

**The content of this note is not to be taken as definitive or up to date and The Local Shopping REIT plc shall not be liable for its accuracy. Readers should not rely on this note for making investment decisions and should obtain their own independent advice.**

The Local Shopping REIT plc (“LSR”) elected to join the UK REIT tax regime in May 2007. As a qualifying Real Estate Investment Trust (“REIT”), LSR is exempted from corporation tax on its property rental income and gains on its property investments.

UK REITs are required to distribute, as dividends, at least 90% of their property income. Such dividend payments are referred to as Property Income Distributions (“PIDs”). REITs may also distribute dividends derived from non-qualifying sources, referred to as non-PIDs. PIDs and non-PIDs are subject to differing tax treatments. LSR’s aim is to distribute all of its recurring profits as dividends, so it is likely that dividends will be paid to shareholders on both a PID and non-PID basis.

PID dividends are assessable to tax in the hands of shareholders as property letting income. PIDs are therefore normally distributed after withholding basic rate Income Tax at the prevailing rate, which the Company pays to HMRC on behalf of the shareholder. However, some shareholders may qualify to receive PIDs without deduction of withholding tax. Qualifying shareholders may include:

- UK Pension Schemes
- Managers of PEPs, ISAs and Child Trust Funds
- UK Companies
- Charities
- Local Authorities

Qualifying shareholders may claim exemption from the deduction of withholding tax from PIDs by completing the form on this page and sending it to the Company’s registrars.

Non-PID dividends are treated in the same way as dividends paid by non-REIT companies.