Group Audited Year ended 28 Feb 20 GBP	Group Audited Year ended 28 Feb 19 GBP
Rental income	26 154 412	24 111 358
Tenant recoveries	1 249 788	1 228 146
Straight-line lease income	1 837 949	1 520 500
Revenue	**29 242 149**	**26 860 004**
Property operating expenses	(1 773 277)	(2 373 275)
Net property income	**27 468 872**	**24 486 729**
Other operating expenditure	(3 128 428)	(2 818 787)
Operating income	**24 340 444**	**21 667 942**
Other income	–	140 560
Investment income	920 710	435 945
Profit on disposal of investment property and listed investments	2 889 617	378 068
Impairment on APIL Loan	(600 000)	–
(Loss)/profit on foreign exchange	(10 281)	100 252
Fair value adjustments	(36 445)	(9 117 807)
Finance costs	(6 831 347)	(5 592 367)
Equity accounted profit	–	2 663 929
Profit before taxation	**20 672 698**	**10 676 522**
Taxation	(78 730)	(1 493 442)
Profit for the period	**20 593 968**	**9 183 080**
Other comprehensive income		
Items reclassified through profit or loss	–	(15 586)
Other comprehensive income	(2 122 841)	(613 032)
Total comprehensive income for the year	**18 471 127**	**8 554 462**

STATEMENT OF CHANGES IN EQUITY

	Stated Capital GBP	Retained Earnings GBP	Cash flow 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 1 March 2019	**198 467 699**	**(2 063 544)**	**(1 124 297)**	**195 279 858**
Total comprehensive income for the period	–	20 593 968	–	20 593 968
Other comprehensive income	–	–	(2 122 841)	(2 122 841)
Amounts reclassified through P&L	–	–	–	–
Dividends	–	(17 291 361)	–	(17 291 361)
Issue of shares (net of transactions costs)	–	–	–	–
Balance as at 28 February 2020	**198 467 699**	1 239 063	**(3 247 138)**	196 459 624

STATEMENT OF CASH FLOWS

	Group Audited Year ended 28 Feb 20 GBP	Group Audited Year ended 28 Feb 19 GBP
Cash generated from operations	**22 733 319**	**20 742 469**
Interest received	91 353	146 508
Finance costs	(6 390 239)	(4 901 062)
Tax paid	(860 130)	(1 722 044)
Net cash generated from operating activities	**15 574 303**	**14 265 871**
Cash flows from investing activities		
Acquisition of investment properties	(40 457 852)	(15 969 982)
Disposal of investment in joint venture	22 626 839	–
Disposal of subsidiary	19 846 100	–
Sale of investment property	6 899 548	1 182 724
Sale of listed investments	–	3 345 084
Dividends received	842 924	4 700 743
Net cash generated from/(utilised in) investing activities	**9 757 559**	**(6 741 431)**
Cash flow from financing activities		
Proceeds from borrowings	17 764 638	21 808 033
Repayment of borrowings	(12 160 883)	(5 973 289)
Lease liability	(73 534)	–
Dividends paid	(17 291 361)	(17 480 338)
Net cash utilised in financing activities	**(11 761 140)**	**(1 645 594)**
Increase in cash and cash equivalents	13 570 722	5 878 846
Cash and cash equivalents at beginning of the year	12 597 553	6 618 455
Effects of exchange difference on cash and cash equivalents	(10 281)	100 252
Cash and cash equivalents at end of year	**26 157 994**	**12 597 553**

SEGMENTAL REPORTING – YEAR ENDED 28 FEBRUARY 2020

	Industrial GBP	Office GBP	Retail Warehouse GBP	Unallocated GBP	Total GBP
Operating income	**19 967 262**	**5 623 682**	**239 362**	**(1 489 862)**	**24 340 444**
Other Income and Foreign exchange	–	–	619 000	291 429	910 429
Profit/(Loss) on disposal of investments	4 313 263	–	(1 423 646)	–	2 889 617
Fair value - swaps	(84 355)	–	–	–	(84 355)
Fair value - investment property	1 994 190	(2 010 872)	(132 535)	–	(149 217)
Fair value - right of use asset	(129 260)	–	–	–	(129 260)
Fair value - joint venture	183 068	–	834 145	–	1 017 213
Fair value - listed portfolio	–	–	–	(690 826)	(690 826)
Impairment	–	–	–	(600 000)	(600 000)
Interest expense	(5 290 026)	(1 460 483)	(80 838)	–	(6 831 347)
Income tax	(54 109)	8 864	13 822	(47 307)	(78 730)
Adjusted headline earnings	17 800 382	3 867 700	(618 479)	(1 132 203)	19 917 400
Operating income includes:					
Segment revenue	22 923 203	6 064 817	254 129	–	29 242 149
Statement of financial position					
Total assets	275 139 958	71 635 000	4 350 000	31 800 259	382 925 217
Total borrowings	145 340 452	13 690 027	2 379 791	1 035 048	162 445 318

SEGMENTAL REPORTING – YEAR ENDED 28 FEBRUARY 2019

	Industrial GBP	Office GBP	Retail Warehouse GBP	Unallocated GBP	Total GBP
Operating income	**17 214 302**	**5 335 011**	**150 761**	**(1 032 132)**	**21 667 942**
Equity accounted profit (net of taxation)	722 527	–	1 941 402	–	2 663 929
Other Income and foreign exchange	–	–	–	676 757	676 757
Profit on disposal of investments	249 724	–	–	128 344	378 068
Fair value - investment property	(3 168 569)	(2 373 636)	(1 510 000)	–	(7 052 205)
Fair value - debt refinancing (net of swaps)	(439 912)	(286 986)	(1 635)	–	(728 533)
Fair value - asset held for sale	(183 068)	–	(834 145)	–	(1 017 213)
Fair value - listed investments	–	–	–	(319 856)	(319 856)
Interest expense	(4 176 152)	(1 307 386)	(93 866)	(14 963)	(5 592 367)
Income tax	(927 340)	(334 652)	(169 863)	(61 587)	(1 493 442)
Adjusted headline earnings	11 821 149	3 651 281	2 293 658	(174 337)	17 591 751
Operating income includes:					
Segment revenue	20 762 427	5 762 187	335 391	–	26 860 005
Statement of financial position					
Total assets include:	256 984 186	73 330 000	22 012 100	19 364 409	371 690 695
Total borrowings	127 363 738	39 130 099	2 464 113	1 189 307	170 147 257
Total assets include:					
Assets held for sale	5 288 255	–	17 712 101	–	23 000 356

RECONCILIATION OF BASIC EARNINGS TO ADJUSTED HEADLINE EARNINGS

	Group Audited Year ended 28 Feb 20 GBP	Group Audited Year ended 28 Feb 19 GBP
Basic earnings	**20 593 968**	**9 183 080**
Less:		
Fair value - investment properties	278 477	7 052 205
Loss on disposal of joint venture	1 390 704	–
Profit on disposal of investment properties and subsidiary	(4 280 321)	(249 724)
Fair value adjustments to properties in joint venture	–	348 229
Fair value - asset held for sale (DFS joint venture)	(1 017 213)	1 017 213
Headline earnings	**16 965 615**	**17 351 003**
Add back:		
Straight-line lease income adjustment*	(1 395 122)	(1 186 611)
Net profit on disposal of investments	2 889 617	249 724
Fair value - interest rate swaps	84 355	–
Fair value - listed investments	690 826	319 856
Impairment of APIL Loan	600 000	–
Adjusted for one-off costs:		
IFRS 9 fair value - debt modification (net of swap realisation)	–	728 533
REIT transaction cost	82 109	129 246
Adjusted headline earnings	**19 917 400**	**17 591 751**
Weighted average number of shares in issue	188 976 628	188 976 628
Basic and diluted earnings per share (GBP pence)	10.90	4.86
Headline and diluted headline earnings per share (GBP pence)	8.98	9.18
Adjusted headline and diluted headline earnings per share (GBP pence)	10.54	9.31
H1 Dividend paid	8 503 948	8,787,413
H2 Dividend paid	8 503 948	8,787,413
Total dividend	**17 007 896**	**17 574 826**
Dividend per share (H1) (GBP pence)	4.50	4.65
Dividend per share (H2) (GBP pence)	4.50	4.65
Total dividend per share (GBP pence)	**9.00**	**9.30**

* *The exclusion of straight-line lease income relates specifically to the contractual rental escalations but does not exclude straight-line lease income on lease incentives such as the rent-free periods.*

RELATED PARTY TRANSACTIONS

Per the Property Services Agreement, fees for the full year paid to Martial Eagle Limited amounted to GBP 2 285 871 (2019: GBP 1,895,706).

NOTES

The Company is required to publish financial results for the year ended 28 February 2020 in terms of paragraph 3.15 of the JSE Listing requirements and in terms of Listing Rule 15.44 of the SEM. The summarised audited financial statements for the year ended 28 February 2020 ("**financial statements**") have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), interpretations issued by the IFRS Interpretation Committee ("**IFRS IC**"), the Pronouncements as issued by the Financial Reporting Standards Council, the Companies (Jersey) Law 1991, the Mauritian Financial Reporting Act 2004, the Mauritian Securities Act 2005, the SEM Listing Rules and the JSE Listings Requirements.

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 2020. The adoption of IFRS 16 has resulted in the recognition of a right of use asset and related lease liability.

These financial statements were approved by the Board on 28 April 2020. Mazars UK and Mazars South Africa have issued their unmodified audit opinion on the Company's financial statements and have considered the investment property valuations and the impact of the COVID-19 outbreak as Key Audit Matters. These summarised audited financial statements have been derived from the Company's audited financial statements for the year ended 28 February 2020 ("**audited financial statements**") but is not itself audited. The Board takes full responsibility for the preparation of the summarised report and ensuring that the financial information has been correctly extracted from the audited financial statements.

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, JE2 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. The audited financial statements can also be found at http://atlanticleaf.com/investor/results-reports-presentations/

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.

By order of the Board

28 April 2020

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