the **Local Shopping** reit plc

THE LOCAL SHOPPING REIT PLC
HALF-YEAR REPORT
FOR THE SIX MONTHS TO 31 MARCH 2019

Stock Code: LSR

Chairman's Statement

During the period under review the asset management team continued to progress the Company's property disposal programme, comprising both the sale of investment properties and the preparation of properties for marketing, as noted in the report below. At a corporate level, the Company's activity during the period focussed on, in the first instance, the Board's initiation of plans to fulfil the Company's investment policy by returning capital to shareholders via a members' voluntary liquidation and, thereafter, the takeover bid by the Company's largest shareholder, Thalassa Holdings Ltd ("Thalassa"), which had opposed the Board's proposals.

The Board considered that the takeover proposal was not in the best interests of shareholders as a whole, and the bid received insufficient support from the Company's members to take effect. However, dealing with the bid was an expensive exercise, the cost of which is reflected in the interim financial statements.

As was announced by the Board following the lapse of Thalassa's offer, the directors opened a dialogue with Thalassa to explore whether a capital return to shareholders could be achieved on terms acceptable to shareholders without resorting to an application to the Court for a winding-up on Just and Equitable grounds (which shareholders had approved at the general meeting held on 5 April 2019).

The outcome of these discussions, involving proposals to return capital to shareholders by way of a capital reduction and share buy-back tender offer, was set out in the announcement issued by the Board on 18 June 2019. As indicated in that announcement, the strike price per share for the share buy-back tender offer will be equal to the net asset value per share set out in the Company's interim accounts for 31 March 2019 contained in this report, which is 31.33 pence per share.

The directors will shortly send a circular to shareholders containing full details of the buy-back tender offer together with a notice of general meeting to approve the necessary resolutions.

Directors' Review

Basis of Preparation

The 30 September 2018 financial statements were prepared on a break up basis, the directors having noted the likelihood that the property sales programme would be completed during the coming financial year, the Company's investment policy of returning cash to shareholders and the advice of the Company's auditors. Accordingly, the directors concluded that the financial statements for 30 September 2018 should not be prepared on the Going Concern basis. In view of the continuing progress with the property sales programme and the continued prosecution of the Company's investment policy of returning cash to shareholders, the directors consider it appropriate to prepare these financial statements on a break-up basis.

Financial Results and Portfolio Performance

The Company made a loss before tax on an IFRS basis for the period of £1.90 million (or 2.30 pps). This compares with an IFRS loss of £2.87 million (or 3.48 pps) for the equivalent period of 2017-18 and a loss of £7.15 million (or 8.7 pps) for the full year to 30 September 2018.

Portfolio Revaluation

As the Company's accounts are prepared on a break-up basis, the individual properties are held on the balance sheet at their net realisable value, being their valuation (or contracted sales price where applicable), less estimated sales costs. At 31 March 2019, the Company held 10 properties. Of these, 9 investment properties were revalued by Allsop LLP, a firm of independent chartered surveyors, at £3.625 million, reflecting an equivalent yield (excluding the residential element) of 13.98% before estimated transaction costs. The remaining property not valued by Allsop LLP became subject to a sale contract shortly after the period end, so its carrying value equates to its contracted sale price less estimated sale costs. The resultant carrying value of the 10 properties held at 31 March 2019 was £3.656 million (September 2018: £22.317 million).

Cash and Net Asset Value

At 31 March 2019 the Company held £22.76 million in cash.

The Net Asset Value was £25.85 million or 31.33 pps (September 2018: £27.73 million or 33.6 pps).

Property Disposals

During the period we continued to focus on property disposals, contracting to sell or completing sales on a further 65 properties at an aggregate price of £18.7 million, 1.77% above carrying value at the time of sale.

Of the 10 properties remaining in the portfolio at 31 March 2019, one is under contract for sale, completion on which is expected shortly, and terms have been agreed for the sale of three other properties. The remaining six properties are either being actively marketed or prepared for marketing.

Asset Management

Asset management activities during the period focussed on preparing properties for sale, primarily by maximising occupancy and opportunities for rental growth, as well as a small number of repair and maintenance projects.

Financing

The Company did not utilise any external funding facilities during the period.

Taxation

The Group continued to operate as a UK REIT during the period, under which any profits and gains from the property investment business are exempt from Corporation Tax provided certain conditions continue to be met. The Group fulfilled the UK REIT conditions during the period. The investment objective of the Company remains for its remaining property assets to be sold and the Company's cash reserves to be distributed to its members. On the disposal of the property assets, the Company will exit the UK REIT regime. Discussions have taken place with HMRC to ensure that this will take place in an orderly manner. Should the Group depart the UK REIT regime, it would at that point become liable to Corporation Tax. However, the Board believes that the Group's activities would be unlikely to generate any material Corporation Tax liability.

Dividend

In line with the Group's current dividend distribution policy no interim dividend will be paid. The Board will continue to review the dividend policy in line with progress with the investment strategy.

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

The risks facing the Group for the remaining six months of the financial year remain consistent with those described in detail in the Annual Report for the year ended 30 September 2018 (available on the Group's website: www.localshoppingreit.co.uk).

These centre on:

- Changes in the macroeconomic environment
- Higher than anticipated property maintenance costs
- Changes to legal environment, planning law or local planning policy
- Regulatory requirements in connection with the property portfolio
- Information technology systems and data security
- Financial and property market conditions

However, the potential impact of these risk areas on the Company has been mitigated by the considerable reduction in the size of the Company's property portfolio, meaning that the dominant portion of the Company's assets is now held as cash.

The Group does not speculate in derivative financial instruments. Whilst the Group is exposed to the risk of non-payment of trade receivables by its tenants, the Directors consider that this does not comprise an undue concentration of credit risk, given the reduced amounts involved. The level of arrears is monitored continually by the Group's asset managers and are subject to monthly review at executive level.

Responsibility Statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU: and (b) the Interim Management 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 interim management report on 20 June 2019.

S J East
Director

Independent Review Report to The Local Shopping REIT plc

Conclusion

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 2019 which comprises the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Cash Flows, Condensed Consolidated Statement of Changes in Equity and the related explanatory notes.

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 2019 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the value of investment properties held for sale and related disclosures. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for reasons set out in that note.

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 FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

The purpose of our review work and to whom we owe our responsibilities.

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 DTR of the UK FCA. 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.

Mark Flanagan
for and on behalf of KPMG LLP
Chartered Accountants
31 Park Row
Nottingham
NG1 6FQ

20 June 2019

Condensed Consolidated Income Statement for the six months ended 31 March 2019

	Note	Unaudited Six months ended 31 March 2019 £000	Unaudited Six months ended 31 March 2018 £000	Audited Year ended 30 September 2018 £000
Gross rental income		459	2,250	3,381
Property operating expenses	3	(672)	(1,200)	(2,451)
Net rental income		(213)	1,050	930
Loss on disposal of investment properties held for sale	4	(147)	(902)	(1,417)
Change in fair value of investment properties held for sale	9	(295)	(2,103)	(4,536)
Administrative expenses	5	(1,261)	(552)	(1,522)
Operating loss before net financing costs		(1,916)	(2,507)	(6,545)
Financing income	6	20	1	2
Financing expenses	6	(4)	(364)	(611)
Loss before taxation		(1,900)	(2,870)	(7,154)
Tax	7	-	-	-
Loss for the financial period from discontinued operations		(1,900)	(2,870)	(7,154)
Loss for the financial period attributable to equity holders of the parent Company		(1,900)	(2,870)	(7,154)
Basic and diluted loss per share on loss for the financial period		(2.30)p	(3.48)p	(8.67)p
Basic and diluted loss per share on discontinued operations for the period	11	(2.30)p	(3.48)p	(8.67)p

Condensed Consolidated Statement of Comprehensive Income for the six months ended 31 March 2019

	Unaudited Six months ended 31 March 2019 £000	Unaudited Six months ended 31 March 2018 £000	Audited Year ended 30 September 2018 £000
Loss for the period		(2,870)	-
Loss for the financial year on discontinued operations (below)	(1,900)	-	(7,154)
Total comprehensive loss for the period	(1,900)	(2,870)	(7,154)
Attributable to:			
Equity holders of the parent Company	(1,900)	(2,870)	(7,154)

	Unaudited Six months ended 31 March 2019 £000	Unaudited Six months ended 31 March 2018 £000	Audited Year ended 30 September 2018 £000
Revenue less expenses for the period on discontinued operations	(1,605)		(2,618)
Fair value adjustment of assets held for sale from discontinued operations	(295)	-	(4,536)
Total comprehensive loss for the period	(1,900)	-	(7,154)
Taxation on discontinued operations	-		-
Total loss for the financial year on discontinued operations (above)	(1,900)		(7,154)

Condensed Consolidated Balance Sheet as at 31 March 2019

	Note	Unaudited 31 March 2019 £000	Unaudited 31 March 2018 £000	Audited 30 September 2018 £000
Non-current assets				
Investment properties	9	-	25,236	-
Total non-current assets		**-**	**25,236**	**-**
Current assets				
Trade and other receivables		844	6,099	4,341
Investment properties held for sale	9	3,656	10,825	22,317
Cash		22,755	1,968	3,292
Total current assets		**27,255**	**18,892**	**29,950**
Total assets		**27,255**	**44,128**	**29,950**
Non current liabilities				
Interest bearing loans and borrowings	10	-	(9,353)	-
Finance lease liabilities		-	(429)	-
Total non-current liabilities		**-**	**(9,782)**	**-**
Current liabilities				
Interest bearing loans and borrowings	10	-	(392)	-
Trade and other payables		(1,402)	(1,986)	(2,217)
Total current liabilities		**(1,402)**	**(2,378)**	**(2,217)**
Total liabilities		**(1,402)**	**(12,160)**	**(2,217)**
Net assets		**25,853**	**31,968**	**27,733**
Equity				
Issued capital		18,334	18,334	18,334
Reserves		-	3,773	3,773
Capital redemption reserve		1,764	1,764	1,764
Retained earnings		5,755	8,097	3,862
Total attributable to equity holders of the Company		**25,853**	**31,968**	**27,733**

Condensed Consolidated Statement of Cash Flows for the six months ended 31 March 2019

	Note	Unaudited Six months ended 31 March 2019 £000	Unaudited Six months ended 31 March 2018 £000	Audited Year ended 30 September 2018 £000
Operating activities				
Loss for the financial period		(1,900)	(2,870)	(7,154)
Adjustments for:				
Loss on change in fair value of investment properties held for sale	9	295	2,103	4,536
Net financing (income)/costs	6	(16)	363	609
Loss on disposal of investment properties held for sale		147	902	1,417
Employee benefit trust shares vesting		20	49	98
		(1,454)	**547**	**(494)**
Decrease /(Increase) in trade and other receivables		3,497	(3,965)	(2,198)
Decrease in trade and other payables		(815)	(689)	(265)
		1,228	(4,107)	(2,957)
Interest paid		-	(278)	(445)
Bank facility fees paid		(4)	-	
Loan arrangement fees paid		-	-	(23)
Interest received		20	1	2
Net cash flows from operating activities		1,244	(4,384)	(3,423)
Investing activities				
Proceeds from sale of investment properties held for sale		18,222	16,903	27,380
Acquisition of and improvements to investment properties held for sale		(3)	(78)	(188)
Cash flows from investing activities		18,219	16,825	27,192
Net cash flows from operating activities and investing activities		19,463	12,441	23,769
Financing activities				
Repayment of borrowings		-	(20,928)	(30,932)
Cash flows from financing activities		-	(20,928)	(30,932)
Net increase \(decrease) in cash		19,463	(8,487)	(7,163)
Cash at beginning of period		3,292	4,159	10,455
Cash at end of period		22,755	(4,328)	3,292

An acquisition reserve arose when the Company acquired Gilfin Property Holdings Limited ("Gilfin") in 2007, and the acquisition consideration was part cash and part shares in The Local Shopping REIT plc.

During the current period all the remaining Gilfin properties were disposed of, and Gilfin entered into a members' voluntary liquidation. A distribution has been received from the liquidator for an amount in excess of the carrying value of Gilfin. Accordingly, the gain on acquisition has now been realised, and the reserve has been transferred to distributable profits.

Condensed Consolidated Statement of Changes in Equity for the six months ended 31 March 2019

	Share capital £000	Reserves £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 30 September 2017	18,334	3,773	1,764	10,918	34,789
Total comprehensive loss for the period					
Loss for the period	-	-	-	(2,870)	(2,870)
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	-	-
Share based payments	-	-	-	49	49
Total contributions by and distributions to owners	-	-	-	-	-
At 31 March 2018	18,334	3,773	1,764	8,097	31,968
Total comprehensive loss for the period					
Loss for the period	-	-	-	(4,284)	(4,284)
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	-	-
Share based payments	-	-	-	49	49
Total contributions by and distributions to owners	-	-	-	-	-
At 30 September 2018	18,334	3,773	1,764	3,862	27,733
Total comprehensive loss for the period					
Loss for the period	-	-	-	(1,900)	(1,900)
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	-	-
Share based payments	-	-	-	20	20
Release of Gilfin acquisition reserve to distributable reserve	-	(3,773)	-	3,773	-
Total contributions by and distributions to owners	-	-	-	-	-
At 31 March 2019	18,334	-	1,764	5,755	25,853

Following the liquidation of Gilfin Property Holdings Limited during the period, the acquisition reserve which arose when Gilfin Property Holdings Limited was acquired in 2007 has become available for distribution.

Notes to the Half Year Report for the six months ended 31 March 2019

1 Accounting policies

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 2018 (with which they should be read in conjunction).

The Group has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. Neither of these standards has a material effect on the Group's financial statements.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC® 4 Determining whether an Arrangement contains a Lease, SIC-15® Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The adoption of IFRS 16 is not expected have a material effect on the Group's financial statements.

As explained in the 30 September 2018 financial statements, the financial statements are not prepared on a going concern basis.

The comparative figures for the financial year ended 30 September 2018 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 include a reference to the financial statements not being prepared on a going concern basis 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.

Since the strategy review in July 2013 the Group has identified one operation and one reporting segment which is reported to the Board on a quarterly basis. The Board of directors is considered to be the chief operating decision maker.

3 Property Operating Expenses

	Six months ended 31 March 2019 £000	Six months ended 31 March 2018 £000	Year ended 30 September 2018 £000
Bad debt charge	(26)	(106)	(221)
Head rent payments	(3)	(12)	(37)
Repairs	(209)	(437)	(993)
Business rates and council tax	(2)	(130)	(185)
Irrecoverable service charge	(41)	(23)	(122)
Utilities	(94)	(60)	(108)
Insurance	(11)	(21)	(53)
Managing agent fees	(99)	(113)	(158)
Leasing costs	(32)	(159)	(266)
Legal & professional	(74)	(72)	(173)
EPC amortisation, abortives, and miscellaneous	(81)	(67)	(135)
Total property operating expenses	(672)	(1,200)	(2,451)

In common with many property organisations, the company's portfolio is a mix of residential, opted and non-opted properties for VAT. In the above table the applicable VAT which is not recovered has been included directly in the cost.

4. Property disposals

	Six months ended 31 March 2019	Six months ended 31 March 2018	Year ended 30 September 2018
	Number	Number	Number
Number of sales	65	46	107
	£000	£000	£000
Average value	288	376	264
Sales			
Total sales	18,695	17,277	28,198
Carrying value	(18,369)	(17,805)	(28,797)
Profit/(Loss) on disposals before transaction costs	326	(528)	(599)
Transaction costs			
Legal fees	(201)	(114)	(339)
Agent fees, marketing and brochure costs	(238)	(236)	(426)
Disbursements	(6)	(2)	(2)
Non recoverable VAT (on non-opted and residential elements)	(28)	(22)	(51)
Total transaction costs	(473)	(374)	(818)
Loss on disposals after transaction costs	(147)	(902)	(1,417)
Transaction costs as percentage of sales value	2.5%	2.2%	-2.9%

5. Administrative expenses

	Six months ended 31 March 2019 £000	Six months ended 31 March 2018 £000	Year ended 30 September 2018 £000
Investment manager fees	(232)	(304)	(496)
Legal and professional	(885)	(51)	(186)
Tax and audit	(49)	(57)	(113)
Remuneration costs*	(69)	(99)	(194)
Other	29	(19)	(41)
Irrecoverable VAT on administration expenses**	(55)	(22)	(92)
Provision for liquidators' fees	-	-	(250)
Provision for legal costs of winding up			(150)
Total administrative expenses	**(1,261)**	**(552)**	**(1,522)**

* Remuneration costs include £20,000 (30 September 2018: £ 98,000, 31 March 2018; £49,000) in respect of the expensing of employee share options which vest in 2019 onwards or if liquidation targets are met. This amount has a corresponding entry in equity and has no impact on the Company's net assets now or in the future.

** The company's portfolio contains residential elements and commercial properties not opted for VAT. Accordingly, VAT on overheads is not fully recoverable.

6. Net financing income

	Six months ended 31 March 2019 £000	Six months ended 31 March 2018 £000	Year ended 30 September 2018 £000
Interest receivable	20	1	2
Financing income	20	1	2
Bank loan interest	-	(278)	(327)
Amortisation of loan arrangement fees	-	(58)	(261)
Head rents treated as finance leases	-	(14)	-
Bank facility fees	(4)	(14)	(23)
Financing expenses	(4)	(364)	(611)
Net financing income/(costs)	16	(363)	(609)

7. 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.

8. Dividends

No dividends have been paid since December 2012.

9. Investment properties

	Total £000
At 1 October 2018	22,317
Additions	3
Disposals	(18,369)
Fair value adjustments	(295)
At 31 March 2019	3,656

The investment properties have all been revalued to their fair value at 31 March 2019.

For the Group as a whole Allsop LLP, a firm of independent chartered surveyors valued the Group's property portfolio at 31 March 2019, 30 September 2018, 31 March 2018 and 30 September 2017. On 30 September 2017, 31 March 2018 and 30 September 2018 Allsop LLP performed a full valuation of approximately 25% of the Group's properties (including site inspections) and a desktop valuation of the remainder of the portfolio. On 31 March 2019 Allsop LLP performed a desktop valuation of all the Group's remaining properties, other than one property for which a sale contract was entered into shortly after the period end, the carrying value of which equates to its contracted sale price less estimated sale costs.

All properties owned by the Group at 31 March 2019 have been subject to a full valuation, including inspection over the two-year period. These valuations were undertaken in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards 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 knowledgeably, prudently and without compulsion.

A reconciliation of the portfolio valuation at 31 March 2019 to the total value for investment properties given in the Consolidated Balance Sheet is as follows:

	31 March 2019 £000	31 March 2018 £000	30 September 2018 £000
Portfolio valuation *	3,656	35,632	22,317
Investment properties held for sale	(3,656)	(10,825)	(22,317)
Head leases treated as investment properties held under finance leases in accordance with IAS 17		429	-
Total per Consolidated Balance Sheet	-	25,236	-

* Revalued assets and held for sale at net realisable value

10. Interest-bearing loans and borrowings

	31 March 2019 £000	31 March 2018 £000	30 September 2018 £000
Non-current liabilities			
Secured bank loans	-	9,556	-
Loan arrangement fees	-	(203)	-
	-	9,353	-
Current liabilities			
Current portion of secured bank loans	-	392	-

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

The Group's loans were fully repaid in July 2018.

11. Earnings per share and Basic earnings per share

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

Loss attributable to ordinary shares

	Six months ended 31 March 2019 £000	Six months ended 31 March 2018 £000	Year ended 30 September 2018 £000
Loss for the financial period	(1,900)	(2,870)	(7,154)
Loss per share	(2.30)p	(3.48)p	(8.67)p

Weighted average number of shares

	31 March 2019 Number 000	31 March 2018 Number 000	30 September 2018 Number 000
Issued ordinary shares	91,670	91,670	91,670
Treasury shares	(9,164)	(9,164)	(9,164)
Weighted average number of ordinary shares	82,506	82,506	82,506

Diluted earnings per share

There is no difference between the basic and diluted earnings per share.

12. Net asset value (NAV)

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

	31 March 2019 Number 000	31 March 2018 Number 000	30 September 2018 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 2019 £000	31 March 2018 £000	30 September 2018 £000
Net assets per Consolidated Balance Sheet	25,853	31,968	27,733
Net asset value per share	£0.31	£0.39	£0.34

13. Derivative financial instruments

Derivative financial instruments were in the past held by the Group in the form of interest rate swaps used to manage the Group's interest rate exposure. These were fully paid down in the year to 30 September 2016. The Company continues to monitor the interest rate environment and may enter into some hedging arrangements in the future. However, given the currently low and stable rates and the Company's sales programme, this would not be advantageous at present.

14. Related parties

There have been no transactions with related parties which have materially affected the financial position or performance of the Group during the current or previous 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.

15. Significant contracts

With effect from 22 July 2013 the Company entered into a management agreement with Internos Global Investors Limited ("Internos"). In April 2019 Internos changed its name to Principal Real Estate Europe Limited ("Principal"). Under this agreement the Company pays to Principal:

1. an annual management fee of 0.70% of the gross asset value of the Company, subject to a minimum fee of £1m in each of the first two years, £0.95m for the third year and £0.9m for the fourth year. This minimum fell away in July 2018;

2. an annual performance fee of 20% of the recurring operating profits above a pre-agreed target recurring profit;

3. fees for property sales, as follows:

   up to £50m: nil
   £50m - £150m: 0.5% of sales
   over £150m: 1% of sales;

4. a terminal fee of 5.7% of cash returned to the Company's shareholders in excess of 36.1 pence per share per annum from the Effective Date outside of dividend payments (the "Terminal Fee Hurdle"). The Terminal Fee Hurdle rises by 8% per annum after the first year but reduces on a pro-rata daily basis each time equity is returned to shareholders outside of dividend payments from recurring operating profits.

Under the terms of the agreement, Principal received a fee of £232,000 (September 2018: £416,000; March 2018: £304,000).)

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