

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. It contains proposals relating to the Members' Voluntary Liquidation of The Local Shopping REIT plc on which Shareholders are being asked to vote. If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who is authorised under the Financial Services and Markets Act 2000 if in the United Kingdom, or from another appropriately authorised independent financial adviser if in a territory outside of the United Kingdom.

If you sell or have sold or otherwise transferred all your shares in The Local Shopping REIT plc (the "**Company**"), please forward this document, and the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you sell or have sold or transferred only part of your holding of shares in the Company, you should retain this document and the accompanying Form of Proxy and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

THE LOCAL SHOPPING REIT PLC

*(a public limited company incorporated under the laws of England and Wales
with registered number 05304743)*

Recommended Members' Voluntary Liquidation of the Company and Notice of General Meeting

The proposals described in this document are conditional on Shareholder approval. Your attention is drawn to the Letter from the Chairman of the Company set out in Part I of this document which contains the recommendation of the Directors that Shareholders should vote in favour of the Resolution which is to be proposed at the General Meeting referred to below. Your attention is drawn to the paragraph headed "Action to be taken" of Part I of this document.

Notice of a General Meeting of the Company, which is to be held at the offices of BDO LLP, at 55 Baker Street, London W1U 7EU at 11.00 a.m. on 12 December 2018, is set out at the end of this document. To be valid, the Form of Proxy for use by Shareholders at this meeting must be completed, signed and returned in accordance with the instructions printed thereon so as to be received by the Company's Registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible and, in any event, so as to arrive by not later than 11.00 a.m. on 10 December 2018.

CONTENTS

	Page
EXPECTED TIMETABLE	2
PART I - LETTER FROM THE CHAIRMAN	3
PART II - UNITED KINGDOM TAXATION	8
PART III - RISK FACTORS	9
DEFINITIONS	10
NOTICE OF GENERAL MEETING	12

EXPECTED TIMETABLE

Publication of this document

16 November 2018

Date from which it is advised that dealings in Ordinary Shares should only be for cash settlement and immediate delivery of documents of title

close of business on 7 December 2018

Publication of the Company's results and directors' report for the year ended 30 September 2018

07.00 a.m. on 10 December 2018

Latest time and date for receipt of Forms of Proxy and CREST Proxy Instructions from Shareholders for the General Meeting

11.00 a.m. on 10 December 2018

Latest time for delivery to Registrars of documents of title relating to dealings in Ordinary Shares subject to cash settlement

5.00 p.m. on 11 December 2018

Close of the Register and Record Date for participation in the Members' Voluntary Liquidation

6.00 p.m. on 11 December 2018

Suspension of Ordinary Shares from trading on the London Stock Exchange and suspension of listing on the Official List of the UKLA

7.30 a.m. on 12 December 2018

General Meeting to approve the Members' Voluntary Liquidation and, if approved, the appointment of the Liquidators

11.00 a.m. on 12 December 2018

Cancellation of the listing of the Ordinary Shares on the Official List and cancellation of admission to trading of the Ordinary Shares on the Main Market

8.00 a.m. on 14 December 2018

Expected initial liquidation distribution date*

February 2019

** Actual date to be determined by the Liquidators.*

All references are to London time.

The dates and times set out in the expected timetable above may be adjusted by the Company, in which event details of the new dates and/or times will be notified to the UKLA and the London Stock Exchange and an announcement will be made through a Regulatory Information Service.

PART I - LETTER FROM THE CHAIRMAN

THE LOCAL SHOPPING REIT PLC

*(a public limited company incorporated under the laws of England and Wales
with registered number 05304743)*

Directors:

Stephen East *(Non-Executive Chairman)*
Nicholas Vetch *(Non-Executive Director, Senior Independent Director)*
Brett Miller *(Non-Executive Director)*

Registered Office:

65 Grosvenor Street
London
W1K 3JH

16 November 2018

Dear Shareholder

Recommended Members' Voluntary Liquidation of the Company

Introduction

The Company has today announced proposals for a solvent voluntary liquidation of the Company. I am writing to provide you with details of these proposals, which are subject to Shareholder approval, and to explain why your Board is recommending that you vote in favour of the Resolution to be proposed at the General Meeting of the Company to be held at 11.00 a.m. on 12 December 2018. A notice of the General Meeting is set out at the end of this document.

Background

On 8 July 2013, the Board announced the results of a strategic review which recommended to Shareholders a change of investment policy which allowed for "the orderly liquidation of assets, the repayment of debt and the return of the remaining capital to shareholders over a period of time". That recommendation was approved by Shareholders at a general meeting of the Company on 25 July 2013.

In December 2017, I reported to you on progress against the Company's Investment Policy in accordance with that approval. That report also announced the further acceleration of the property sales programme. Progress with the sales programme has been such that, at the date of this document, the Company has completed or exchanged contracts for sale on 614 of the 640 properties it owned in July 2013, totalling £150.2 million in Net Proceeds. This achievement, involving 326 separate transactions, enabled the delivery of a major element of the Investment Policy, with the Company's bank debt being fully repaid in July 2018. Since then, all Net Proceeds have been retained by the Company.

In consequence, as at the date of this document, the Company holds a cash reserve of £17.6 million. Our residual property portfolio comprises 42 properties, with a Carrying Value of £13.3 million. Of these:

- 16 are under contract for sale and expected to generate estimated Net Proceeds of £3.6 million; and
- 6 have sale terms agreed and are in solicitors' hands and are expected to generate estimated Net Proceeds of £0.8 million.

Of the 20 remaining properties, 11 are earmarked for auction in December 2018, from which we hope to generate a further £4.2 million of Net Proceeds. The Directors anticipate that the remaining portfolio will be liquidated by the end of the first quarter in 2019.

The Board currently estimates that the Realisable Value of the Ordinary Shares is likely to be in the range of 33.0 to 34.5 pence per Ordinary Share. The Realisable Value range referred to above is based on unaudited estimated values, should only be taken as an indicative value provided for information only and no reliance should be placed on it. There are a number of factors which may impact it during the remainder of the Company's life, such as: (i) general market conditions relating to investment property; (ii) the sales performance of the Company's remaining property portfolio and the operational performance of the properties prior to sale; (iii) the speed of execution (and the ability thus to curtail corporate overhead costs); and (iv) costs associated with the return of value to Shareholders and the extent of any corporate costs throughout the process. Estimated results, performance or achievements may therefore differ materially from any actual results, performance or achievements. Except as required by applicable law, the Company expressly disclaims any obligations to update or revise such estimates to reflect any change in expectations, new information, subsequent events or otherwise.

With the end of the property sales programme now in sight and in view of the likely balance of the Company's cash reserve at the end of the calendar year, the Board has considered the best means of returning cash to Shareholders. Having undertaken a thorough examination of each available option for achieving this, the Board has concluded that the most appropriate route is for the Company to be wound up by way of a Members' Voluntary Liquidation. Given the Company's relatively simple financial position, the Board believes that this should enable a substantial initial distribution early in the liquidation process.

The Board has examined in detail all the other options for returning cash to Shareholders. However, it considers that each of these is likely to involve one or more disadvantages, for example, delay, increased cost and uncertainty.

It is also the Board's view that the significant overhead costs of maintaining the Company's listing on the Official List and the admission to trading of the Ordinary Shares on the Main Market of the London Stock Exchange are likely to deplete its cash reserve as rental income falls in consequence of property sales. The Board therefore believes that, to maximise the Realisable Value, it is in the best interests of Shareholders to remove the Company from the Official List of the London Stock Exchange and wind up its affairs as quickly as is practicable.

The Board considers that, in parallel with winding up the Company's affairs, the affairs of the Subsidiaries should also be wound up. The Subsidiaries have served their purpose and are no longer required to be retained as corporate entities. The Board proposes that the Liquidators, acting on behalf of the Company, should be authorised to take such steps as may be necessary to achieve a solvent wind down of the affairs of the Subsidiaries, including accepting appointments as their liquidators.

I am therefore writing to you today to convene a General Meeting of the Company to take place on Wednesday, 12 December 2018, for the purpose of resolving to place the Company into a Members' Voluntary Liquidation, approving the appointment of the Liquidators for this purpose and authorising the Liquidators to undertake various actions, including taking any actions required or considered desirable in connection with the cancellation of the admission of the Ordinary Shares to the Official List and to trading on the Main Market of the London Stock Exchange, the solvent wind down of the Subsidiaries and the winding up of the EBT.

Assuming the Resolution is passed by the requisite majority, the cancellation of the admission of the Ordinary Shares to the Official List and to trading on the Main Market of the London Stock Exchange will take place as soon as is practicable thereafter, in accordance with the rules of the London Stock Exchange and the UK Listing Authority, and resolutions will be passed by the Liquidators, on behalf of the Company, to approve the entry of the Subsidiaries into members' voluntary liquidations.

During the course of the Members' Voluntary Liquidation, the Liquidators will make distributions to Shareholders in circumstances where they have fully satisfied or provisioned for the Company's liabilities, including all expenses of the winding-up. The timing and amount of distributions to Shareholders by the Liquidators are matters solely within the Liquidators' control.

Following discussions with the Liquidators, the Board expects that an initial distribution will be made to Shareholders in February 2019 and that a final distribution will be made following the sale of the remaining property assets.

The cancellation of the admission of the Ordinary Shares to the Official List and to trading on the Main Market of the London Stock Exchange will also mean that the Company will cease to be a REIT and to benefit from the REIT Regime. The Company is holding discussions with HMRC to ensure an orderly exit from the REIT Regime. At the point the Company ceases to be a REIT, it will become liable to corporation tax. However, the Board believes that the Company's activities are unlikely to generate any material corporation tax liability in view, in particular, of the variation between the historical purchase prices and the likely sales prices of the assets that are likely to be sold after the Company exits the REIT Regime.

The Company's entry into the Members' Voluntary Liquidation and the appointment of the Liquidators require the approval of Shareholders. The Resolution for this is set out in the Notice of the General Meeting at the end of this document. The Resolution to, *inter alia*, place the Company into Members' Voluntary Liquidation, to appoint the Liquidators and to approve certain related matters is proposed as a special resolution of the Company and therefore requires a 75 per cent. majority of votes cast, whether in person or by proxy, to be passed. The Board believes that the Resolution fully accords with the Company's Investment Policy and is in the best interests of the Shareholders.

The Members' Voluntary Liquidation

As set out above, the Board is recommending to Shareholders the appointment of the Liquidators under the Members' Voluntary Liquidation, which will result in the cancellation of admission of the Ordinary Shares to the Official List and to trading on the Main Market of the London Stock Exchange. A further result of this process will be the Company's exit from the REIT Regime.

The Board believes that the Members' Voluntary Liquidation will enable Shareholders on the Register on the Record Date to realise cash from the Company in the timeliest, most cost effective and most efficient manner. In order to proceed, the Members' Voluntary Liquidation requires the approval of Shareholders. If the Resolution is not passed, the Company will continue in operation and the Board will consider alternative means of fulfilling the Company's Investment Policy.

On the Resolution being passed, Malcolm Cohen and Edward Terence Kerr of BDO LLP (both qualified insolvency practitioners) will be appointed as joint Liquidators of the Company on terms that have been approved by the Board. The approved terms provide that the Liquidators' remuneration will be determined by the amount of time properly spent by them and their staff on attending to matters arising in the Members' Voluntary Liquidation in accordance with BDO LLP's standard charge-out rates. All powers of the Directors will cease on the appointment of the Liquidators (unless otherwise sanctioned by the Liquidators or Shareholders) and the Liquidators will thereafter be solely responsible for winding-up the affairs of the Company and distributing its assets.

The Liquidators will realise the Company's remaining property assets and have indicated that, if appropriate, they will retain the Company's existing Investment Adviser, Principal Real Estate, to assist them in that process. Once the Liquidators have wound up the Company's affairs and made a final distribution, the Company will be dissolved. Although the Board cannot determine how long the winding-up process will take, it anticipates that, subject to the settlement of creditor claims and obtaining clearances from HMRC, it may be completed within 12 months of the Liquidators' appointment.

The Liquidators have indicated, again, as appropriate, that they will continue to use the Company's registrar, Equiniti, for share registration and distribution purposes during the winding-up.

Future Management Arrangements and the Investment Adviser

Principal Real Estate has indicated that it will resign its appointment as Investment Adviser to the Company immediately on the cancellation of the Company's stock exchange listing and will waive its contractual notice entitlement. The Board understands that, given its knowledge of the Company's property portfolio, as noted above Principal Real Estate may be retained by the Liquidators to assist them with property management and sales activity during the Members' Voluntary Liquidation process.

Shareholder Distributions

The Liquidators may make distributions to Shareholders in circumstances where they have fully satisfied or provisioned for the Company's liabilities (current, future and contingent), including all expenses of the winding-up. The timing and amount of distributions to Shareholders by the Liquidators are matters solely within the Liquidators' control.

Assuming the Resolution is passed, the Board understands that it is likely that the Liquidators may make an initial cash distribution to Shareholders in February 2019 of approximately £22 million, equal to 26.7 pence per Ordinary Share, having discharged or provided for all the Company's liabilities, including the Liquidators' costs. This assumes that all properties under contract for sale have completed, realising approximately £3.6 million in Net Proceeds, and that a further £4 million in Net Proceeds is raised from the property sales currently in solicitors' hands with terms agreed together with the sales of properties to be auctioned in December 2018.

The Liquidators will make a final distribution to Shareholders once the portfolio is realised, and all other matters have been concluded.

This will include settling all creditor claims, the costs of liquidation and professional fees, and also obtaining clearances from HMRC. Shareholders should note that the Liquidators will have no control over how long HMRC may take to provide clearances.

Shareholders' attention is drawn to the risk factors outlined in Part III of this document.

Nothing in the proposals contained in this document shall impose any personal liability on the Liquidators or either of them.

Estimated costs of the Members' Voluntary Liquidation

It is estimated that the costs of winding up the Company will be approximately £250,000 plus VAT (including the Liquidators' and Registrar's costs). These costs, together with the Liquidators' estimate of the actual, future and contingent liabilities of the Company, will be reserved for and deducted from the Company's cash reserve on a monthly basis and prior to the final distribution.

The Liquidators will cause the Company to sell its remaining properties whilst the Company continues to operate them professionally until they are sold. Principal Real Estate, together with others of the Company's existing professional advisers, are expected to be retained to assist in these tasks. The Board's estimate of the Company's Realisable Value takes account of the likely cost of delivering these services during the winding-up process. As is the case currently, expenses relating to property management will be paid out of operational income and the execution costs of property sales will be deducted from the sales income. In either case, should the source of payment be insufficient, the surplus costs will be discharged from the Company's cash reserve.

The cost estimates referred to above are subject to variation and nothing contained herein shall impose any obligation or liability on the Liquidators.

Suspension and cancellation of the Company's listing and trading of the Ordinary Shares

The Register will be closed at 6.00 p.m. on 11 December 2018 and the Ordinary Shares will be disabled in CREST at the start of business on 12 December 2018. Application will be made to the UKLA for suspension of listing of the Ordinary Shares on the Official List of the UKLA and application will be made to the London Stock Exchange for suspension of trading in the Ordinary Shares at 7.30 a.m. on 12 December 2018.

The last day for dealings in the Ordinary Shares on the London Stock Exchange on a normal rolling two day settlement basis will be 7 December 2018. After 7 December 2018, dealings should be for cash settlement only and will be registered in the normal way if the transfer, accompanied by the documents of title, is received by the Registrars by close of business on 11 December 2018. Transfers received after that time will be returned to the person lodging them and, if the Resolution is passed, the original holder will receive any proceeds from distributions made by the Liquidators.

If the Resolution is passed, the Company, acting by the Liquidators, will immediately make an application for the cancellation of the admission of the Ordinary Shares to listing on the Official List and to trading on the Main Market. The cancellation is expected to take effect at 8.00 a.m. on 14 December 2018.

After the liquidation of the Company and the making of the final distribution to Shareholders (if any), existing certificates in respect of the Ordinary Shares will cease to be of value and any existing credit of the Ordinary Shares in any stock account in CREST will be redundant.

General Meeting

The Company's entry into the Members' Voluntary Liquidation and the appointment of the Liquidators will require Shareholders to vote in favour of the Resolution at the General Meeting. The Resolution is being proposed to:

- place the Company into members' voluntary liquidation;
- appoint the Liquidators with the power to act jointly and severally;
- fix the remuneration of the Liquidators on the basis of time properly spent by them and their staff in attending to the matters arising out of the Members' Voluntary Liquidation;
- authorise the Liquidators to take such steps as they deem necessary or consider desirable in order to achieve a solvent wind down of the Subsidiaries, including accepting appointments as liquidators of the Subsidiaries;
- authorise the Liquidators to take all steps necessary and considered desirable in connection with the cancellation of the admission of the Ordinary Shares to listing on the Official List and to trading on the Main Market as soon as practicable following their appointment as liquidators of the Company;
- authorise the Liquidators to take such steps as they deem necessary or consider desirable in connection with the winding-up of the EBT; and
- direct that the Company's books and records be held to the order of the Liquidators.

You will find set out at the end of this document a Notice convening the General Meeting to be held at 11.00 a.m. on 12 December 2018 at the offices of BDO LLP, at 55 Baker Street, London W1U 7EU. The Notice includes the full text of the Resolution. The Resolution will be proposed as a special resolution and, in order to be passed, will require the approval of 75 per cent. or more of the votes cast at the General Meeting, whether in person or by proxy.

All Shareholders are entitled to attend and vote at the General Meeting. In accordance with the Articles of Association, all Shareholders present, in person or by proxy, shall, upon a show of hands, have one vote each and on a poll shall have one vote in respect of every Ordinary Share held.

Taxation

You are advised to read carefully Part II of this document (United Kingdom Taxation) which sets out a general guide to certain aspects of current UK taxation law and HMRC published practice. It is not tax advice and you are advised to seek your own advice from an independent professional adviser.

If you may be subject to taxation in a jurisdiction other than the United Kingdom, you are advised to seek immediately your own tax advice in relation to taxation in such jurisdiction from an independent professional adviser.

Consequences of the Proposals not being approved

In the event that Shareholders do not approve the Proposals, the Company will continue to operate under the Board's direction until alternative proposals are agreed for returning value to Shareholders and deciding the Company's future in accordance with its Investment Policy, but any such alternatives are likely to incur significant delay, cost and uncertainty and may be disadvantageous for some Shareholders.

Action to be taken

Shareholders will find at the end of this document a Notice convening the General Meeting, to be held at 11.00 a.m. on 12 December 2018 at the offices of BDO LLP, at 55 Baker Street, London W1U 7EU, at which the Resolution will be considered. The full text of the Resolution is set out in the attached Notice. Voting at the General Meeting will be on a poll and not on a show of hands and each Shareholder entitled to attend and who is present in person or by proxy will be entitled to one vote for each Ordinary Share held.

Shareholders will also find enclosed with this document a Form of Proxy for use in relation to the General Meeting (or at any adjournment thereof).

Whether or not you intend to be present at the General Meeting, you are asked to complete and sign the accompanying Form of Proxy in accordance with the instructions printed thereon and to return it to Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible, but, in any event, so as to arrive not later than 11.00 a.m. on 10 December 2018 or 48 hours (excluding any part of a day which is not a working day) before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the General Meeting or adjourned meeting, so as to be received no later than 24 hours (excluding any part of a day which is not a working day) before the time appointed for taking the poll. A reply-paid envelope for use by Shareholders with registered addresses in the UK is enclosed with this document for your convenience.

CREST Members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual, which can be viewed at the Euroclear website (www.euroclear.com). CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST Sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instructions made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA19) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST Members and, where applicable, their CREST Sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST Personal Member or Sponsored Member or has appointed a voting service provider(s), to procure that his CREST Sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST Members and, where applicable, their CREST Sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

The completion and return of the Form of Proxy or the electronic appointment of a proxy, as the case may be, will not prevent you from attending the General Meeting (or any adjournment thereof) and voting in person if you wish to do so and are so entitled.

If you have any questions relating to this document, the General Meeting, the completion and return of a Form of Proxy and/or the action you should take, please contact the Company's Registrars, Equiniti Limited, on 0371 384 2779 (from within the UK) or on +44 121 415 7025 (if calling from outside the UK). Lines are open from 8:30 a.m. to 5:30 p.m. (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the shareholder helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

Recommendation

The Board considers the Members' Voluntary Liquidation and the Resolution to be in the best interests of the Company and Shareholders as a whole.

Accordingly, the Board unanimously recommends Shareholders to vote in favour of the Resolution to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial and non-beneficial holdings which, as at 15 November 2018 (being the latest practicable date prior to the publication of this document), amounted, in aggregate, to 3,984,564 Ordinary Shares, representing approximately 4.83 per cent. of the Company's existing issued share capital.

The attention of Shareholders is drawn to the information contained in Parts II (United Kingdom Taxation) and III (Risk Factors) of this document.

Yours faithfully

Stephen East
Chairman

PART II - UNITED KINGDOM TAXATION

The following paragraphs, which are intended as a general guide only, are based on current UK legislation and published HMRC practice, both of which are subject to change, possibly with retrospective effect. They summarise certain limited aspects of the UK tax treatment of the cash distributions made to Shareholders in connection with the Members' Voluntary Liquidation, are not exhaustive and do not constitute legal or tax advice. They relate only to the position of individual and corporate Shareholders who hold their Ordinary Shares beneficially as an investment and who are resident (and, in the case of individuals, domiciled) solely in the UK for UK tax purposes. They may not apply to certain categories of Shareholder.

Shareholders are advised to take independent advice in relation to the tax implications of any matters set out in this document and to consult an appropriate professional tax adviser.

It is expected that a Shareholder who receives a distribution of cash in the course of the Members' Voluntary Liquidation will be treated as making a disposal or part disposal of his, her or its Ordinary Shares for the purposes of UK taxation of chargeable gains which may, depending on such Shareholder's individual circumstances (including the availability of exemptions, reliefs and allowable losses), give rise to a chargeable gain or allowable loss for the purposes of UK taxation of chargeable gains. However, the position is not free from doubt. The Company has written to HMRC to seek confirmation regarding various matters relating to the Members' Voluntary Liquidation, including (but not limited to), the application of certain anti-avoidance provisions which could lead to a Shareholder who receives a distribution of cash in the course of the Members' Voluntary Liquidation being taxable other than on the basis of making, for the purposes of UK taxation of chargeable gains, a disposal or part disposal of his, her or its Ordinary Shares. The Company is awaiting a response from HMRC.

A Shareholder that is within the charge to UK corporation tax is normally taxable on all of its chargeable gains, subject to any available reliefs, exemptions and allowable losses. Such Shareholders may be entitled to indexation allowance (calculated using the Retail Prices Index factor for December 2017) in calculating the chargeable gain, if any, made on a disposal or part disposal of their Ordinary Shares. Indexation allowance cannot be used to create or increase an allowable loss.

Shareholders who are individuals may be entitled to an annual exemption in respect of taxable capital gains made in the relevant tax year (£11,700 for the tax year commencing on 6 April 2018 and ending on 5 April 2019).

PART III - RISK FACTORS

The Directors consider that the following risk factors should be considered by Shareholders prior to deciding how to cast their votes at the General Meeting. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who is authorised under the Financial Services and Markets Act 2000 if in the United Kingdom, or from another appropriately authorised independent financial adviser if in a territory outside of the United Kingdom.

Shareholders should be aware of the following considerations relating to the proposals contained in this document.

Only those risks which are material and currently known to the Company have been disclosed. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems to be immaterial, may also have an adverse effect on the Company.

Conditionality of the Members' Voluntary Liquidation

Implementation of the Members' Voluntary Liquidation is conditional upon the Resolution being passed at the General Meeting. In the event that the Resolution is not passed, the Members' Voluntary Liquidation will not proceed and the Company will continue in operation until other proposals can be put forward and will have to bear the abortive costs of having proposed the Members' Voluntary Liquidation.

Risks associated with the Members' Voluntary Liquidation

Distributions

The exact timing of distributions is difficult to predict and it is possible that Shareholders may have to wait a considerable period of time before receiving all their distributions pursuant to the Members' Voluntary Liquidation.

The Liquidators will decide the timing and amount of distributions as and when they deem that the Company has sufficient surplus assets available. Shareholders will have little certainty as to the precise timings when any distributions will be receivable and as to the amount of any proceeds that they will receive in respect of the Ordinary Shares.

The amounts which may be owing to the creditors of the Company, or which the Liquidators may choose to retain in respect of current and future, actual and contingent, liabilities of the Company, and any unascertained liabilities, and the costs and expenses of the liquidation are uncertain and will affect the amount and timing of any distribution to Shareholders. In addition, clearances will need to be obtained from HMRC before any final distribution can be made.

There may be matters or factors, of which the Board is not aware or does not currently consider to be material, which may affect the availability, amount or timing of any distribution(s) to Shareholders.

Creditors' voluntary liquidation

Although not anticipated, if any unforeseen claims materialise against the Company during the course of the Members' Voluntary Liquidation which result in the liabilities of the Company exceeding its assets such that the Liquidators conclude that it is no longer possible to complete the solvent Members' Voluntary Liquidation, the Liquidators may convert the Members' Voluntary Liquidation into an insolvent creditors' voluntary liquidation. It is highly unlikely that Shareholders would receive a distribution in an insolvent creditors' voluntary liquidation.

Risks relating to taxation

Taxation

The information in this document is based on existing legislation, including taxation legislation. The existing levels and bases of, and reliefs from, taxation may change. Any change in the Company's tax status, in taxation legislation or in HMRC practice could alter the post-tax returns to Shareholders.

Anti-avoidance legislation exists which grants HMRC powers to issue a counteraction notice in certain circumstances where it perceives a tax advantage to have been sought and/or obtained, and where a transaction has been carried out otherwise than for bona fide commercial reasons and for which a sole or main object is to obtain a tax advantage. The application of anti-avoidance measures may vary the anticipated tax treatment of a particular transaction and therefore alter the post-tax returns to Shareholders.

Shareholders should refer to the information contained in Part II of this document (United Kingdom Taxation) in relation to certain tax consequences relating to the Members' Voluntary Liquidation.

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Articles of Association”	the articles of association of the Company, as amended from time to time;
“Board” or the “Directors”	the board of directors of the Company, being Stephen East, Brett Miller and Nicholas Vetch, and each a “Director” ;
“Carrying Value”	the valuation of properties comprised in the Company’s unaudited interim accounts for the six months ended 31 March 2018;
“Company”	The Local Shopping REIT plc;
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations);
“CREST Manual”	the CREST manual consisting of the CREST reference manual; CREST international manual; CREST central counterparty service manual; CREST rules; CCSS operations manual and CREST glossary of terms available at http://www.euroclear.com ;
“CREST Member”	a person who has been admitted by Euroclear as a system-member (as defined in the CREST Regulations);
“CREST Participant”	a person who is, in relation to CREST, a system- participant (as defined in the CREST Regulations);
“CREST Proxy Instruction”	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Shareholder at the General Meeting and containing the information required to be contained in the CREST Manual;
“CREST Regulations”	The Uncertificated Securities Regulations 2001 (SI 2001/3755);
“CREST Sponsor”	a CREST Participant admitted to CREST as a CREST sponsor, being a sponsoring system- participant (as defined in the CREST Regulations);
“CREST Sponsored Member”	a CREST member admitted to CREST as a Sponsored Member;
“Euroclear”	Euroclear UK & Ireland Limited;
“EBT”	The Local Shopping REIT plc Employee Benefit Trust;
“Form of Proxy”	the form of proxy accompanying this document for use by Shareholders in connection with the General Meeting;
“General Meeting”	the General Meeting of Shareholders of the Company convened for 11.00 a.m. on 12 December 2018 (including any adjourned meeting) to be held at the offices of BDO LLP, at 55 Baker Street, London W1U 7EU, notice of which is set out at the end of this document;
“Group”	the Company and its Subsidiaries;
“HMRC”	HM Revenue & Customs;
“Investment Adviser” or “Principal Real Estate”	Principal Real Estate Limited (registered number 05948858);
“Investment Policy”	the investment policy contained in the circular to Shareholders dated 8 July 2013 and adopted at the general meeting of the Company held on 25 July 2013;
“Liquidators”	the proposed joint liquidators of the Company, namely Malcolm Cohen and Edward Terence Kerr of BDO LLP;
“London Stock Exchange”	London Stock Exchange plc;
“Main Market”	the London Stock Exchange’s main market for listed securities;

“Members’ Voluntary Liquidation”	the proposed members’ voluntary winding-up of the Company and the appointment of the Liquidators as proposed in the Notice and subject to the provisions of the Insolvency Act 1986;
“NAV” or “Net Asset Value”	the net asset value of the Company calculated by the Company (either on a consolidated group basis or on a Company basis, as applicable);
“Net Proceeds”	in relation to the sale of the Company’s property assets, the sales price achieved less all the attributable costs of achieving the property sale;
“Notice” or “Notice of General Meeting”	the notice of general meeting set out at the end of this document;
“Official List”	the Official List of the UKLA;
“Ordinary Shares”	ordinary shares of 20 pence each in the capital of the Company and each an “Ordinary Share” ;
“Proposals”	the Members’ Voluntary Liquidation, the appointment of the Liquidators and all other related acts as set out in this document;
“Realisable Value”	as at the date of this document, the Board’s unaudited estimate of the prospective value that may be returned to Shareholders in respect of their Ordinary Shares on a Members’ Voluntary Liquidation of the Company, as contained in this document and subject to the risks and variations described within it;
“Record Date”	6.00 p.m. on 11 December 2018;
“Register”	the register of members of the Company;
“Registrars”	Equiniti Limited of Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA;
“REIT”	real estate investment trust;
“REIT Regime”	the UK tax regime for real estate investment trusts originally established by the Finance Act 2006 and amended and restated in subsequent legislation;
“Resolution”	the special resolution set out in the Notice of General Meeting to approve, <i>inter alia</i> , placing the Company into Members’ Voluntary Liquidation and the appointment of the Liquidators;
“Shareholders”	holders of Ordinary Shares and each a “Shareholder” ;
“Sterling” or “£”	pounds sterling, being the lawful currency of the UK;
“Subsidiaries”	NOS 4 Limited (reg. no. 05707123), NOS 5 Limited (reg. no. 05707124); NOS 6 Limited (reg. no. 06188983), Gilfin Property Holdings Limited (reg. no. SC077200) and LSR Trustee Limited (reg. no. 06178592);
“UKLA”	the UK Listing Authority; and
“United Kingdom” or UK”	the United Kingdom of Great Britain and Northern Ireland.

THE LOCAL SHOPPING REIT PLC

(a public limited company incorporated under the laws of England and Wales with registered number 05304743)

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of The Local Shopping REIT plc (the “**Company**”) will be held at the offices of BDO LLP, at 55 Baker Street, London W1U 7EU at 11.00 a.m. on 12 December 2018 for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT

- a) the Company be and is hereby wound up voluntarily pursuant to section 84(1)(b) of the Insolvency Act 1986;
- b) Malcolm Cohen and Edward Terence Kerr of BDO LLP of 55 Baker Street, London W1U 7EU and Regent House, Clinton Avenue, Nottingham NG5 1AZ, respectively, having consented to act, be and are hereby appointed as joint liquidators (the “Liquidators”) of the Company with the power to act jointly and severally for the purposes of such winding-up including realising and distributing the Company’s assets and exercising any power conferred on them by law or by this resolution;
- c) the remuneration of the Liquidators be determined by reference to the time properly given by them and their staff in attending to matters prior to and during the winding-up of the Company and they be and are hereby authorised to draw such remuneration monthly or at such longer intervals as they may determine and to pay any expenses properly incurred by them;
- d) the Liquidators be and are hereby authorised to take such steps as they deem necessary or consider desirable in order to achieve a solvent wind down of NOS 4 Limited, NOS 5 Limited, NOS 6 Limited, Gilfin Property Holdings Limited and LSR Trustee Limited, including accepting appointments as liquidators of those companies;
- e) the Liquidators be and are hereby authorised to take all steps necessary or considered desirable in connection with the cancellation of the admission of the Ordinary Shares to listing on the Official List and to trading on the Main Market as soon as reasonably practicable following their appointment as liquidators of the Company;
- f) the Liquidators be and are hereby authorised to take such steps as they deem necessary or consider desirable in connection with the winding-up of The Local Shopping REIT plc Employee Benefit Trust; and
- g) the Company’s books and records be held by the Company Secretary to the order of the Liquidators until the expiry of twelve (12) months after the date of dissolution of the Company, when they may be disposed of.

Save where the context requires otherwise, the definitions contained in the circular to Shareholders dated 16 November 2018 shall have the same meanings where used in this Notice of General Meeting.

Registered Office:

65 Grosvenor Street
London
W1K 3JH

By order of the Board

William Heaney
Company Secretary
16 November 2018

Registered in England and Wales, No. 05304743

Notes:

1. The Company, pursuant to Regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those members registered in the register of members of the Company at close of business on 10 December 2018 or, in the event that the meeting is adjourned, close of business on the date which is two days (excluding any part of a day which is not a working day) before the date of the adjourned meeting, shall be entitled to attend, speak and vote at the aforementioned meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. If you are a member of the Company at the time set out in Note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a Form of Proxy with this Notice of General Meeting. You can only appoint a proxy using the procedures set out in these Notes and the notes to the Form of Proxy. Appointment of a proxy will not preclude you from subsequently attending and voting at the meeting should you subsequently decide to do so.
3. A proxy need not also be a member of the Company but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as a proxy using the Form of Proxy are set out in the notes to the Form of Proxy and in Note 4 below. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint their own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. You should identify, in the designated box on the Form of Proxy, the number of shares in relation to which the proxy is authorised to act as your proxy. You should also indicate by marking an "X" in the box provided if the proxy instruction is one of multiple instructions being given. To appoint more than one proxy, you may photocopy your Form of Proxy or contact the Company's Registrars, Equiniti Limited, on 0371 384 2498 (from within the UK) or on +44 121 415 7047 (if calling from outside the UK). Lines are open from 8:30 a.m. to 5:30 p.m. (UK time) Monday to Friday (excluding English and Welsh public holidays). Calls to the shareholder helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. Members (and any proxies or corporate representatives appointed) agree, by attending the meeting, that they are expressly requesting and are willing to receive any communications relating to the Company's securities made at the meeting.
7. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out Note 2 to 4 above. Please read Note 15 below.
8. If the Chairman of the meeting, as a result of any proxy appointments, is given discretion as to how the votes of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests of the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any Member holding three (3) per cent. or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.
9. A Form of Proxy is enclosed with this document. To be valid, it should be lodged with the Company's Registrars, together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, so as to be received no later than 11.00 a.m. on 10 December 2018 or 48 hours (excluding any part of a day which is not a working day) before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours (excluding any part of a day which is not a working day) before the time appointed for taking the poll, at the offices of the Company's Registrars, Equiniti Limited.
10. CREST Members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual, which can be viewed at the Euroclear website (www.euroclear.com). CREST Personal Members or other CREST Sponsored Members, and those CREST Members who have appointed a voting service provider(s), should refer to their CREST Sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment or instructions made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA19) by the latest time(s) for receipt of proxy appointments specified in Note 9 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST Members and, where applicable, their CREST Sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST Personal Member or Sponsored Member or has appointed a voting service provider(s), to procure that his CREST Sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST Members and, where applicable, their CREST Sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

12. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first name being the most senior).
13. The termination of the authority of a person to act as proxy must be notified to the Company in writing. Amended instructions must be received by the Company's Registrars, Equiniti Limited, by the deadline for receipt of proxies.
14. As at close of business on 15 November 2018 (being the latest practicable date prior to the publication of this Notice), the Company's issued voting share capital was 82,505,853 Ordinary Shares carrying one vote each.
15. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights ("Nominated Person"), you may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("Relevant Member") to be appointed or to have someone else appointed as a proxy for the meeting. If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
16. If a corporate Shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on the resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.
17. You may not use any electronic address provided either in this Notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.
18. At the meeting, Shareholders have the right to ask questions relating to the business of the meeting and the Company is obliged to answer such questions, unless (i) answering the question would interfere unduly with the preparation of the meeting or would involve the disclosure of confidential information; (ii) the information has already been given on the Company's website, www.localshoppingreit.co.uk, in the form of an answer to a question; or (iii) if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
19. Further information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available on the Company's website, www.localshoppingreit.co.uk.

