MAKING PROPERTY WORK

Half Year Report 31 March 2012

the **Local Shopping** reit plc

About The Local Shopping REIT plc

The Local Shopping REIT plc (LSR) is the first specialist start-up Real Estate Investment Trust ("REIT") to launch in the UK.

Already a major owner of local retail property, the Company is building a portfolio of local shops in urban and suburban areas, investing in neighbourhood and convenience properties throughout the UK. Typical of the portfolio are shops in local shopping parades and neighbourhood venues for convenience or 'top-up' shopping. As at 31 March 2012 the Company's directly owned portfolio comprised 645 properties, with over 2,000 letting units.

The Company's investment objective is to provide its shareholders with an attractive level of income with the potential for income and capital growth. The Company seeks to achieve its investment objective through the following investment policy:

- investing in local real estate assets in the United Kingdom;
- exploiting the potential of its property portfolio through active asset management; and
- making use of its specialist skills and market position to engage in joint ventures, partnerships and management contracts

For further information on LSR, please visit www.localshoppingreit.co.uk.

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London Stock Exchange LISTED PREMIUM

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Financial Highlights

- The recurring profit for the period grew 5.2% to £1.7 million or 2.1p per share (H1 2011: £1.6 million or 2.0p per share).
- As at 31 March 2012 the portfolio of 645 commercial properties was valued at £183.0 million with an annual rental income of £16.0 million, reflecting an equivalent yield of 9.05% (30 September 2011: £189.2 million, 648 properties with an annual rent role of £16.2 million, reflecting an 8.83% equivalent yield).
- NAV was £48.8 million or £0.59 per share, based on 82.5 million shares in issue, excluding those held in Treasury (30 September 2011: £53.8 million, £0.65 per share).
- Adjusted NAV, excluding liabilities arising from derivative financial instruments, was £57.5 million or 70p per share (30 September 2011: £63.1 million, £0.76 per share).
- The IFRS reported loss before tax for the period was £3.3 million (H1 2011: profit of £2.5 million; FY 2011: loss of £0.7 million).
- Gross rental income for the six months remained stable at £8.0 million (H1 2011: £8.1 million) taking into account the fact that the number of properties sold has exceeded the number acquired in recent months.
- Like-for-like rental income declined 1.1% to £16.0 million, with Market Rent showing a smaller decline of 0.3% to £17.3 million, as wider market driven falls over the period were largely compensated for by successful asset management initiatives.
- 2.8% fall in value of existing portfolio on a like-for-like basis during the period, with the equivalent yield (excluding the residential element) moving out 22 basis points to 9.05% (30 September 2011: 8.83%).
- The Group's cash position remained strong at £6.7 million at the end of the period, including £1.1 million held in substitution accounts for property purchases.
- £0.94 million of rental deposits held, representing over 23% of the quarterly rent roll.
- Borrowings totalled £133.9 million (30 September 2011: £131.3 million) with an average cost of debt, including margin, of 5.5%. This represents an LTV of 71.9%, with a further £28.5 million available to borrow.
- An interim dividend of 2.0 pence per share will be distributed on 29 June 2012 (ex-dividend date: 30 May 2012; record date: 1 June 2012) with the next dividend payment at the year-end expected to reflect 100% of recurring profits, in line with Company policy.

Operational Highlights

- Four commercial properties (one of which was vacant) and two flats sold since 30 September 2011 for £1.66 million, representing a 16.1% premium to September 2011 valuation before costs of sale, in line with the Company's policy to sell ex-growth properties.
- 62 units let during the period at a total rent of £602,823 per annum with a further 26 units under offer, as at 31 March 2012, at a combined rental of £249,290 per annum.
- Annual Rental income increased by £54,286 as a result of completed rent reviews on 103 units representing an average uplift of 3.8% (6.0% above Market Rent). A further 15 leases were renewed in line with Market Rent, maintaining rental income at the previous levels.
- Planning consent secured for the creation of five flats in the redundant upper parts of retail units in Weymouth and Braintree.
- 10 flat conversions in three separate projects completed during the period, of which two have been let at a combined rent of £13,800 per annum. The remaining eight flats are being held vacant for sale, of which three are under offer for £0.43 million, 17.6% above valuation.
- A further two flats are under construction and a large flat in Paignton is being split into two units under a February 2010 planning consent, following the relocation of the previous statutory tenant to another Company flat in the town.

Highlights
continued

Operational Highlights continued

- Planning consent to split a large retail unit in Birkenhead into two units, following the surrender of the previous independent trader's lease (£38,000 rent per annum) and simultaneously signing of an agreement with Tesco to take approximately two thirds of the space on a 15 year lease at £48,000 per annum. The transaction leaves an additional unit to let with a Market Rent of £18,000 per annum and illustrates the strong demand from the national convenience retailers for well located local shopping assets.
- Five further change of use consents on vacant retail units from class A1 (shops) to higher value uses, including hot food takeaway units, with improved letting prospects achieved during the period.
- Void rate stable at 10.6% (31 March 2011: 11.1%; 30 September 2011: 10.6%).
- Strong progress made with strategy to generate recurring fee income through the management of local shopping assets or portfolios on behalf of banks with an annual rent roll of circa £900,000 being managed on behalf of three lenders.
- Good progress with our Pramerica JV acquisition programme made during the period with four properties acquired for a combined £11.5 million (including the £7.2 million forward funding of the Halewood District Centre in Liverpool). A further four properties have been purchased since the period end for £5.4 million, with another four under offer for £8.8 million.
- During the period, the Company formed a joint venture with Schroders to create a £60 million unlisted fund to invest in convenience retail opportunities ranging in size from circa £0.5 million to £1 million. After the period end the fund has completed the acquisition of its first two properties, a long leased convenience store in Hull, for £0.5 million at a 7.1% yield and a Co-op in Shaftesbury for £0.3 million at a 7.23% initial yield. The fund has agreed terms on a further £5.0 million of property.

Post Period Events

- After the period end the sale of an additional vacant shop in east London to an owner occupier for £0.15 million was completed. Further sales of ex-growth properties are planned with the proceeds intended for reinvestment both on and off balance sheet.

Chairman's Statement and Joint Chief Executive Officers' Review

The Company has continued to perform well against a difficult and uncertain economic backdrop and we are pleased to announce solid ongoing operational progress during the six months to 31 March 2012.

Market Context

Against the backdrop of a challenging environment for the traditional high street and shopping centre retailers, we are pleased to report that tenant demand for local shopping assets from both national operators (in particular, supermarkets for their convenience store formats) and independent traders is holding up well. In part this is driven by increased footfall due to higher fuel costs, "just in time" shopping and a continuous shift in consumer demand towards convenience. In addition, our properties remain affordable, as demonstrated by both our reduced void rate compared to last year's interim results and the 62 new lettings completed during the period at an annual rent of over £600,000, with our average shop rent only £11.21 per sq ft or £12,002 per annum. This demand gives us confidence that our highly diversified portfolio located away from the traditional high street, with its focus on supporting the top-up shopping needs and necessity requirements of local communities, will continue to underpin our strong, cash generative business model. This is in contrast to the wider occupier market, in which subdued consumer expenditure is putting further pressure on retailers, particularly those whose business models rely on discretionary spend or can be more easily transacted on the internet.

We continue to see a steady stream of enquiries from tenants within our portfolio who wish to purchase rather than rent, as the low interest rate environment makes it attractive for occupiers to acquire property, and this helps support our valuations. However, with little bank debt available, further near term yield compression remains highly unlikely. Furthermore, the continued worsening of the Eurozone crisis, which commenced during the final quarter of 2011, has undoubtedly shaken the confidence of private investors who are in the market for assets which satisfy their requirement for income. This macro uncertainty has led to some small softening in yields, particularly for less secure income streams, which is reflected in our valuation at the half year. However, we are seeing increasing availability of stock and believe there is now a significant opportunity to acquire sustainable local retail assets at highly accretive yields which are supported by tenant demand from national and local convenience retailers.

It is commonly accepted that the banking sector will need to deleverage substantially over the coming years. In recent months we have seen some increase in the volume of bank led sales coming to the market. However the inability of lenders to make substantial loan write-downs is leading them to look for longer-term asset management led solutions for the distressed properties and portfolios on their books, in addition to the sale of larger portfolios and loan books. With our nationwide coverage, extensive network of local agents and specialist asset management skills, we are well placed to assist lenders to implement such asset management strategies, building on the mandates we have already received to date.

Results

The IFRS reported loss before tax for the six month period was £3.3 million (profit of £2.5 million for the six months to 31 March 2011 and a loss of £0.7 million for the year to 30 September 2011).

Gross rental income for the six months remained stable at £8.0 million, with only a marginal fall of £0.1 million compared to the same period last year. Property costs have increased during the period compared to 31 March 2011 by £0.1 million. This is mainly as a result of the loss of empty rates relief which was abolished in April 2011. Measures have been taken to mitigate this cost where possible, but it now appears unlikely that any reliefs will be reinstated by the Government so the Group will have to continue to suffer this cost on its vacant units. Most other property costs, including bad debts have remained broadly constant. There has been a fall in letting costs as it has been possible to complete more lettings in house, however, this cost is dependent on the size of units being let and the relative sophistication of the tenant.

Chairman's Statement and Joint Chief Executive Officers' Review
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Administrative costs have fallen as in the previous period set up costs on the new joint ventures were incurred and treated as non-recurring. In addition, bank charges have fallen as in October 2011 part of the undrawn HSBC facility was cancelled and further draw downs from the facility have been made in the last six months, which have together reduced the undrawn commitment fees.

The recurring profit for the period is £1.7 million which represents 2.1 pence per share. The table below summaries the adjustments made between the reported IFRS result and this recurring profit. This is analysed further in note 2 to the half year report:

	31 March 2012 £000	30 Sept 2011 £000	31 March 2011 £000
IFRS reported result	(3,310)	(710)	2,470
Movement in the fair value of the portfolio	5,845	3,806	1,914
Movement in the fair value of the interest rate swaps	(542)	144	(2,689)
Profit on disposal of investment properties	(325)	(51)	(102)
Non-recurring costs	62	51	52
Recurring profit	1,730	3,240	1,645

The calculation remains consistent with previous years. The non-recurring costs relate to one off bank fees incurred in connection with the cancellation of the facility mentioned earlier and set up costs associated with the joint ventures entered into. In addition, acquisition fees received from joint ventures are treated as one off income and excluded from recurring profit.

Dividend

We are pleased to confirm that it remains our policy to pay 100% of recurring profits as a dividend. The Board has decided to distribute an interim dividend of 2.0 pence per share. At the year end, the next dividend payment will reflect 100% of the recurring profits of the business for the full year.

The interim dividend will be paid as a property income distribution (PID). The PID is subject to the deduction of withholding tax at the basic rate of tax (20% for 2012/13). Certain shareholders can claim exemption from the withholding of tax on their PID. In order to claim exemption, should you be eligible, a form can be obtained from the Company's website (www.localshoppingreit.co.uk) which should be submitted to the Company's Registrars. The allocation of future dividends between PID and non-PID may vary.

The dividend will be distributed on 29 June 2012. The shares will become ex-dividend on 30 May 2012 with a record date of 1 June 2012.

Revaluation and Net Asset Value

Our portfolio was revalued at £183.0 million as at 31 March 2012, reflecting an equivalent yield (excluding the residential element) of 9.05% (30 September 2011: £189.2 million, 8.83% equivalent yield). As at 31 March 2012, it comprised 645 properties with an annual rental income of £16.0 million, compared to 648 properties and £16.2 million at 30 September 2011.

Combined Portfolio

Value	£183.0m
Initial Yield ("IY")	8.21%
Reversionary Yield ("RY")	8.86%
Equivalent Yield ("EY")*	9.05%
Rent per annum	£16.0m
Market Rent per annum	£17.3m

Value Range	No. of Properties	Value £m	EY*
£0 – £100k	155	11.4	9.59%
£101k – £200k	239	34.8	9.14%
£201k – £500k	153	49.3	9.08%
£501k – £1m	72	47.0	8.98%
£1m – £3m	24	34.2	8.94%
£3m +	2	6.3	8.38%
Total	645	183.0	9.05%

The table above illustrates the range of property values throughout the portfolio. The average property value is £283,766 and the median is £160,000. The residential element of the portfolio has been valued at £18.1 million, based on 85% of vacant possession value. The average value of the residential units in our portfolio remains low at just over £56,000.

Existing Portfolio — Like-for-like

	31 March 2012	30 Sept 2011	Change
Value	£182.4m	£187.8m	-2.83%
IY	8.21%	8.18%	+3bp
RY	8.86%	8.76%	+10bp
EY*	9.05%	8.83%	+22bp
Rent pa	£16.0m	£16.2m	-1.01%
Market Rent pa	£17.3m	£17.3m	-0.24%

* Equivalent Yield excludes the residential element which is valued at a discount to vacant possession value.

The existing portfolio recorded a 2.8% fall in value on a like-for-like basis during the period, with the equivalent yield (excluding the residential element) moving out 22 basis points to 9.05% (30 September 2011: 8.83%). Like-for-like rental income declined 1.1%, with Market Rent showing a smaller decline of 0.3% as wider market driven falls over the period were largely compensated for by successful asset management initiatives.

As a result of this decline in the value of the portfolio, the NAV has fallen 9.3% to £48.8 million or £0.59 per share, based on 82.5 million shares in issue, excluding those held in Treasury (30 September 2011: £53.8 million, £0.65 per share). The adjusted NAV of the Company as at 31 March 2012, excluding liabilities arising from derivative financial instruments, is £57.5 million or £0.70 per share (30 September 2011: £63.1 million, £0.76 per share).

The Group held £6.7 million of cash at the end of the period, of which £1.1 million was held in substitution accounts to use for property purchases.

Acquisitions and Sales

While we believe the current market offers a strong pipeline of accretive investment opportunities, our acquisition efforts during the period were focussed on buying properties for our Pramerica JV, and no properties were purchased within the wholly owned portfolio.

In line with our ongoing policy to sell ex-growth properties, we have sold four commercial properties (one of which was vacant) and two flats, since 30 September 2011, for a total of £1.66 million. These sales were at a 16.1% premium to their September 2011 valuation. After the period end we completed the sale of an additional vacant shop in east London to an owner occupier for £0.15 million. Further sales of ex-growth properties are planned with the proceeds intended for reinvestment both on and off balance sheet.

Chairman's Statement and Joint Chief Executive Officers' Review
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Asset Management

Against a challenging economic backdrop, we recognise the importance of working our existing assets hard. Demand for our smaller units remains steady and our success in applying our property skills to the management of our diverse portfolio has led to solid results over the period.

The Company continues to adopt a flexible approach to leasing. We believe it is important when letting units to independent traders to concentrate on maximising cashflow. As a result, we prefer to deal with letting incentives by way of stepped rents rather than offering extended rent free periods or capital contributions in an attempt to support unsustainable rental values.

This approach has resulted in the letting of 62 units at a total rent of £602,823 per annum. While 50 of these units were let at an average of 2.8% above Market Rent, the remaining 12 incorporated stepped rental increases and, since the benefits of these have not yet been reflected in our comparison, this resulted in the total figure being marginally (-0.5%) below Market Rent. However, the contribution from these stepped leases will increase going forward as they were agreed at an initial rent of £129,263 per annum which rises to £159,700 per annum over the first three years of their leases, compared with a Market Rent of £145,390 per annum. In addition, the letting pipeline remains healthy, with 26 units under offer, as at 31 March 2012, at a combined rental of £249,290 per annum.

Encouraging progress was also made in growing rents through rent reviews, where we completed rent reviews on 103 units and were able to increase rental income by £54,286 per annum, representing an average uplift of 3.8% (6.0% above Market Rent). We also renewed 15 leases in line with Market Rent, thereby maintaining rental income at the previous levels.

In our effort to extract additional cashflow from our assets, we continue to look to maximise the contribution from under-used and poorly configured properties. Since 30 September 2011, we have secured planning consent to create five flats in the redundant upper parts of retail units in Weymouth and Braintree. We will implement these consents and build out flats where we can achieve an acceptable rental yield following conversion. During the period we completed ten such flat conversions in three separate projects. Two of these flats have been let at a combined rent of £13,800 per annum with the remaining eight flats being held vacant for sale. Three of these are under offer for £0.43 million, 17.6% above valuation. A further two flats are under construction and a large flat in Paignton is being split into two units under a February 2010 planning consent, following the relocation of the previous statutory tenant to another flat we own in the town.

In addition, we obtained planning consent to split a large retail unit in Birkenhead into two letting units. We took a surrender of the previous independent trader's lease who was paying a rent of £38,000 per annum. Simultaneously we signed an agreement for lease with Tesco to take approximately two thirds of the space on a 15 year lease at £48,000 per annum, leaving us with an additional unit to let with a Market Rent of £18,000 per annum. This surrender and reletting illustrates the strong demand from the national convenience retailers for well located local shopping assets. During the period we also obtained five change of use consents on vacant retail units from class A1 (shops) to higher value uses which will improve their letting prospects.

Void Rate

Despite the difficult retail climate, our success in managing tenant default and leasing vacant property over the period has allowed us to maintain our overall void rate at 10.6% (30 September 2011: 10.6%). Encouragingly, this is below the 11.1% overall void rate reported as at 31 March 2011.

Within this, the core commercial void rate has fallen from 7.7% to 7.6%, while residential voids have risen to 0.8% (30 September 2011: 0.6%) largely as a result of the completion of a number of flat conversions during the period which are being held for sale rather than letting. At the same time, deliberate voids have fallen to 2.2% (30 September 2011: 2.3%) reflecting the completion of these conversions. Over the coming months we anticipate an increase in the amount of deliberately vacant property as we identify further value add projects within the existing portfolio.

	31 Mar 2012	31 Jan 2012	30 Sep 2011	31 Jul 2011	31 Mar 2011
Vacant – Commercial	7.6%	7.6%	7.7%	7.8%	7.8%
Vacant – Deliberate	2.2%	2.2%	2.3%	2.5%	2.4%
Vacant – Residential	0.8%	0.9%	0.6%	0.5%	0.9%
Total	10.6%	10.7%	10.6%	10.8%	11.1%

The challenging trading conditions faced by our tenants have inevitably led to some tenant defaults. We continue to take a robust approach to debt recovery and generally prefer to take back units where tenants are in financial difficulty so we can re-let and improve the quality of our cashflow. Our ongoing success in letting vacant space provides us with the confidence to take back units before tenant arrears begin to build significantly. As a result, during the half year, bad debt write-offs and provisions were down slightly at £374,524 (compared to £382,281 for the six months to 31 March 2011 and £806,632 for the year to 30 September 2011).

When we let units to independent tenants or deal with lease assignments, it is our policy to seek rent deposits of between three to six months. As at 31 March 2012, we held deposits totalling approximately £937,414, or over 23% of our quarterly rent roll. This provides us with a measure of protection against tenant default which is not generally available when letting units to national retailers.

Financing

The Group has four loan facilities of which three are fully drawn. All of them are repayable in a single instalment in 2016. As at 31 March 2012, borrowings totalled £133.9 million (30 September 2011: £131.3 million), reflecting an LTV of 71.9%, with a further £28.5 million available to borrow as follows:

Loan	Facility £m	Loan Outstanding £m	Undrawn £m	LTV Covenant
Barclays Fixed Rate Loan	69.2	69.2	0.0	No
HSBC Fully Drawn Term Loan	47.7	47.7	0.0	No
HSBC Term Loan	10.5	10.5	0.0*	Yes – 85%
HSBC Revolver Facility	35.0	6.5	28.5	Yes – 85%
		133.9	28.5	

*The HSBC Term Loan was originally for £25 million. In October 2011 the balance of £14.5 million of the term facility was cancelled in order to reduce undrawn commitment fees

Chairman's Statement and Joint Chief Executive Officers' Review
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The average cost of debt, including margin, is 5.5%. An undrawn commitment fee of 60 basis points is payable on the £28.5 million undrawn facilities.

The Group holds £20.7 million of property which does not have any debt secured against it. This, together with the undrawn facilities, provides LSR with the flexibility to exploit future opportunities as they arise.

Working with Banks

One element of our strategy for growth is to generate recurring fee income through the management of local shopping assets or portfolios on behalf of banks. These properties have often become distressed through over-leverage or because they have lacked the specialist asset-management skills required to maintain or enhance their value. We currently manage properties with an annual rent roll of circa £900,000 on behalf of three lenders.

Faced with increasingly stringent capital requirements, we believe that over the coming months many lenders will focus their deleveraging efforts on the sale of larger portfolios and loan books. However, some properties and portfolios will require longer term asset management led solutions. We are therefore continuing our discussions with these and other lenders with a view to managing assets for those who recognise the value of our business model, encompassing nationwide coverage, an extensive network of local agents and our intensive and specialist asset management skills.

Joint Ventures and Funds

A second element of our strategy is to seek to grow the business through the creation of joint ventures. Our first such JV, with Pramerica Real Estate Investors, was established in November 2010 to invest in retail parades and neighbourhood centres throughout the UK. Since 30 September 2011 we have continued to make good progress with our acquisition programme, completing the purchase of four properties for a combined £11.5 million (including the £7.2 million forward funding of the Halewood District Centre in Liverpool). Since the period end we have purchased a further four properties for £5.4 million and have another four properties under offer for £8.8 million. In order to finance these acquisitions, we have drawn down £11.1 million from the JV's HSBC facility, of which we have hedged £4.9 million, resulting in an overall average interest rate of 3.4%. Should all these transactions complete, this would bring the purchase price of deals so far to £37.3 million.

As previously announced, our second "work out" JV with an established UK financial institution was set up in September 2011. Four properties were acquired at inception for a combined £3.4 million. We are currently reviewing further properties within their distressed book which will be added to the portfolio as the opportunity arises.

During the period, and as announced on 5 March 2012, we entered into an agreement with Schroders to create a £60 million unlisted fund to invest in convenience retail opportunities. The fund will be ungeared with an income focus and has a five year life. It will target convenience retail stores, such as Tesco Express and Sainsbury's Local, either stand alone or with adjacent units let to national multiples and local retailers. The expected target investments will range in size from circa £0.5 million to £1 million and provide a diversified portfolio and it is anticipated that these properties will provide an average net initial yield of 6.5%. The fund will also be seeking to identify properties which will offer additional asset management opportunities for LSR to exploit to enhance each asset's capital value and income stream. LSR will be co-investing £5 million and will receive a performance related fee as well as base management fees. After the period end the fund completed the acquisition of its first two properties, a long leased convenience store in Hull, for £0.5 million at a 7.1% initial yield and a Co-op in Shaftesbury for £0.3 million at a 7.23% initial yield. The fund has agreed terms on a further £5.0 million of property.

In addition to these existing Joint Ventures/Funds, the Company is currently considering a range of other opportunities to deploy its unique set of specialist asset management skills. These include the management of third party assets and further joint venture prospects, built upon our expertise in managing smaller properties throughout the UK.

Principal Risks and Uncertainties for the Remaining Six Months of the Financial Year

The directors believe it is appropriate to prepare the Half Year Statement on a Going Concern basis given the more stable outlook for capital values, the bank facilities available, the uncharged properties owned by the Group and the cash held at the period end.

The risks facing the Group for the remaining six months of the financial year are consistent with those described in detail in the Annual Report for the year ended 30 September 2011 (available on the Company's website: www.localshoppingreit.co.uk). The principal risks are around property values and returns, financial instruments, financing and trade receivables:

- Given the weakness of the economy and the resulting uncertain backdrop to property valuations, the independent valuation to be completed at 30 September 2012 may be affected (positively or negatively) which will have a consequential effect on the Company's Net Asset Value

- The Group does not consider financing to be a risk given the long term nature of the outstanding debt, the significant majority of which is economically hedged, and the level of committed, undrawn facilities available

  The Group does not speculate in derivative financial instruments and only uses them to hedge its exposure to fluctuations in interest rates. However, movements in interest rates do affect the fair value of the derivative financial instruments recorded on the Consolidated Balance Sheet which can significantly affect the Net Asset Value of the Group

- The Group is exposed to the risk of non-payment of trade receivables by its tenants. In the current economic climate the risk of default continues to be significant. The Group has over 2,000 tenants across 645 properties spread throughout the UK. There is no significant concentration of credit risk due to the large number of small balances owed by a wide range of tenants who operate across all retail sectors. The level of arrears continues to be monitored monthly by the Group and more frequently on a tenant by tenant basis by the asset managers.

Chairman's Statement and Joint Chief Executive Officers' Review
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Outlook

The economic backdrop remains challenging with below trend growth, substantial ongoing cuts to public expenditure, instability in the Eurozone and fragile consumer confidence. This is undoubtedly a difficult environment for retailers. However the location of our properties with their neighbourhood and suburban catchments, away from the traditional high street, provides us with a much more limited exposure to the discretionary spend which is being impacted hardest by these market conditions when compared with many other retail landlords. Over the period this has been demonstrated by the resilience of our occupier market which supplies the convenience and top-up shopping needs of the wider population.

The short term outlook for the investment market looks subdued. While we believe low interest rates are supportive of current prices, we see further yield movement being strongly influenced by investors' perception of the strength of the economy. Any sustained increase in investor activity will have to wait until the lending market returns to some degree of normality.

However, we view this market as an exciting one in which there is increasing opportunity to make highly accretive acquisitions of sustainable local retail properties at pricing levels we haven't seen for many years. In addition, with an active tenant market we believe such properties will provide us with the potential for growth through active asset management as well as the fixed and index linked rent reviews that are becoming increasingly popular with convenience retailers.

Our continuing strong focus on working our assets hard has ensured that the Company remains financially sound. During the period we put a further building block in place to drive our earnings forward with the establishment of our joint venture with Schroders. This provides us with further firepower to take advantage of accretive buying opportunities in the local shopping sector, while also giving us the opportunity to earn management fees. We believe the local shopping market is now in an exciting position with solid occupier demand and an increasing availability of accretive investment opportunities. Our highly specialised and well regarded skill base will allow us to continue to exploit the opportunities we hope to see over the coming months, both within our own portfolio and the assets we own and manage with our partners and third parties.

Grahame Whateley
Chairman

Nick Gregory
Joint Chief Executive

Mike Riley
Joint Chief Executive

24 May 2012

Responsibility Statement

We confirm to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the EU: and

(b) the Half Year Report includes a fair review of the information required by

- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

- DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

Signed on behalf of the Board who approved the half yearly financial report on 22 May 2012.

Nick Gregory
Joint Chief Executive

Mike Riley
Joint Chief Executive

Independent Review Report to The Local Shopping REIT plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half yearly financial report for the six months ended 31 March 2012, which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRS's as adopted by the EU. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with IAS 34: "Interim Financial Reporting" as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410: "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 31 March 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

JD Leech **(Senior Statutory Auditor)**
For and on behalf of KPMG Audit Plc,
Statutory Auditor
Chartered Accountants
24 May 2012

Condensed Consolidated Income Statement

for the six months ended 31 March 2012

	Note	Unaudited Six months ended 31 March 2012 £000	Unaudited Six months ended 31 March 2011 £000	Audited Year ended 30 Sept 2011 £000
Gross rental income		7,999	8,074	16,078
Property operating expenses		(1,312)	(1,218)	(2,628)
Net rental income		6,687	6,856	13,450
Profit on disposal of investment properties		325	102	51
Loss on change in fair value of investment properties	6	(5,845)	(1,914)	(3,843)
Administrative expenses		(1,401)	(1,485)	(2,736)
Net other income/(expenses)		158	(33)	40
Operating (loss)/profit before net financing costs		(76)	3,526	6,962
Financing income*	3	1	2	4
Financing expenses*	3	(3,788)	(3,747)	(7,490)
Movement in fair value of derivatives	3	558	2,689	(131)
Operating (loss)/profit after net financing costs		(3,305)	2,470	(655)
Result of jointly controlled entities	7	(5)	–	(55)
(Loss)/profit before taxation		(3,310)	2,470	(710)
Tax	4	–	–	–
(Loss)/profit for the financial period attributable to equity holders of the Company		(3,310)	2,470	(710)
Basic and diluted (loss)/earnings per share	9	(4.1)p	3.0p	(0.9)p

* Excluding movements in the fair value of financial derivatives

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 31 March 2012

	Unaudited Six months ended 31 March 2012 £000	Unaudited Six months ended 31 March 2011 £000	Audited Year ended 30 Sept 2011 £000
(Loss)/profit for the period	(3,310)	2,470	(710)
Total comprehensive income for the period	(3,310)	2,470	(710)
Attributable to:			
Equity holders of the parent company	(3,310)	2,470	(710)

Condensed Consolidated Balance Sheet

for the six months ended 31 March 2012

	Note	Unaudited 31 March 2012 £000	Unaudited 31 March 2011 £000	Audited 30 September 2011 £000
Non-current assets				
Property, plant and equipment		**143**	173	161
Investment properties	6	**183,951**	190,828	190,111
Investments in jointly controlled entities	7	**2,890**	198	1,823
Total non-current assets		**186,984**	191,199	192,095
Current assets				
Trade and other receivables		**3,456**	3,904	3,773
Cash		**6,651**	8,350	4,461
Total current assets		**10,107**	12,254	8,234
Total assets		**197,091**	203,453	200,329
Non-current liabilities				
Interest bearing loans and borrowings	8	**(133,316)**	(131,755)	(130,620)
Finance lease liabilities		**(922)**	(1,205)	(922)
Derivative financial instruments	11	**(6,310)**	(4,027)	(7,264)
Total non-current liabilities		**(140,548)**	(136,987)	(138,806)
Current liabilities				
Interest bearing loans and borrowings	8	**–**	–	–
Trade and other payables		**(5,332)**	(5,491)	(5,689)
Derivative financial instruments	11	**(2,390)**	(2,411)	(1,994)
Total current liabilities		**(7,722)**	(7,902)	(7,683)
Total liabilities		**(148,270)**	(144,889)	(146,489)
Net assets		**48,821**	58,564	53,840
Equity				
Issued capital		**18,334**	18,334	18,334
Reserves		**3,773**	3,773	3,773
Capital redemption reserve		**1,764**	1,764	1,764
Retained earnings		**24,950**	34,693	29,969
Total attributable to equity holders of the Company		**48,821**	58,564	53,840

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 March 2012

	Note	Unaudited Six months ended 31 March 2012 £000	Unaudited Six months ended 31 March 2011 £000	Audited Year ended 30 Sept 2011 £000
Operating activities				
(Loss)/profit for the financial period		(3,310)	2,470	(710)
Adjustments for:				
Loss on change in fair value of investment properties	6	5,845	1,914	3,843
Net financing costs	3	3,229	1,056	7,617
Profit on disposal of investment properties		(325)	(102)	(51)
Depreciation		20	19	38
Employee share options		–	–	3
Share of results of jointly controlled entities		5	–	55
		5,464	5,357	10,795
Decrease in trade and other receivables		296	432	552
(Decrease)/Increase in trade and other payables		(453)	487	759
		5,307	6,276	12,106
Interest paid		(3,596)	(3,740)	(7,491)
Interest received		1	2	4
Net cash flows from operating activities		1,712	2,538	4,619
Investing activities				
Proceeds from sale of investment properties		1,641	4,703	5,020
Acquisition of and improvements to investment properties		(985)	(3,264)	(5,116)
Acquisition of property, plant and equipment		(2)	(3)	(11)
Investment in jointly controlled entities		(1,067)	(198)	(1,878)
Cash flows from investing activities		(413)	1,238	(1,985)
Net cash flows from operating activities and investing activities		1,299	3,776	2,634
Financing activities				
Repayment of borrowings		(300)	–	(2,200)
New borrowings		2,900	–	1,000
Dividends paid		(1,709)	(1,546)	(3,093)
Cash flows from financing activities		891	(1,546)	(4,293)
Net increase/(decrease) in cash		2,190	2,230	(1,659)
Cash at beginning of period		4,461	6,120	6,120
Cash at end of period		6,651	8,350	4,461

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 March 2012

	Share capital £000	Reserves £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 30 September 2010	18,334	3,773	1,764	33,769	57,640
Total comprehensive income for the period					
Profit for the period	–	–	–	2,470	2,470
Transactions with owners, recorded directly in equity					
Dividends	–	–	–	(1,546)	(1,546)
Share-based payments	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	(1,546)	(1,546)
At 31 March 2011	18,334	3,773	1,764	34,693	58,564
Total comprehensive income for the period					
Loss for the period	–	–	–	(3,180)	(3,180)
Transactions with owners, recorded directly in equity					
Dividends	–	–	–	(1,547)	(1,547)
Share-based payments	–	–	–	3	3
Total contributions by and distributions to owners	–	–	–	(1,544)	(1,544)
At 30 September 2011	18,334	3,773	1,764	29,969	53,840
Total comprehensive income for the period					
Loss for the period	–	–	–	(3,310)	(3,310)
Transactions with owners, recorded directly in equity					
Dividends	–	–	–	(1,709)	(1,709)
Share-based payments	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	(1,709)	(1,709)
At 31 March 2012	**18,334**	**3,773**	**1,764**	**24,950**	**48,821**

Notes to the Half Year Report

for the six months ended 31 March 2012

1 Basis of preparation

The condensed set of financial statements has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU.

The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company’s published consolidated financial statements for the year ended 30 September 2011 (with which they should be read in conjunction).

The comparative figures for the financial year ended 30 September 2011 are not the Company’s statutory accounts for that financial year. Those accounts have been reported on by the Company’s auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2 Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reported to the chief operating decision maker to allocate resources to the segments and to assess their performance.

During the previous year two new joint venture agreements were entered into by the Group. Since the establishment of these entities the Group has identified two operating and reporting segments which are reported to the Board of Directors on a quarterly basis, The Board of Directors are considered to the chief operating decision makers.

The financial information presented quarterly to the Board is the recurring profit achieved by each segment. The segments identified are: the properties directly owned by the Group and the asset management income earned, together with the share of results due to the group from the joint ventures.

The following table reconciles profit stated in the Income Statement to the recurring profit presented to the Board
.

	Six months ended 31 March 2012			Six months ended 31 March 2011			Year ended 30 September 2011		
	Properties owned directly £000	Asset management £000	Total £000	Properties owned directly £000	Asset management £000	Total £000	Properties owned directly £000	Asset management £000	Total £000
Recurring profit	1,535	195	1,730	3,190	50	3,240	1,609	36	1,645
Movement in the fair value of the portfolio	(5,845)	–	(5,845)	(3,843)	37	(3,806)	(1,914)	–	(1,914)
Movement in the fair value of the interest rate swaps	558	(16)	542	(131)	(13)	(144)	2,689	–	2,689
Profit on sale of investment properties	325	–	325	51	–	51	102	–	102
Non-recurring costs	(71)	9	(62)	–	(51)	(51)	–	(52)	(52)
IFRS reported result	(3,498)	188	(3,310)	(733)	23	(710)	2,486	(16)	2,470

Notes to the Half Year Report

for the six months ended 31 March 2012

3 Net financing costs

	Six months ended 31 March 2012 £000	Six months ended 31 March 2011 £000	Year ended 30 September 2011 £000
Interest receivable	1	2	4
Financing income excluding fair value movements	1	2	4
Fair value gains on derivative financial instruments (see note 11)	558	2,689	–
	559	2,691	4
Bank loan interest	(3,651)	(3,644)	(7,290)
Amortisation of loan arrangement fees	(109)	(75)	(145)
Head rents treated as finance leases	(28)	(28)	(55)
Financing expenses excluding fair value movements	(3,788)	(3,747)	(7,490)
Fair value losses on derivative financial instruments	–	–	(131)
Financing expenses	(3,788)	(3,747)	(7,621)
Net financing costs	(3,229)	(1,056)	(7,617)

4 Taxation

From 11 May 2007, the Group elected to join the UK REIT regime. As a result, the Group is exempt from corporation tax on the profits and gains from its investment business from this date, provided it continues to meet certain conditions. Non-qualifying profits and gains of the Group (the residual business) continue to be subject to corporation tax. The directors consider that all the rental income post 11 May 2007 originates from the Group's tax exempt business.

On entering the UK REIT regime, a conversion charge equal to 2% of the gross market value of properties involved in the property rental business, at that date, became due which was paid in full.

Due to the availability of losses no provision for corporation tax has been made in these accounts. The deferred tax asset not recognised relating to these losses can be carried forward indefinitely. It is not anticipated that these losses will be utilised in the foreseeable future.

5 Dividends

	Dividend per share	Total payment £000	Classification of dividend
31 December 2011	2.1 pence	1,709	Non-PID
30 June 2011	1.9 pence	1,546	PID
30 December 2010	1.9 pence	1,546	PID
30 June 2010	1.7 pence	1,384	PID
31 December 2009	1.8 pence	1,465	PID

6 Investment properties

	Total £000
At 1 October 2011	190,111
Additions	985
Disposals	(1,300)
Fair value adjustments	(5,845)
At 31 March 2012	**183,951**

The investment properties have all been revalued to their fair value at 31 March 2012.

All properties acquired since 1 October 2011, together with a sample selected by the valuers of 25% of the portfolio have been valued by Allsop LLP, a firm of independent Chartered Surveyors. The valuations were undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards 2011 on the basis of market value. Market value is defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing, wherein the parties had each acted knowledgably, prudently and without compulsion.

The remainder of the portfolio has been valued on the basis of market value by the directors who have an appropriate recognised professional qualification and recent experience in the location and category of property being valued.

No investment properties have been identified that meet the criteria of assets held for resale at 31 March 2012.

A reconciliation of the portfolio valuation at 31 March 2012 to the total value for investment properties given in the Consolidated Balance Sheet is as follows:

	31 March 2012 £000	31 March 2011 £000	30 September 2011 £000
Portfolio valuation	**183,029**	189,623	189,189
Head leases treated as investment properties held under finance leases in accordance with IAS 17	**922**	1,205	922
Total per Consolidated Balance Sheet	**183,951**	190,828	190,111

Notes to the Half Year Report

for the six months ended 31 March 2012

7 Investment in jointly controlled entities

The Group has the following investments in jointly controlled entities:

	Ownership		
	31 March 2012	31 March 2011	30 September 2011
Local Parade Investments LLP	**20%**	20%	20%
Gracechurch Commercial Investments Limited	**50%**	–	50%

During the previous year, the Group entered into two joint venture agreements. On 26 November 2010 an agreement was entered into with Local Parade Investments LLP, a newly incorporated entity. The initial investment made was £20. The principal activity of the entity was the acquisition and management of retail parades.

On 28 September 2011 an agreement was entered into with Gracechurch Commercial Investments Limited, a newly incorporated entity. The initial investment made was £500,000. The principal activity of the entity is to acquire properties for investment purposes.

	31 March 2012 £000	31 March 2011 £000	30 September 2011 £000
Cost			
At beginning of period	**1,823**	–	198
Equity investments	**–**	–	500
Loans advances	**1,072**	198	1,180
Share of results, net of tax	**(5)**	–	(55)
Distributions received	**–**	–	–
At end of period	**2,890**	198	1,823

No investments in joint ventures were held by the Group at 30 September 2010.

The summarised financial information in respect of the Group's share of the jointly controlled entities is shown below, for information only.

	31 March 2012 £000	31 March 2011 £000	30 September 2011 £000
Non-current assets	**5,918**	338	4,351
Current assets	**646**	40	333
Non-current liabilities	**(3,318)**	(152)	(2,594)
Current liabilities	**(356)**	(38)	(267)
	2,890	188	1,823

7 Investment in jointly controlled entities (continued)

	31 March 2012 £000	31 March 2011 £000	30 September 2011 £000
Represented by:			
Capital	500	–	500
Loans	2,450	198	1,378
Share of results, net of tax	(5)	–	(55)
Share of results brought forward	(55)	–	–
Group's share of net assets	2,890	198	1,823

	31 March 2012 £000	31 March 2011 £000	30 September 2011 £000
Net rental income	210	4	53
Property expenses	(52)	(1)	(13)
Administrative expenses	(20)	(10)	(87)
Change in fair value of properties	–	–	37
Net interest payable	(110)	(3)	(32)
Movement in fair value of financial derivatives	(16)	–	(13)
Tax	(17)	–	–
Group's share of results	(5)	(10)	(55)

8 Interest-bearing loans and borrowings

	31 March 2012 £000	31 March 2011 £000	30 September 2011 £000
Non-current liabilities			
Secured bank loans	133,929	132,529	131,329
Loan arrangement fees	(613)	(774)	(709)
	133,316	131,755	130,620
Current liabilities			
Current portion of secured bank loans	–	–	–

All bank borrowings are secured by fixed charges over certain of the Group's property assets and floating charges over the companies which own the assets charged.

Each loan is repayable in one instalment in 2016.

Notes to the Half Year Report

for the six months ended 31 March 2012

9 (Loss)/earnings per share

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

(Loss)/profit attributable to ordinary shares

	Six months ended 31 March 2012 £000	Six months ended 31 March 2011 £000	Year ended 30 September 2011 £000
(Loss)/profit for the financial period	**(3,310)**	2,470	(710)

Weighted average number of shares

	Six months ended 31 March 2012 Number 000	Six months ended 31 March 2011 Number 000	Year ended 30 September 2011 Number 000
Issued ordinary shares at beginning of period	**91,670**	91,670	91,670
Shares held by Employee Benefit Trust	**(1,110)**	(1,114)	(1,114)
Treasury shares	**(9,164)**	(9,164)	(9,164)
Dilutive effect of share options	–	–	(28)
Weighted average number of ordinary shares	**81,396**	81,392	81,364

Diluted earnings per share

There is no difference between basic and diluted (loss)/earnings per share.

10 Net asset value per share (NAV)

The number of shares used to calculate net asset value per share is as follows:

	31 March 2012 Number 000	31 March 2011 Number 000	30 September 2011 Number 000
Number of shares in issue	**91,670**	91,670	91,670
Less: shares held in Treasury	**(9,164)**	(9,164)	(9,164)
	82,506	82,506	82,506

	31 March 2012 £000	31 March 2011 £000	30 September 2011 £000
Net assets per Consolidated Balance Sheet	**48,821**	58,564	53,840
Net asset value per share	**£0.59**	£0.71	£0.65

Adjusted net asset value per share

	31 March 2012 £000	31 March 2011 £000	30 September 2011 £000
Net assets per Consolidated Balance Sheet	**48,821**	58,564	53,840
Fair value of derivative financial instruments	**8,700**	6,438	9,258
Adjusted net assets	**57,521**	65,002	63,098
Adjusted net asset value per share	**£0.70**	£0.79	£0.76

11 Derivative financial instruments

Derivative financial instruments held by the Group are interest rate swaps used to manage the Group's interest rate exposure. These are shown in the Consolidated Balance Sheet as follows:

	Fair value at 1 October 2011 £000	Movements in Income Statement £000	Fair value at 31 March 2012 £000
Non-current liabilities	(7,264)	954	**(6,310)**
Current liabilities	(1,994)	(396)	**(2,390)**
Net liabilities	(9,258)		**(8,700)**
Amount credited to Consolidated Income Statement		558	

The Group's interest rate swaps in place at 31 March 2012, 30 September 2011 and 31 March 2011 did not qualify as effective swaps for hedge accounting under the criteria set out in IAS 39.

Notes to the Half Year Report

for the six months ended 31 March 2012

A summary of the swaps and their maturity dates are as follows:

Notional value of swap £000	Effective date	Maturity date	Rate payable on fixed leg %	Value at 30 September 2011 £000	Movements in Income Statement £000	**Value at 31 March 2012 £000**
22,978	16 July 2007	31 January 2017	4.85	(3,644)	201	**(3,443)**
3,000	22 November 2006	30 April 2013	5.15	(198)	62	**(136)**
12,000	06 September 2006	30 April 2013	5.06	(773)	241	**(532)**
6,000	08 December 2006	30 April 2013	5.13	(394)	122	**(272)**
1,500	09 August 2006	30 April 2013	5.20	(100)	31	**(69)**
22,500	30 April 2013	20 July 2016	5.05	(2,346)	(219)	**(2,565)**
6,000	25 October 2006	30 April 2013	5.29	(408)	128	**(280)**
1,500	30 April 2010	30 April 2013	5.20	(100)	31	**(69)**
3,000	11 October 2006	30 April 2013	5.21	(200)	63	**(137)**
10,500	30 April 2013	29 July 2016	5.05	(1,095)	(102)	**(1,197)**
				(9,258)	558	**(8,700)**

The derivative financial instruments included in the above tables are stated at their fair value based on quotations from the Group's bank.

The Group does not speculate in financial instruments, it only uses them to limit its exposure to interest rate fluctuations. The Group's policy is to hedge between 60% and 100% of its interest rate exposure. At 31 March 2012: 94%, (30 September 2011: 96% and 31 March 2011: 95%) of the Group's debt was fixed.

Fair value

	31 March 2012 £000	31 March 2011 £000	30 September 2011 £000
Fixed rate loan			
Carrying value of loan	**69,053**	69,018	69,091
Mark to market adjustment	**11,236**	7,067	11,088
Fair value	**80,289**	76,085	80,179

Notes to the Half Year Report

for the six months ended 31 March 2012

12 Related parties

During the period ended 31 March 2011 a property was sold, at its market value of £1,620,000, to the newly incorporated joint venture entity, Local Parade Investments LLP. There have been no transactions with related parties which have materially affected the financial position or performance of the Group during the current period nor have there been any changes in related party transactions which could have a material effect on the financial position or performance of the Company during the first six months of the current financial year.

13 Capital commitments

At 31 March 2012 the Group had contracted capital expenditure for which no provision has been made within these financial statements of £340,000 (30 September 2011: £293,000 and 31 March 2011: £430,000).

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