

Highlights

- Conversion to UK REIT, redomiciled to Jersey
- Successful debt refinancing
- Net property income: GBP24.5 million, up 5.4%
- Dividends: 9.3 GBP pence per share, up 2.2%
- Assets under management: GBP356 million, up 1.1%

The board of directors of Atlantic Leaf ("the Board") is pleased to present the Company's results for the financial year ended 28 February 2019.

These results reflect a satisfactory outcome in what has been a challenging year in which it was difficult to raise new capital to grow the asset base of the company. Atlantic Leaf is also pleased to announce a total distribution to its shareholders of 9.3 GBP pence per share for the 2019 financial year (2018: 9.1 GBP pence per share).

Key events

On 1 March 2019, Atlantic Leaf changed its jurisdiction of incorporation from Mauritius to Jersey and converted to a UK Real Estate Investment Trust ("REIT"). As part of this process the Company's place of effective management and control was migrated to the UK. This brings Atlantic Leaf more into line with its peers and as a consequence distributions will be made on a pre-tax basis from the 2020 financial year.

During the year GBP142 million of debt was successfully refinanced and the Company's debt maturity profile was increased to approximately four years. As a result, the new effective interest rate has increased from 3.3% to 3.55%. Our debt remains approximately 75% hedged and the Company's loan to value ("LTV") is 48%. Our strategy is 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.

Earnings

There were no significant rent reviews during the financial year with the net property income increasing to GBP24.5 million (2018: GBP23.2 million). The distributable earnings increased by 18.5% to GBP17.6 million (2018: GBP14.8 million) mainly due to higher income earned from our joint venture portfolio compared to the prior year. The 2019 distribution of 9.3 GBP pence per share is slightly lower than our original forecast, mainly as a result of a longer than anticipated vacancy of the Haydock property (which has been re-let from March 2019).

The new lease on Haydock and a potential new lease on Brecon (currently let at reduced rental to Homebase) should have a positive impact on income and valuations in the 2020 financial year. Our vacancy level is now back to zero (28 February 2019: 3%).

Balance sheet

The industrial and logistics segments of the UK property market have benefitted from strong demand, whereas the retail and office sectors have remained under pressure. We continue to see independent valuers lowering valuations of properties exposed to the retail and office sectors. The Company revalued its property portfolio (including the JV properties) down by net GBP6.9 million during the year. This negatively impacted the Company's net asset value by 3.65 GBP pence per share at the year-end. However, overall our assets under management increased to GBP356 million (2018: GBP352 million) with the acquisition of the Knowles property in March 2018.

Dividends declared

The Board is pleased to announce a dividend of 4.65 GBP pence per share for the six months ended 28 February 2019, which together with the dividend of 4.65 GBP pence per share for the six months ended 31 August 2018 brings the total dividend for the year to 9.3 GBP pence per share, an increase of 2.2% over the 2018 year.

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

Subsequent events

Subsequent to year-end, we entered into an agreement to sell our interest in the JV portfolio of DFS retail outlets to our existing JV partner. This sale will generate cash of approximately GBP22 million which, in line with our strategy, will be deployed into diversified industrial and logistics assets.

The Board decided that this was an opportune time to dispose of the DFS portfolio for reasons including:

- pending debt refinancing of the JV assets; and
- increased capital commitment required to be invested in the portfolio.

The investment generated an IRR of over 9% since this was purchased in September 2017.

A separate Category 2 announcement has been released on 23 April 2019 containing further details of the transaction.

Outlook

The trading conditions under which we operate are expected to remain challenging with the continued Brexit uncertainty.

Converting to a UK REIT has repositioned the Company in a more tax efficient manner which should assist in its strategy to raise new capital from South African and UK investors. The asset management strategy will focus on our lease management activity to ensure that income from assets is maximised. A further asset management strategy will be to change the asset mix to reduce our retail warehouse exposure (as evidenced by the sale of the DFS portfolio) and increase our exposure to industrial and logistics buildings, both single and multi-tenanted.

As a result of the debt refinancing, finance costs will, going forward, increase by approximately GBP360 000 per annum. Following the REIT conversion, the 2019 financial year will be the last year in which Atlantic Leaf pays tax on rental business profits at the corporate level.

The Company is targeting distributions of at least 10 GBP pence per share for the 2020 financial year. This forecast takes into account higher finance costs from the debt refinancing, deployment of proceeds from expected asset sales, asset management activity during the year, including the letting of our Haydock asset, and no company-level tax charge as a result of being a REIT.

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.

Changes to the Board

Due to Atlantic Leaf's migration to Jersey and REIT conversion it has consolidated its presence and operations in the UK. As a result, Kesaven Moothosamy and Warren Morton have indicated that they will resign as directors of Atlantic Leaf on 31 May 2019. Both Kesaven, as non-executive director, and Warren, as financial director, have been with the Company since it commenced operations. The Board would like to thank them for their years of service and contributions to Atlantic Leaf where they have been part of its growth in becoming a successful listed commercial property company. We wish them all the best for their future endeavours.

Mark Pryce, who has been part of the management team since 2015, will be appointed as financial director with effect from 1 June 2019. Mark Pryce is a Chartered Accountant and a CFA charterholder with extensive experience in financial services. The Board is confident that he is sufficiently qualified and experienced to be appointed into this role.

Results presentation

Management will be presenting the annual financial results at 10:00 CAT on Wednesday, 24 April 2019 via live webcast which can be viewed on <http://themediiframe.eu/links/atlanticleaf190424.html>

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

South Africa: 011 535 3600

International: +27 11 535 3600

By order of the Board

Ocorian Secretaries (Jersey) Limited

Company Secretary

23 April 2019

STATEMENT OF FINANCIAL POSITION

	Group Audited as at 28 Feb 19 GBP	Group Audited as at 28 Feb 18 GBP
ASSETS		
Non-current assets	332 691 273	352 475 304
Investment properties	328 910 000	319 404 723
Listed investments	3 617 612	7 154 208
Investment in joint venture	-	25 766 250
Other receivables	163 661	150 123
Current assets	38 999 422	10 378 826
Trade and other receivables	3 401 513	3 760 371
Asset held for sale	23 000 356	-
Cash and cash equivalents	12 597 553	6 618 455
Total assets	371 690 695	362 854 130
Equity and liabilities		
Equity	195 279 858	204 205 734
Share capital	198 467 699	198 467 699
(Accumulated losses)/Retained earnings	(2 063 544)	6 233 714
Cash flow hedge reserve	(1 124 297)	(495 679)
Liabilities		
Non-current liabilities	163 850 876	131 829 657
Interest bearing borrowings	163 850 876	131 829 657
Current liabilities	12 559 961	26 818 739
Trade and other payables	4 441 201	4 173 237
Current portion of interest-bearing borrowings	6 296 381	21 213 518
Tax payable	613 862	842 464
Derivative financial instruments	1 208 517	589 520
Total equity and liabilities	371 690 695	362 854 130
Net number of shares in issue	188 976 628	188 976 628
Net asset value per share (GBP)	1.03	1.08
Net asset value per share excluding cash flow hedge reserve	1.04	1.08

STATEMENT OF COMPREHENSIVE INCOME

	Group Audited Year ended 28 Feb 19 GBP	Group Audited Year ended 28 Feb 18 GBP
Rental revenue	24 111 358	21 201 662
Tenant recoveries	1 228 146	-
Straight-line lease income	1 520 500	2 892 734
Revenue	26 860 004	24 094 396
Property operating expenses	(2 373 275)	(856 597)
Net property income	24 486 729	23 237 799
Other operating expenditure	(2 818 787)	(2 615 124)
Operating income	21 667 942	20 622 675
Other income	140 560	5 243
Investment income	435 945	158 350
Profit on disposal of investment property	249 724	-
Profit on disposal of listed investments	128 344	134 985
Profit on foreign exchange	100 252	67 316
Fair value adjustments	(9 117 807)	585 784
Finance costs	(5 592 367)	(4 860 164)
Equity accounted profit	2 663 929	1 805 566
Profit before taxation	10 676 522	18 519 755
Taxation	(1 493 442)	(1 551 687)
Profit for the year	9 183 080	16 968 068
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Other comprehensive income	(613 032)	1 385 270
Items reclassified through profit or loss	(15 586)	-
Total other comprehensive income	(628 618)	1 385 270
Total comprehensive income for the year	8 554 462	18 353 338

STATEMENT OF CHANGES IN EQUITY

	Stated capital GBP	Retained earnings GBP	Cash flow hedge reserve GBP	Total GBP
Balance at 1 March 2017	152 772 761	3 904 456	(1 880 949)	154 796 268
Profit for the year	-	16 968 068	-	16 968 068
Dividends	-	(14 638 810)	-	(14 638 810)
Issue of shares (net of transaction costs)	45 694 938	-	-	45 694 938
Other comprehensive income	-	-	1 385 270	1 385 270
Balance at 28 February 2018	198 467 699	6 233 714	(495 679)	204 205 734
Profit for the year	-	9 167 494	-	9 167 494
Dividends	-	(17 480 338)	-	(17 480 338)
Amounts reclassified through profit or loss	-	15 586	(15 586)	-
Other comprehensive income	-	-	(613 032)	(613 032)
Balance at 28 February 2019	198 467 699	(2 063 544)	(1 124 297)	195 279 858

STATEMENT OF CASH FLOWS

	Group Audited Year ended 28 Feb 19 GBP	Group Audited Year ended 28 Feb 18 GBP
Cash generated from operations	20 742 469	15 770 848
Interest received	146 508	76 121
Interest paid	(4 901 062)	(4 291 899)
Tax paid	(1 722 044)	(1 596 311)
Net cash generated from operating activities	14 265 871	9 958 759
Cash flows from investing activities		
Acquisition of investment properties	(15 969 982)	(12 313 853)
Investment of joint venture	-	(24 794 876)
Sale of investment property	1 182 724	-
Purchase of listed investments	-	(7 787 184)
Sale of listed investments	3 345 084	925 802
Dividends received	4 700 743	941 544
Net cash utilised in investing activities	(6 741 431)	(43 028 567)
Cash flow from financing activities		
Proceeds from issue of shares	-	45 694 938
Proceeds from borrowings	21 808 033	2 790 691
Repayment of borrowings	(5 973 289)	(6 921 950)
Dividends paid	(17 480 338)	(14 638 810)
Net cash (utilised in)/generated from financing activities	(1 645 594)	26 924 869
Increase/(decrease) in cash and cash equivalents	5 878 846	(6 144 939)
Cash and cash equivalents at beginning of the year	6 618 455	12 696 078
Effects of exchange difference on cash and cash equivalents	100 252	67 316
Cash and cash equivalents at end of the year	12 597 553	6 618 455

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 adjustments - investment property	(3 168 569)	(2 373 636)	(1 510 000)	-	(7 052 205)
Fair value adjustments - debt refinancing (net of swaps)	(439 912)	(286 986)	(1 635)	-	(728 533)
Fair value adjustments - asset held for sale	(183 068)	-	(834 145)	-	(1 017 213)
Fair value adjustments - 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
<i>Operating income includes:</i>					
Segment revenue	20 762 427	5 762 187	335 391	-	26 860 005
Statement of financial position					
Additions to investment property	15 969 982	-	-	-	15 969 982
Total assets	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

SEGMENTAL REPORTING - YEAR ENDED 28 FEBRUARY 2018

	Industrial GBP	Office GBP	Retail Warehouse GBP	Unallocated GBP	Total GBP
Operating income	16 009 573	5 326 941	321 316	(1 035 155)	20 622 675
Equity accounted profit (net of tax)	509 867	-	1 295 699	-	1 805 566
Other income and foreign exchange	-	-	-	230 909	230 909
Profit on disposal of investments	-	-	-	134 985	134 985
Fair value adjustments	3 259 727	(2 129 591)	-	-	1 130 136
Fair value - listed investments	-	-	-	(544 352)	(544 352)
Interest expense	(3 579 160)	(1 169 958)	(99 499)	(11 547)	(4 860 164)
Tax expense	(1 223 848)	(183 047)	(127 172)	(17 620)	(1 551 687)
Adjusted headline earnings	10 285 610	3 895 610	1 364 571	(698 426)	14 847 365
<i>Operating income includes:</i>					
Segment revenue	17 928 916	5 744 680	420 800	-	24 094 396
Statement of financial position					
Additions to investment property	12 313 853	-	-	-	12 313 853
Total assets	243 705 456	75 552 938	26 274 245	17 321 491	362 854 130
Total borrowings	107 243 484	40 856 866	2 152 134	2 790 691	153 043 175

RECONCILIATION OF BASIC EARNINGS TO DISTRIBUTABLE EARNINGS

	Group Audited Year ended 28 Feb 19 GBP	Group Audited Year ended 28 Feb 18 GBP
Profit for the year attributable to owners of the parent	9 183 080	16 968 068
<i>Less:</i>		
Fair value adjustments to investment properties	7 052 205	(1 130 136)
Profit on disposal of investment properties in joint venture	-	(303 703)
Profit on disposal of investment property	(252 724)	-
Fair value adjustments to properties in joint venture	348 229	(291 390)
Fair value adjustments on asset held for sale	1 017 213	-
Headline earnings	17 351 003	15 242 839
<i>Add back:</i>		
Straight-line lease income adjustment*	(1 186 611)	(1 243 529)
Profit on disposal of investment property	249 724	-
Profit on disposal of investment properties in joint venture	-	303 703
Fair value adjustments to listed investments	-	319 856
<i>Adjusted for one-off costs:</i>		
IFRS 9 fair value adjustment on debt modification (net of swap realisation)	728 533	-
REIT transaction cost	129 246	-
Adjusted headline earnings	17 591 751	14 847 365
Weighted average number of shares in issue	188 976 628	163 223 203
Basic and diluted earnings per share (GBP pence)	4.86	10.40
Headline and diluted headline earnings per share (GBP pence)	9.18	9.34
Adjusted headline and diluted headline earnings per share (GBP pence)</		