

DIRECTORS' COMMENTARY

Atlantic Leaf is pleased to announce its results for the three and nine months ended 30 November 2017. Adjusted headline earnings per share at GBP 2.17 were slightly below the previous year (2016: GBP 2.22) due to the increase in the weighted number of shares in issue following the capital raise to finance the acquisition of a 45% interest in a joint venture ("JV") with LMP Retail Warehouse JV Holdings Limited concluded in September 2017. The JV comprises a portfolio of eleven properties in excellent regional locations throughout the United Kingdom tenanted by DFS Trading Limited. The Company's investment in the JV of GBP 24.8 million including acquisition costs was funded by the issue of 46.3 million shares in an accelerated book build on 20 September 2017 raising GBP 45.7 million in new equity. It is expected that this investment will contribute positively to the Company's future performance.

As at the reporting date, excess cash raised from the bookbuild was allocated to our revolving credit facility to earn a better rate on the cash until these funds can be deployed into direct property assets. Long term borrowings are thus expected to increase as funds will be drawn-down to finance new acquisitions. The current portion of long term borrowings will be re-financed.

The results for the three months ended 30 November 2017 are summarised as follows:

	30 November 2016	30 November 2017	
Assets Under Management (GBP million)*	305	342	+12%
Total Rental Revenue (GBP million)	5.0	5.7	+14%
Adjusted HEPS (GBP pence per share)	2.22	2.17	-1%
No. of shares in issue	142,671,209	188,976,628	+32%

* includes investment properties, investment in JV, listed investments and cash

PROSPECTS

The Company remains on track to achieve its forecast full year distribution of 9.1 GBP pence per share, which would represent an increase of 7.1% over the prior year. This forecast is based on the Company's current portfolio, and no material change in market conditions. This forecast has not been reviewed by the Company's external auditors.

The UK commercial property sector remains very active. The strong forward property yield of 7.3% on the Company's portfolio is underpinned by quality commercial and industrial properties in excellent regional locations throughout the United Kingdom.

VUKILE MANDATORY OFFER

On 3 November 2017 Vukile Property Fund Limited ("Vukile") made a mandatory offer to the shareholders of the Company. The offer closed on 8 December 2017 and was accepted by shareholders holding 7 489 Atlantic Leaf shares, comprising 0.004% of the Atlantic Leaf shares in issue. Accordingly, Vukile now holds 65 958 606 Atlantic Leaf shares, which constitutes 34.9% of the issued share capital of Atlantic Leaf.

SUBSEQUENT EVENTS

Post the reporting period and as announced on SENS on 21 December 2017, the Company acquired a distribution warehouse in Creve Gates Industrial Estate, Creve in the United Kingdom for GBP 11.9 million including transaction costs. This was financed from funds which had been allocated to the revolving credit facility.

By order of the Board

Intercontinental Trust Limited

Company Secretary

11 January 2018

STATEMENT OF FINANCIAL POSITION

	Group Unaudited as at 30-Nov-2017 GBP	Group Unaudited as at 30-Nov-2016 GBP	Group Audited as at 28-Feb-2017 GBP
ASSETS			
Non-current assets	335 567 662	284 423 420	303 920 316
Investment properties	303 494 000	282 780 628	303 068 000
Investment in joint venture	24 826 214	-	-
Listed investments	7 097 325	633 057	702 193
Loan receivable	-	1 009 735	-
Other receivable	150 123	-	150 123
Current assets	11 282 668	23 209 371	14 031 369
Trade and other receivables	4 987 813	1 991 968	1 335 291
Cash and cash equivalents	6 294 855	21 217 403	12 696 078
Total Assets	346 850 330	307 632 791	317 951 685
Equity and Liabilities			
Equity	197 671 106	154 983 173	154 796 268
Share capital	198 484 877	152 786 592	152 772 761
Cash flow hedge reserve	(804 259)	(1 616 733)	(1 880 949)
Retained earnings	(9 512)	3 813 314	3 904 456
Liabilities			
Non-Current liabilities	117 708 953	136 948 678	149 574 995
Long-term borrowings	117 708 953	136 948 678	149 574 995
Current liabilities	31 470 271	15 700 940	13 580 422
Trade and other payables	3 802 836	5 838 880	3 662 997
Current portion of long-term borrowings	14 216 307	6 922 000	7 038 750
Short term borrowings	2 406 063	-	-
Tax payable	1 618 663	1 211 199	887 088
Dividend payable	8 503 948	-	-
Derivative financial instruments	922 454	1 728 861	1 991 587
Total Equity and Liabilities	346 850 330	307 632 791	317 951 685
Number of shares in issue	188 976 628	142 671 209	142 671 209
Net asset value per share (GBP)	1.05	1.09	1.08
Net asset value per share excluding cash flow hedge reserve	1.05	1.10	1.10

STATEMENT OF CHANGES IN EQUITY

	Stated Capital GBP	Retained Earnings GBP	Cash flow hedge reserve GBP	Total GBP
Balance at 1 March 2016	132 854 283	4 959 307	(1 783 633)	136 029 957
Profit for the period	-	8 993 364	-	8 993 364
Dividends	-	(10 139 357)	-	(10 139 357)
Issue of shares (net of transaction costs)	19 932 309	-	-	19 932 309
Other comprehensive income	-	-	166 900	166 900
Balance at 30 November 2016	152 786 592	3 813 314	(1 616 733)	154 983 173
Profit for the period	-	91 147	-	91 147
Dividends	-	(5)	-	(5)
Issue of shares (net of transaction costs)	(13 831)	-	-	(13 831)
Other comprehensive income	-	-	(264 216)	(264 216)
Balance at 28 February 2017	152 772 761	3 904 456	(1 880 949)	154 796 268
Profit for the period	-	10 724 842	-	10 724 842
Dividends	-	(14 638 810)	-	(14 638 810)
Issue of shares (net of transaction costs)	45 712 116	-	-	45 712 116
Other comprehensive income	-	-	1 076 690	1 076 690
Balance at 30 November 2017	198 484 877	(9 512)	(804 259)	197 671 106

STATEMENT OF CASH FLOWS

	Group Unaudited Nine Months ended 30-Nov-2017 GBP	Group Unaudited Nine Months ended 30-Nov-2016 GBP	Group Audited Year ended 28-Feb-2017 GBP
Cash generated from operations	20 556 311	14 323 920	17 162 555
Interest received	30 680	202 749	204 980
Finance costs	(3 256 500)	(2 745 195)	(4 182 627)
Tax paid	(491 154)	(210 145)	(906 750)
Net cash from operating activities	16 839 337	11 571 329	12 278 158
Cash flows from investing activities			
Acquisition of investment properties	(426 000)	(97 581 510)	(114 685 033)
Investment in joint venture	(25 660 407)	-	-
Sale of investment property	-	11 300 000	11 300 000
Deposit paid for acquisition of properties	-	6 000 000	-
Acquisition of listed investments	(6 468 648)	-	-
Dividends received	894 906	21 187	23 643
Loan to APIL	-	5 723 996	6 733 730
Net cash from/(utilised in) investing activities	(31 660 149)	(74 536 327)	(96 627 660)
Cash flow from financing activities			
Proceeds from issue of shares	45 712 116	19 932 310	19 430 385
Proceeds from borrowings	2 406 063	75 480 116	88 499 186
Repayment of borrowings	(25 109 000)	(7 401 035)	(7 713 000)
Financial liabilities repaid	-	(163 239)	-
Dividends paid	(14 638 810)	(10 139 357)	(9 651 269)
Net cash (utilised in)/from financing activities	8 370 369	77 708 795	90 565 302
(Decrease)/Increase in cash and cash equivalents	(6 450 443)	14 743 797	6 215 800
Cash and cash equivalents at beginning of the year	12 696 078	6 223 292	6 223 292
Effects of exchange difference on cash and cash equivalents	49 270	250 314	256 986
Cash and cash equivalents	6 294 855	21 217 403	12 696 078

RECONCILIATION OF BASIC EARNINGS TO DISTRIBUTABLE EARNINGS

	Group Unaudited Three months ended 30-Nov-2017 GBP	Group Unaudited Nine months ended 30-Nov-2017 GBP	Group Unaudited Three months ended 30-Nov-2016 GBP	Group Unaudited Nine months ended 30-Nov-2016 GBP	Group Audited Year ended 28-Feb-2017 GBP
Basic earnings	4 295 577	10 724 842	3 746 130	8 993 362	9 084 511
<i>Less:</i>					
Fair value adjustments to investment properties	285 892	932 646	727 650	1 374 405	4 384 351
Profit on disposal of investment property	-	-	(1 062 299)	(1 062 299)	(1 062 312)
Headline earnings	4 581 469	11 657 488	3 411 481	9 305 468	12 406 550
<i>Exclude:</i>					
Fair value adjustments to listed investments	91 071	82 578	-	-	-
Fair value adjustments to properties in associate	(494 725)	(494 725)	-	-	-
Straight line lease adjustments	(285 892)	(932 646)	(323 377)	(970 132)	(1 293 509)
Once-off transaction costs	-	-	(406 030)	-	365 725
Fair value loss on cash flow hedges transferred	-	-	163 658	163 658	163 658
Adjusted headline earnings/Distributable earnings	3 891 923	10 312 695	2 845 732	8 498 994	11 642 424
Weighted average number of shares in issue	179 308 464	154 626 426	128 425 063	125 413 564	129 548 965
Basic and diluted earnings per share (GBP pence)	2.40	6.94	2.92	7.17	7.01
Basic and diluted headline earnings per share (GBP pence)	2.56	7.54	2.66	7.42	9.58
Adjusted headline earnings per share (GBP pence)	2.17	6.67	2.22	6.78	9.00
Interim dividend	-	8 503 948	-	4 936 284	5 203 084
Final dividend	-	-	-	-	6 134 862
Total dividend	-	8 503 948	-	4 936 284	11 337 940
Interim dividend per share (GBP pence)	-	4.50	-	4.20	4.20
Final dividend per share (GBP pence)	-	-	-	-	4.30
Total dividend per share (GBP pence)	-	4.50	-	4.20	8.50

SEGMENTAL REPORTING - UNAUDITED NINE MONTHS ENDED 30 NOVEMBER 2017

	Industrial GBP	Office GBP	Retail Warehouse GBP	Unallocated GBP	Total GBP
Statement of profit or loss					
Revenue	12 571 950	4 248 574	315 600	932 646	18 068 770
Income from joint venture	364 990	-	500 541	-	865 531
Fair value adjustments	-	-	-	(1 015 224)	(1 015 224)
Interest expense	(2 691 182)	(877 199)	(75 189)	(5 630)	(3 649 200)
Income tax	(883 403)	(87 528)	(60 945)	(190 853)	(1 222 729)
Adjusted headline earnings	7 651 375	2 970 555	406 509	(715 744)	10 312 695
Statement of financial position					
Additions to investment property	426 000	-	-	-	426 000
Additions through investment in joint venture	5 157 127	-	19 669 087	-	24 826 214
Total assets	227 201 773	77 321 234	25 479 087	16 848 236	346 850 330
Total borrowings	90 262 039	39 496 296	2 166 925	2 406 063	134 331 323

SEGMENTAL REPORTING - UNAUDITED NINE MONTHS ENDED 30 NOVEMBER 2016

	Industrial GBP	Office GBP	Retail Warehouse GBP	Unallocated GBP	Total GBP
Statement of profit or loss					
Revenue	11 479 296	2 871 568	339 819	970 132	15 660 815
Profit on disposal of investments	1 062 299	-	-	-	1 062 299
Fair value adjustments	(197 208)	(207 065)	-	(1 173 117)	(1 577 390)
Interest expense	(2 652 228)	(560 981)	(96 510)	-	(3 309 719)
Income tax	(790 710)	(268 573)	(10 714)	(54 029)	(1 124 026)
Adjusted headline earnings	6 157 026	1 786 807	186 121	369 040	8 498 994
Statement of financial position					
Additions to investment property	81 613 222	15 968 288	-	-	97 581 510
Total assets	222 260 948	54 840 251	5 900 000	24 631 592	307 632 791
Total borrowings	112 279 555	29 382 534	2 208 589	-	143 870 678

STATEMENT OF COMPREHENSIVE INCOME

	Group Unaudited Three months ended 30-Nov-2017 GBP	Group Unaudited Nine months ended 30-Nov-2017 GBP	Group Unaudited Three months ended 30-Nov-2016 GBP	Group Unaudited Nine months ended 30-Nov-2016 GBP	Group Audited Year ended 28-Feb-2017 GBP
Rental revenue	5 736 051	17 136 124	5 005 240	14 690 683	20 035 401
Straight-line lease income adjustment	285 892	932 646	323 377	970 132	2 035 909
Revenue	6 021 943	18 068 770	5 328 617	15 660 815	21 328 910
Property operating expenses	(214 319)	(646 412)	(224 474)	(659 915)	(862 555)
Other operating expenditure	(657 825)	(1 863 725)	(118 068)	(1 492 228)	(2 401 771)
Operating income	5 149 799	15 558 633	4 986 075	13 508 672	18 064 584
Income from joint venture	865 531	865 531	-	-	-
Other income	-	14 172	74	1 429	1 935
Investment income	77 332	124 439	21 444	181 783	196 770
Profit on disposal of investment property	-	-	1 062 299	1 062 299	1 062 312
Profit on foreign exchange	8 695	49 220	195 526	250 314	256 986
Fair value adjustments	(376 963)	(1 015 224)	(961 608)	(1 577 390)	(4 518 202)
Finance costs	(1 171 760)	(3 649 200)	(1 136 836)	(3 309 719)	(4 483 354)
Profit before taxation	4 552 634	11 947 571	4 166 972	10 117 388	10 581 031
Taxation	(207 057)	(1 222 729)	(420 842)	(1 124 026)	(1 496 520)
Profit after taxation	4 295 577	10 724 842	3 746 130	8 993 362	9 084 511
Other comprehensive income					
Items that will					