the Local Shopping reit plc

THE LOCAL SHOPPING REIT PLC
ANNUAL REPORT 2019
FOR THE YEAR ENDING 30 SEPTEMBER 2019

Stock Code: LSR

The Local Shopping REIT plc ("LSR" or the "Company") is a Real Estate Investment Trust ("REIT") invested in a portfolio principally comprising local shopping assets in urban and suburban centres throughout the UK.

The Company's current investment policy is to undertake a progressive disposal of its assets, to enable the repayment of bank facilities and the return of surplus value to its shareholders, whilst maximising the returns from the residual property portfolio through sound asset management. In pursuit of this policy, the Company eliminated its bank debt in July 2017.

The directors of the Company are currently reviewing the investment policy and anticipate proposing amendments to it, for the approval of shareholders, in the near future.

Chairman's Statement

Financial Performance
The Company made a loss for the year of £1.874 million (2018 loss £7.154 million) on an IFRS basis.

The holding value of the Company's property investment portfolio as at 30 September 2019 was £3.816 million (2018: £22.317m).

At 30 September 2019, following the share buy-back exercise described below, the Company held £3.566 million of cash (30 September 2018: £3.292 million). The Company's cash holdings as at the date of this report are £4.135 million.

Together with the impact of internet shopping, the political uncertainty during the year and in the period leading up to the general election and the effect of this on the general economy, and the retail sector in particular, influenced occupancy levels and rents in the retail property sector, as well as investment transaction values. Our portfolio was not immune from these factors, which affected the sale values of the properties we disposed of, as well as the valuation of the remaining portfolio.

Corporate Activity
The year saw a period of intense corporate activity, culminating, at the year end, with the conclusion of the Company's share buy-back tender offer. As part of this, the nominal value of the Company's ordinary shares was reduced to 1p per share and the historic capital redemption reserve was cancelled. This created sufficient distributable reserves to implement the tender offer, involving the purchase by the Company of its ordinary shares at 31.33p per share, equating to the net asset value of the Company's ordinary shares as disclosed in the interim financial statements at 31 March 2019. As a result, 59,808,456 ordinary shares were bought back by the Company, with £18.54 million being returned to shareholders. The re-purchased shares were cancelled.

The buy-back was completed on 1 October 2019, immediately following the year-end. The Company's largest shareholder, Thalassa Holdings Ltd ("Thalassa"), did not participate in the tender offer and, accordingly, its proportionate holding increased to a level that required the Company to seek a temporary suspension of trading in its shares on the London Stock Exchange. Thalassa has informed the Board that it is actively seeking to address this matter and your Board aims to have trading in the Company's shares restored as soon as possible thereafter.

Future Strategy
Your Board aims to regrow the Company's asset base and, in pursuit of this, will shortly propose a new investment policy, aimed at growing the business, for the approval of the Company's members.
Given the prospective change in the Company's investment policy, the Company's financial statements contained in this report have been prepared on a Going Concern basis (the 2018 accounts having been prepared on a break-up basis). Accordingly, the investment property assets are recorded in the Company's balance sheet at their open market valuation, other than those considered to be held for sale which are recorded at sale consideration less sales execution costs.

Duncan Soukup, Chairman
29 January 2020

Strategic Report

The Strategic Report includes the Chairman's Statement on page 1.

Operating Review

Business Model

During the year the business concentrated on obtaining maximum value from the disposal of property assets whilst maintaining returns from the property portfolio. As set out in the Chairman's Statement, the directors will bring forward proposals for changing the Company's investment policy.

Business Review 2018–19

Market Context

The well-publicised social and economic uncertainty continued to overhang the property market for the entirety of the year. This, together with the increasing influence of on-line retailing, negatively affected property values and occupancy levels. On a like-with-like basis, the value of the portfolio of eight assets held by the Company at the year-end fell by 7.10% during the year.

Operating Results & Portfolio Performance

The Group made an IFRS loss before tax for the year to 30 September 2019 of £1.874 million (or 2.34 pence per share), compared with a loss of £7.15 million (8.67 pence per share) for the year to 30 September 2018. The loss for the Group reflected the significant reduction of operational income as a result of the diminution of the property portfolio whilst continuing to bear the costs of maintaining the listed entity, together with the revaluation of the remaining portfolio and some losses on the disposal of properties.

The portfolio achieved gross rental income for the year of £0.764 million (2018: £3.381 million). This reduction principally reflected the sale of property assets during the year.

At 30 September 2019 the portfolio comprised 8 properties, with an annual gross rental income, after deducting head rent payments, of £0.48 million (30 September 2018: 75 properties; annual rental income £2.31 million). The portfolio included 65 letting units (30 September 2018: 290 letting units).

Further details of operating performance are given in the Finance Review.

Property Sales

During the year the Company continued its programme of property disposals. Sales were completed on 66 properties at a combined gross sale price of £18.955 million, an improvement upon the carrying value at the time the properties went under offer of £18.616 million.

Two further property sales completed following the year-end at an aggregate gross sale price of £0.355 million. Accordingly, as at the date of this report, the Company holds six property assets. Of these, one property is considered to be held for sale, at a gross sale price of £0.350 million.

Revaluation

The fair value of the property portfolio of 8 assets held at 30 September 2019 was £3.465 million (30 September 2018: 75 assets, £22.32m). The valuation was provided by Allsop LLP, a firm of independent chartered surveyors, as a desktop update of the full RICS valuation that they supplied on 25 July 2019. The holding value of the property assets in the Company's accounts was £3.447 million, which took account of agreed pricing, where contracts for sale had been exchanged, and sales costs for all transactions in progress.

On a like-for-like basis (excluding the value of properties disposed of during the year), the properties, as valued by Allsop LLP, reduced in value by 7.10%.

The investment property portfolio valuation as at 30 September 2019 reflected an equivalent yield of 14.4% (30 September 2018, like-for-like: 12.5%).

Investment Property Portfolio as at 30 September 2019

Value	£3.465m
Initial Yield ("IY")	13.3%
Reversionary Yield ("RY")	15.3%
Equivalent Yield ("EY")	14.4%
Rent per annum*	£0.482
Market Rent per annum*	£0.564

*Net of head rents payable.

All yields quoted exclude the residential element which is valued at a discount to vacant possession value.

Finance Review

The financial statements contained in this report have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements for 30 September 2018 and the interim statements at 31 March 2019 were prepared on a break-up basis.

Following the year end 30 September 2019, the Company's new Board decided that, in view of the Board's ambition to reinvigorate the investment portfolio and the prospective change in the Company's investment policy to reflect this, it would appropriate to revert to preparing the financial statements on a Going Concern basis.

In the current year, the Group has applied IFRS 9 and IFRS 15 which are now mandatorily effective. This adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IFRS 11 and IAS 40 have also been applied, but none of these amendments have had any material impact on the disclosure or the amounts reported in these financial statements.

At the date of approval of these financial statements, there are a number of new and amended standards in issue but not yet effective for the year to 30 September 2019.and thus have not been applied by the Group. None of these is expected to have an effect on the consolidated financial statements of the Group

Result

The Group recorded an IFRS loss for the financial year of £1.874 million, or 2.34 pps (2018: loss £7.15 million, or 8.7 pps).

Key Performance Indicators

In previous years the directors have hitherto used the financial key performance indicators set out below to monitor the Company's activities. However, the indicators relating to external funding have not been relevant during the year, as throughout the year the Group had no borrowings and held cash reserves at 30 September 2019 of £3.566 million (30 September 2018: £3.292 million).

	30 September 2019	30 September 2018
Group interest cover	N/A	N/A
Group Loan to value (LTV) ratio	N/A	N/A
NAV per share	31p	34p
Gearing (net of cash held)	N/A	N/A

It is the directors' intention to introduce key performance indicators more relevant to the proposed revised investment policy, subject to shareholders' approval of the proposed policy.

Property Operating Expenses

Property operating expenses were £0.69 million (2018: £2.45 million). This included the costs incurred in preparing properties for sale.

Further details of property operating expenses are contained in Note 2 to the financial statements.

Administrative Expenses

Administrative expenses were £1.58 million during the period (2018: £1.52 million). Further detail of administration expenses is contained in Note 4 to the financial statements.

Net Asset Value ("NAV")

During the period NAV reduced to £6.99 million or 30.81p per share, based on 22.7 million shares in issue, excluding those held in Treasury (30 September 2018: £22.73 million, 33.61p per share, based on 82.5 million shares in issue).

As at 30 September 2019 the Group held £3.566 million of cash (30 September 2018: £3.292 million). At 30 September 2019 the Group had no banking debt (30 September 2018: £nil). During the year the Company returned £18.738 million to shareholders through a tender offer for the Company's ordinary shareholders.

For the Group as a whole, Allsop LLP, a firm of independent chartered surveyors valued the Group's property portfolio at 30 September 2018, 31 March 2019, 25 July 2019 and 30 September 2019.

For 30 September 2018 and 31 March 2019 Allsop LLP performed a full valuation of 25% of the Group's properties (including site inspections) and a desktop valuation of the remainder, in accordance with the Group's policy that all its investment properties are inspected and valued over a two-year period.

The valuation carried out by Allsop LLP as at 25 July 2019 was a full valuation, including site visits, on all the properties held at that date. For the 30 September 2019 financial statements Allsop LLP reviewed, on a desktop basis, the full valuation they had supplied at 25 July 2019, which they updated for changes in circumstances during the interim period, excepting that the three properties held for sale were valued at their anticipated sale price less sales costs.

The 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.

Financing

The Company had no borrowings during the period. Throughout the year the Company's operations were financed from its property income and the proceeds of the sale of investment properties.

Taxation

The Group continued to operate as a UK REIT throughout the year, 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 year until the completion of the share buy-back offer at the year-end, the results of which meant that the Group no longer fulfilled the REIT conditions, owing to the proportion of the Company's issued share capital held by Thalassa Holdings Ltd following the buy-back. The directors are taking advice on the best means of resolving this issue. Following discussions with HM Revenue & Customs, the Group has until 30 September 2020 to comply with the REIT conditions. If it has not done so by that date, the Group will be considered to have exited the REIT regime at 30 September 2018, at which date it will be deemed to be liable to corporation tax. However, in the light of the losses incurred since that date, it is not anticipated that any corporation tax liability would arise.

Risk Management & Operational Controls

The directors recognise that commercial activities invariably involve an element of risk. A number of the risks to which the business is exposed, such as the condition of the UK domestic economy and sentiment in the UK property market, are beyond the Company's influence. However, such risk areas are monitored and appropriate mitigating action, such as reviewing the substance and timing of the Company's operational plans, is taken wherever practicable in response to significant changes. The Audit Committee considers the risk areas the Company is exposed to in the light of prevailing economic conditions and the risk areas set out in this section are subject to review.

The Board's approach to risk management during the year took account of the investment strategy adopted by shareholders in July 2013. In relation to asset management, the approach reflects the Company's granular business model and position in the market and involves the expertise of its management team and third-party advisers. The management team evaluates each proposal for investment, disinvestment and asset management activity on its own merits within the Company's overall investment policy. Operational progress and key investment and disposal decisions are considered in regular management team meetings as well as being subject to informal peer review.

Higher level risks and financial exposures are subject to constant monitoring. Major investment and disposal decisions are subject to review by the directors (all of whom are non-executive) in accordance with a protocol set by the Board. This approach is adopted for large portfolio sales, proposals for which are considered carefully by the Board.

Principal Risks and Uncertainties

Potential Risk	Impact	Mitigation
Property Portfolio Performance		
Effect on tenants of downturn in macroeconomic environment	• Tenant defaults • Reduced rental income • Increased void costs • Reduction in Net Asset Value and realisation value of assets	• Actual and prospective voids and rental arrears continually monitored. • Early identification of / discussions with tenants in difficulties • Regular review of all properties for lease terminations and tenant risk, with early action to take control of units when appropriate • Limited requirement for tenant incentives within sub-sector • Close liaison with local agents enables swift decisions on individual properties • Tendency of small traders to take early action in response to economic conditions • Diverse tenant base • Sustainable location and property use
Higher than anticipated property maintenance costs	• Income insufficient to cover costs • Decline in property value	• All material expenditure subject to authorisation regime • Capital expenditure subject to regular review
Changes to legal environment, planning law or local planning policy	• Adverse impact on portfolio • Loss of development opportunity • Reduction in realisation value of assets	• Monitoring of UK property environment and regulatory proposals • Close liaison with agents and advisers • Membership of and dialogue with relevant industry bodies
Failure to comply with regulatory requirements in connection with property portfolio, including health, safety and environmental	• Tenant and third-party claims resulting in financial loss • Reputational damage	• Guidance on regulatory requirements provided by managing agents and professional advisers • Individual properties monitored by asset managers and agents • Managing agents operate formal regulatory certification process for residential accommodation • Ongoing programme of risk assessments for key multi-tenanted sites • Key risks covered by insurance policies

Corporate Governance & Management		
Non-availability of information technology systems or failure of data security	• Impact on operations and reporting ability • Financial claims arising from leak of confidential information	• Provision by investment adviser of effective security regime with automatic off-site data and systems back-up
Financial and property market conditions	• Insufficient finance available at acceptable rates to fulfil business plans • Inability to execute investment property disposal strategy owing to fall in property market values • Financial impact of debt interest • Breach of banking covenants	• Debt facilities in place until July 2018, following which the Group has been debt-free and debt finance has not been required. • Reducing finance risks resulting from property disposal programme and increasing cash reserve • Impact of interest rates on property yields monitored and investment/disposal policy adjusted accordingly
Failure to meet conditions for membership of UK REIT regime and/or uncontrolled exit from regime	• Potential corporation tax liability • Disruption to corporate management activities	• Continual monitoring of REIT regime requirements and liaison with HMRC

Operational Controls

During the year, the directors continued to recognise that the Company's ability to operate successfully is largely dependent on the maintenance of its straightforward approach to doing business and its reputation for integrity. All those who act on the Company's behalf are required to behave and transact business in accordance with the highest professional standards. As well as compliance with all relevant regulatory requirements, this extends to customer care and external complaint guidelines. The Company has adopted a Code, Policy and Procedures under the Market Abuse Regulation. The Company's arrangements with Principal Real Estate Limited ("Principal"), which applied during the year, included the provision of all applicable compliance procedures, and the directors were satisfied that the governance procedures adopted by Principal in relation to its clients were appropriate and protected the Company's interests. The Company's corporate governance regime is underpinned by a whistle-blowing procedure, enabling perceived irregularities to be notified to members of the Board, principally the senior independent non-executive director.

The Board has overall responsibility for the Company's internal control systems and for monitoring its effectiveness. The Board's approach is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material misstatements or loss. The directors have not considered it appropriate to establish a separate internal audit function, having regard to the Company's size. The Board was satisfied that the control processes enforced by Principal during the year were appropriate to the Company's business. The Board's approach to internal controls covers all companies within the Group and there are no associate or joint venture entities which it does not cover.

The principal foundations of the Company's internal control framework during the year were:

- statements of areas of responsibility reserved to the Board and its committees, with prescribed limits to executive authority to commit to expenditure and borrowing;
- effective committee structure with terms of reference and reporting arrangements to the Board;

- clear remits for the delegation of executive direction and internal operational management functions, set out in the investment advisory agreement with Principal;

- framework for independent directors to provide advice and support to executive directors on an individual basis;

- top-level risk identification, evaluation and management framework monitored by the Audit Committee;

- effective systems for authorising capital expenditure and significant revenue items and monitoring actual cost incurred;

- regular reporting to the Board of operational activity and results against expectations with commentary on variances;

- regular review of operational forecasts and consideration by the Board on a quarterly basis;

- regular review of the Company's funding requirements against the status of the financial markets; and

- quarterly reporting to the Board of health, safety and environmental matters.

As part of its half-year and year-end activities, the Board reviews the effectiveness of the Company's risk management systems against the principal risks facing the business and their associated mitigating factors. The Board's review takes account of the findings and recommendations of the auditors, who review the Company's approach to risk management. Following its review of the auditors' findings during 2018–19, the Board considers that the Company's approach remains effective.

Key Contracts

There are currently no contracts for which require third party approval for any change to the nature, constitution, management or ownership of the business. The employment contracts of directors do not contain any provisions specifically relating to a change of control. The Company's employee share scheme that remained in force until December 2018 contained a change of control provision that was considered to be standard for such schemes.

Throughout the year, the Company had in place an agreement with Principal Real Estate Limited ("Principal") to execute the Group's investment policy and to take responsibility for the management and performance of the Company's investment property portfolio. Details of the investment advisory agreement with Principal, including remuneration arrangements, are contained in note 20 to the financial statements.

Charitable and Political Donations

During the year the Company made no donations for charitable or political purposes (2018: nil).

This Strategic Report was approved by the directors on 29 January 2020.

Duncan Soukup, Chairman
29 January 2020

Corporate Responsibility Statement

During the year we continued to focus on the three principal contributors to the success of our business:

- the talent and commitment of our management team;

- our relationships with national and local advisers, partners and clients; and

- the well-being of the businesses that occupy our properties and the communities in which they operate.

During the year, the Company's asset management and accounts team are employed by the Company's fund manager, Principal Real Estate Limited ("Principal"). The investment advisory agreement between the Company and Principal terminated on 24 November 2019.

We continue to be conscious that our ability to operate effectively rests on our reputation for fairness and a straightforward and honest approach to conducting business. We therefore strive to transact business in accordance with the highest professional standards and all those who act on our behalf are expected to do the same. Besides complying with all relevant legislation and professional guidelines, this includes customer care and external complaint procedures.

We have again considered whether it is appropriate to report on relevant human rights issues. In the context of our business and the reduced size of our investment portfolio, we do not believe that the provision of detailed information in this area would provide any meaningful enhancement to the understanding of the performance of our business. However, we are confident that our approach to doing business does not contravene any human rights principles or applicable legislation.

Our approach to corporate responsibility matters is underpinned by a whistle-blowing procedure, enabling perceived irregularities to be notified to members of the Board, principally the senior independent non-executive director.

Employees

The Company had no employees during the year (2018: no employees). During the year the Company had three directors (2018: three directors). Following the year-end those directors resigned and were replaced by two directors.

Diversity

The Company has a formal diversity and equal opportunities policy in place and is committed a culture of equal opportunities for all regardless of age, race or gender. The Board currently comprises two male directors.

Health, Safety and Welfare

Subject to the overriding responsibilities held by the directors, Principal took responsibility during the year for ensuring that the Company discharged its obligations for health, safety and welfare, including matters delegated to the Company's managing agents and other contractors. No material health, safety and welfare incidents were notified during the year.

Our property managers and contractors continued to be required to ensure that property management, maintenance and construction activities conform to all relevant regulations, with due consideration being given to the welfare of occupants and neighbours.

Community and Partnerships

It is our policy to seek to deal constructively with all stakeholders in relation to any community issues that arise in relation to our properties. Our policy is to prefer to use local advisers, agents and contractors whenever appropriate to do so.

Environment

We have always believed that our local asset model is by its nature supportive of reducing the carbon impact of retail shopping. All our past development activity, has aimed at returning to profitable use redundant space that would otherwise remain vacant, potentially relieving development pressure on greenfield sites elsewhere. Construction has been carried out in accordance with applicable energy and resource saving standards, noise impact reduction requirements, and, where relevant, the need to preserve the character of buildings, including listed properties. Our contractors are required to dispose of waste in accordance with best practice. We continue to take action to upgrade the energy performance of our letting units wherever required.

Anti-Corruption and Anti-Bribery

The Government of the United Kingdom has issued guidelines setting out appropriate procedures for companies to follow to ensure that they are compliant with UK Bribery Act 2010. The Company has conducted a review into its operational procedures to consider the impact of the UK Bribery Act 2010 and the Board has adopted an Anti-Bribery and Anti-Corruption Policy.

This report was approved by the directors on 29 January 2020

William A Heaney
Company Secretary
29 January 2020

Corporate Governance Report

Regulatory Compliance

The Company is subject to, and seeks to comply with, the Financial Conduct Authority's ("FCA") Listing Rules ("Listing Rules"), the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority. As a company with a Premium Listing, the Company was also subject during the year to the UK Corporate Governance Code 2016 and, after 1 January 2018, the UK Corporate Governance Code 2019, each promulgated by the Financial Reporting Council (the "Code"). The Code may be viewed on the website of the Financial Reporting Council: www.frc.org.uk. This Report sets out the ways in which the Company applies the Main Principles of the Code. Subject to matters set out below, the directors consider that the Company has complied with all provisions of the Code to the extent to which they apply to companies outside the FTSE 350.

Independence

In accordance with the provisions of Listing Rule 9.2.2AD(1), the Company is required to have in place an agreement with its controlling shareholder to ensure, among other things, that: (a) transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms; and (b) neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the applicant from complying with its obligations under the Listing Rules. Although such an agreement is not yet in place, under Listing Rule 9.2.2C, the Company has until 16 March 2020 to implement such an agreement. The independent business requirements of Listing Rule 9.2.2A and the related Listing Rule 6.5.4 have in any case been followed in practice. No requirement to submit a formal notification to the FCA in connection with this situation has arisen, as the FCA was notified of the Company's controlling shareholder situation at the time it arose. It is the directors' intention to resolve this situation in tandem with proposals for the re-alignment of the Company's investment policy.

Listing Rule 9.2.2AD(2) which requires that where a premium listed company has a controlling shareholder, its constitution must allow the election and re-election of independent directors to be approved by (a) the shareholders of the listed company; and (b) the independent shareholders of the listed company In order to comply with this Rule, the directors intend to propose that the shareholders of the Company pass a resolution at the Company's forthcoming annual general meeting to adopt relevant changes to its constitution to provide for such election and re-election of independent directors. In accordance with Listing Rule 9.2.2C(2), the Company was required to comply with this Rule prior to holding its next annual general meeting. However, given the proximity of the forthcoming annual general meeting, the directors have decided to implement these changes at that meeting. Accordingly, any resolution to approve the election or re-election of any independent directors at that meeting will be conditioned on it being approved by both (a) the shareholders of the Company; and (b) the independent shareholders of the Company in order that any such election or re-election complies with the requirements of Listing Rule 9.2.2C(2) in any event.

Board Leadership

The Company is led by its Board, which is responsible for determining the strategy of the business and its effective stewardship, taking account of the principles set out in the Code. All major strategic and investment decisions are taken by the Board as a whole, which monitors the resources available to the Company, to ensure that they are sufficient to enable its goals to be achieved. The Board meets regularly to review the Company's operations and progress with its strategy. The Board held twelve meetings during the year. Each scheduled Board meeting has a formal agenda. All material aspects of the business are reviewed on a regular basis, with key items highlighted, to enable the Board to monitor the Company's well-being and progress. These include progress with the investment strategy, portfolio performance and asset management, together with finance, business development and health, safety and welfare and environmental matters. Risk management and controls are reviewed in the light of advice from the Audit Committee and the external auditors. In consultation with the Board and committee Chairmen, the Company Secretary ensures that all directors receive relevant reports and papers prior to each meeting. Additional meetings and discussions are arranged outside the Board's regular schedule as necessary and the directors are in regular liaison outside formal meetings.

Subject to regulatory constraints, the directors engaged regularly with the Company's shareholders during the year, through numerous announcements, discussions and general meetings of the Company.

During the year the relevant executives of the Company's investment adviser, Principal, to whom the Board delegated day-to-day operational management, consulted the directors on a regular basis. The directors also make themselves available to provide advice to the management team.

The directors were satisfied that the culture and behaviour of the management team was conducive to the Company's strategy and operational policies. The Company's Chairman took the lead in engaging with the management team during the year.

The Company's Board comprises the following persons.

Duncan Soukup
Non-Executive Chairman, aged 65 (appointed 4 October 2019)

Duncan Soukup is the founder and Executive Chairman of Thalassa Holdings Ltd ("Thalassa"), a company listed on the London Stock Exchange, and has over 35 years of investment experience. Prior to establishing Thalassa, Mr Soukup worked in investment banking for 10 years, including as managing director in charge of the non-US equity business of Bear Sterns. Thereafter, he established the AIM-listed investment management business Acquisitor plc.

As the executive chairman and a significant shareholder in Thalassa, the Company's controlling shareholder, Mr Soukup is not considered by the Board to be independent and accordingly the Company does not have an independent chairman as recommended by the Code. Mr Soukup is a member of the Audit, Remuneration and Nomination Committees.

Gareth Edwards
Independent Non-Executive Director, aged 61 (appointed 4 October 2019)

Gareth Edwards is a qualified solicitor and was formerly a partner at international law firm Pinsent Masons LLP. He has extensive experience as an adviser to boards and senior management of a range of public, private and entrepreneurial companies on their strategy and wider business and commercial issues. He is Chairman of Honye Financial Services Limited, a company listed on the Main Market of the London Stock Exchange. Gareth Edwards has an arm's length relationship with Thalassa as a business advisor. Nevertheless when taking account of his professional career, his character and attributes Mr Edwards should be regarded as independent within the spirit of the Code. Mr Edwards chairs the Audit and Remuneration Committees and is a member of the Nomination Committee.

The following directors served throughout the year:

Stephen East – Independent on-executive Chairman (resigned 4 October 2019)
Nicholas Vetch – Independent Non-Executive Director (resigned 4 October 2019)
Brett Miller – Independent Non-Executive Director (resigned 4 October 2019)

Division of Responsibilities

The responsibilities of each non-executive director are set out clearly in his letter of appointment, which is available for inspection by members of the Company at its registered office during normal office hours. All directors ensure that they provide sufficient time to fulfil their obligations. All directors have access to the advice and services of the Company Secretary and to independent legal advice at the Company's expense.

During the year, the division of responsibilities between the executive team and the non-executive directors was subject to the clear principles set out in the Company's investment advisory agreement with Principal. The Chairman is charged with responsibility for corporate governance and effective leadership of the Board, with Principal being responsible to the Board for the executive management of the business.

The Chairman is responsible for ensuring that due consideration is given to key items of business. The senior independent director provides a separate communication channel for shareholders and other interested parties and has a remit under the Company's "whistle-blowing" arrangements.

At all times during the year the Board comprised an independent non-executive Chairman and two further independent non-executive directors (one of whom was also the senior independent non-executive director). No executive directors held office and non-executive directors were therefore in the majority throughout the year. Following the year-end the directors who were in place during the year resigned and were replaced by a Non-executive Chairman and an Independent Non-executive Director.

Biographical details for each of the directors as at the date of this report, including their membership of the Board's committees, are set out above. Stephen East, Brett Miller and Nicholas Vetch each held office throughout the year to 30 September 2019, each resigning on 4 October 2019. Having considered the criteria set out in the Code and the character and attributes of each individual who served during the year, the Board considered each of its non-executive directors to be independent within the spirit of the Code and that no individual or group was able to dominate decision-making.

In accordance with the Code, the Board has established Nomination, Audit and Remuneration Committees, with responsibility for specific areas of the Company's overall corporate governance structure. Each director's attendance record at Board and Committee meetings during the year is set out in the table below:

Director	Board	Audit	Remuneration	Nomination
Stephen East	12	2	1	n/a
Brett Miller	12	2	1	n/a
Nick Vetch	12	2	1	n/a
Duncan Soukup	n/a	n/a	n/a	n/a
Gareth Edwards	n/a	n/a	n/a	n/a

The remits and operations of the Board and its Committees are subject to annual evaluation, a process led by the senior independent director supported by the Company Secretary.

Composition, Succession & Evaluation

The Nomination Committee is responsible for approving director appointments, including ensuring that the required standards of skills, experience and stewardship ability are met. The Committee comprises solely non-executive directors and is chaired by the Company's senior independent non-executive director. The Committee did not meet during the year.

Under the Company's Articles one-third of the directors are subject to retirement at each Annual General Meeting. However, recognising the best practice provisions of the UK Corporate Governance Code, the Board has implemented a policy for directors to be subject to re-election at each Annual General Meeting.

Additionally, the Articles require that director appointments made by the Board directors are ratified at the subsequent General Meeting of the Company.

For non-executive directors, the Company's policy is for initial appointments to be for a term of 12 months, subject to extension by periods of 12 months thereafter and also subject at any time to termination on notice by the Company or the director. This policy is reflected in the terms of the formal appointment document which is in place for each non-executive director, which also sets out the expected time commitment of the non-executive directors to the Company's affairs.

Arrangements are made to provide new directors with an induction programme into the Company's activities. Non-executive directors visit the Company's offices between formal meetings and discuss the Company's activities with members of the management team on an informal basis. The asset management team are pleased to arrange for directors to inspect investment properties.

No external consultancy or advertising was used in the appointment of the Company's new directors (following the year-end), as those appointments were consequent on a change of control of the Company.

Audit, Risk & Internal Control

The Audit Committee is chaired by the Board's independent non-executive director, Gareth Edwards, whom the Board considers to have the requisite skills and experience to chair the Committee. The Committee's other member is Duncan Soukup. The Committee's responsibilities include:

- monitoring the integrity of the Company's financial statements and formal announcements relating to its financial performance and reviewing significant financial reporting judgements contained in them (subject to the Board's overall responsibility for reviewing and approving the annual directors' report and financial statements);

- reviewing the adequacy and effectiveness of the Company's internal financial controls, internal control and risk management systems, fraud detection, regulatory compliance and whistle-blowing arrangements;

- making recommendations to the Board for the approval of shareholders on the appointment, re-engagement or removal of the external Auditors and approving the Auditors' terms of engagement and remuneration;

- overseeing the Company's relationship with the external Auditors, reviewing and monitoring the Auditors' independence and objectivity and effectiveness;

- approving the annual audit plan and reviewing the Auditors' findings and the effectiveness of the audit programme.

The Committee met twice during the year. The report of the Audit Committee can be found on page 24.

Representatives of the Company's auditors, attended the Committee's meetings during the year and the Committee's Chairman holds discussions with the auditors in the absence of the management team. KPMG LLP were the Company's auditors throughout the year. After the year-end, KPMG LLP resigned as the Company's auditors, whereupon the Company engaged Jeffreys Henry LLP. Both KPMG LLP and Jeffreys Henry LLP have provided the directors with written confirmation of their independence.

The Committee continues to consider that the Company's size and activities do not warrant the establishment of an internal audit function.

The Company's approach to risk management is set out on page 5.

Remuneration

The Remuneration Committee is chaired by the Board's independent non-executive director, Gareth Edwards. The Committee's other member is Duncan Soukup. Details of the membership of the Remuneration Committee and the Company's remuneration policy are set out in the Remuneration Report, which can be found on page 19. The Committee met once during the year.

Investor Relations

The directors place considerable emphasis on effective communications with the Company's investors. Directors are happy to comply with shareholder requests for meetings as soon as practicable, subject to regulatory constraints. The Board is provided with feedback on such meetings, as well as regular commentary from investors and the Company's bankers and advisers. The Board provides reports and other announcements via the regulatory news service in accordance with regulatory requirements. Regulatory announcements and key publications can also be accessed via the Company's website. The Company's Annual General Meeting provides a further forum for investors to discuss the Company's progress and the Board encourages shareholders to attend. The Company complies with relevant regulatory requirements, and also the UK Corporate Governance Code, in relation to convening the meeting, its conduct and the announcement of voting on resolutions. The Annual Report and Notice of the Annual General Meeting are sent to shareholders at least 20 working days prior to the meeting and are available on the Company's website. The results of resolutions considered at the Annual General Meeting are announced to the Stock Exchange and are also published on the website and lodged with the National Storage Mechanism. Investors may elect to receive communications from the Company in electronic form and be advised by email that communications may be accessed via the Company's website.

Whistleblowing Policy

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may in confidence raise concerns about possible improprieties in the Group's affairs, including financial reporting.

Carbon Reporting

Scope

The directors believe that the Company's outsourced business model, which focusses on the employment of agents, advisers and contractors who are local to our property assets, is inherently environmentally friendly. However, the collection of consumption data from such businesses is not practicable. It is also not possible for our national agents and advisers to separately identify such data in relation to the proportion of their work devoted to the Company's activities and it is not possible to measure the energy consumed by the Company's tenants (nor is this consumption within the Company's control). The consumption of water, waste output and greenhouse gases other than CO_2 within the Company's control is negligible.

Accordingly, the scope of the Company's environmental reporting focuses on energy consumed by the Company and its wholly owned subsidiaries through:

- the activities of Principal in relation to the Company's business;
- shared facilities provided by the Company within its property portfolio;
- activities within vacant properties within the Company's control.

Carbon Emissions Data

In relation to Scope 1 figures (consumption of gas and fuel), it is not possible to separately identify the gas consumed on the Company's activities within the Principal office and the only meaningful data that can be supplied relates entirely to fuel consumed on journeys between our property sites. As we do not have a company car fleet, all such journeys are made in employees' private vehicles or on public transport. We have assessed vehicles used against the greenhouse gas assessment tool available on the DEFRA website. As in previous years, the use of hire cars and air flights has been minimal.

The Scope 2 figures incorporate an estimate (on a per desk basis) of the energy consumed in relation to our activities within the London office of Principal, together with an estimate of consumption in our vacant properties for which we are responsible. This includes any electricity used in relation to repairs and refurbishments and the conversion and remodelling of premises, as well as standing charges for electricity connections. The increase in the carbon emissions per £1m of turnover is largely attributable to the activity involved in preparing and marketing properties for sale against the background of falling turnover as a consequence of property sales.

It has not been practicable to measure Scope 3 emissions.

Our direct usage and emissions of water is minimal, being largely confined to hygiene and refreshment purposes within Principal's office. Again, it is not practicable to apportion this for the Company's activities. A small element of utility supply within vacant premises will relate to water and to gas. However, this largely relates to standing charges and consumption is negligible.

	2019 Kg Co2e	**Kg Co2e per £1m t/o**	**2018 Kg Co2e**	**Kg Co2e per £1m t/o**
Scope 1 (gas and fuel)	451	591	1,706	505
Scope 2 (electricity)	3,595	4,705	7,438	2,199
Total gross emissions	**4,046**	**5,296**	**9,144**	**2,704**

Viability Statement

In accordance with the UK Corporate Governance Code 2018, the directors have assessed the Company's continuing viability, taking account of:

- the level of the Company's financial resources;
- the potential impact of the principal risks and mitigation factors described in the Principal Risks section above.

In concluding that the Company continues to be viable, the directors note that the Company is debt-free, its property assets are unencumbered and it has an adequate level of cash reserves.

This report was approved by the directors on 29 January 2020

William A Heaney
Company Secretary
29 January 2020

Remuneration Report

Remuneration Committee Chairman's Statement

During the year the Remuneration Committee operated in accordance with formal terms of reference set by the Board, within which it has been responsible for:

- determining the broad policy for the remuneration and benefits of the Company's executive directors and senior managers;

- approving the design and performance targets for share-related performance plans for the Company; and

- determining the individual remuneration packages of each director, giving due regard to the provisions and recommendations of the Code and the Listing Rules.

No major decision were made as to directors' remuneration in the year, as all directors were contracted to the Company by way of letters of appointment.

During the year, the Committee comprised the Company's independent non-executive directors, Stephen East, Brett Miller and Nick Vetch and was chaired by Stephen East. The Committee met once during the year. Following the year-end Gareth Edwards became chairman of the Committee and Duncan Soukup is its other member.

Other directors or executives attend meetings of the Committee only by invitation. The Company Secretary serves as secretary to the Committee. The Committee has access to independent remuneration consultants.

Remuneration Policy

This report should be considered bearing in mind that the Company had no employee directors during the year. However, should the Company make relevant appointments in the future, the Company will apply a remuneration policy based on the principles set out below:

- within a competitive market, enabling the recruitment and retention of individuals whose talent matches the entrepreneurial and leadership needs of the business, enabling the Company to fulfil its investment objectives for its shareholders; and

- placing emphasis on performance-related rewards and focusing on incentive targets that are closely aligned with the interests of shareholders.

In applying the remuneration policy, the Committee will use its discretion, within the terms of schemes previously adopted by the Company, to provide a tailored mix of benefits that encourages individuals to maximise their efforts in the best interests of shareholders. In particular, the remuneration policy would be subject to any special considerations that may arise in relation to the execution of any revised investment policy approved by the Company's shareholders.

Future Policy Table

Base Salary	To be pitched at market median for the role, with advice taken from independent consultants.
Annual Bonus Scheme	Future scheme to be based on the achievement of profitability and cash generation targets based on the Company's annual budget. Individual awards to be capped at 100% of base salary.
Share Based Performance Scheme	Scheme to be based on the award of shares or cash equivalent. Awards to vest on the achievement of medium and long term targets derived from the Company's investment strategy.
Pension	Company contribution to individuals' pension plans of up to 10% of base salary.
Health Plan	Individuals may participate in private healthcare arrangements supplied by the Company.

The precise implementation of the future arrangements set out above will be dependent on the future investment policy to be approved by the Company's shareholders. As noted above, the Company currently has no executive directors to whom the remuneration policy would apply.

Share-Related Performance Plans

The Committee is responsible for the operation of the Company's share-related performance plans. These include the Long Term Incentive Plan and the Share Option Plan. However, neither of these plans were operated during the year. The Committee oversaw the operation of The Local Shopping REIT plc Employee & Former Employee Incentive Scheme 2016 ("the 2016 Scheme"), a share-based retention plan applying to members of the asset management team eligible to participate in such arrangements under the terms of the Company's Employee Benefit Trust (the "Trust"). The 2016 Scheme was a short-term arrangement by which options over the Company's shares were granted subject to vesting criteria linked to the achievement of the Company's investment strategy. During the year the final option awards under the 2016 Scheme vested, resulting in the transfer of 791,098 shares from the Trust to participants in the 2016 Scheme.

Director Appointments

For executive directors, the Company's policy is for service contracts to be capable of termination by the Company at not more than one year's notice.

The Company did not employ any executive directors during the year. However, should the Company make relevant appointments in the future, the Company will apply a remuneration policy based on the principles set out below:

- within a competitive market, enabling the recruitment and retention of individuals whose talent matches the entrepreneurial and leadership needs of the business and supportive of the Company's investment objectives; and

- placing appropriate emphasis on performance-related rewards and focusing on incentive targets that are closely aligned with the interests of shareholders.

See Table 2 on page 22.

Non-Executive Pay

The Company's policy is for reviews of non-executive remuneration to be conducted by independent consultants commissioned by the Company Secretary and for such reviews to take place every three years. However, the Board has not considered it appropriate to review non-executive pay and the level of non-executive pay has not increased since the Company's flotation in May 2007. The Company's policy is not to provide flexible pay arrangements to its non-executive directors.

Under the terms their appointments, neither of the non-executive directors appointed following the year-end receives any remuneration from the Company.

See Table 1 on page 22.

Payments on Loss of Office

The Company's policy on payments to directors on loss of office, in the absence of a breach of contract or other misconduct by the director, is to seek agreement to a termination settlement based on the value of base salary and contractual entitlements that would have applied to the director during his or her contractual notice period. No such entitlements are known to the Committee. The Remuneration Committee will determine the extent to which it is in the Company's best interests for the director to work during his or her notice period, or (to the extent permissible under his or her contract) to be required not to undertake duties or attend at the Company's premises or receive a payment in lieu of notice. The Committee may seek to require mitigation where it appears to it that it is reasonable in all the circumstances to do so.

Should it appear to the Company that the director may pursue a claim against the Company in respect of a breach of employment rights in addition to his or her contractual entitlement, the Committee may authorise settlement terms with the director that it considers to be reasonable in all the circumstances and in the best interests of the Company.

Shareholder Approval

The Company's remuneration policy was last approved by shareholders at the annual general meeting held in 2017. As the remuneration policy is required to be approved by shareholders every three years, a resolution for this will be put to the Company's next annual general meeting. A resolution concerning shareholder approval of the implementation of the Company's remuneration policy will also be put to that meeting. Copies of the remuneration policy are contained in each of the Company's annual reports, which may be found on the Investor Relations part of the Company's website www.localshoppingreit.com.

Remuneration Implementation Report

This section sets out the ways in which the Company applied its remuneration policy during the year.

The level of fees paid to non-executive directors was set at the time of the Company's admission to the Official List of the London Stock Exchange in 2007, having regard to market levels at that time. The level of remuneration for non-executive directors, which is set out in the table below, did not change during the year.

The Company did not engage any executive directors during the year.

At the Company's 2019 Annual General Meeting shareholders passed resolutions approving the Remuneration Implementation Report for 2017–18. Proxy votes for the resolutions showed a majority of 55.42% of votes cast in favour of the Remuneration Implementation Report, with 44.58% against and 0% withheld. This result was considered by the directors in post at the time who considered that any action the Board might take in response was likely to be overtaken by the corporate activity in pursuit of the Company's investment policy that was then in hand.

Directors' Contracts and Terms of Appointment

Each of the directors who served during the year resigned on 4 October 2019 and the current directors, Duncan Soukup and Gareth Edwards were appointed on that date. Each of Duncan Soukup and Gareth Edwards has an appointment document dated 4 October 2019, subject to ratification at the next Annual General Meeting and annual extensions. In considering annual extensions of the appointments of individual directors, the Board has regard to whether directors may continue to be considered to be independent within the spirit of the Code, that no individual or group can dominate decision-making, and the Board's policy that all directors should offer their resignations at each Annual General Meeting.

Copies of the directors' service agreements are kept at the Company's registered office, where they are available for inspection by shareholders during usual business hours on weekdays.

Investor Commentary

During the year the Company did not receive any communications from shareholders specifically regarding directors' pay.

Percentage Change Tables

The directors consider that the inclusion of percentage change tables comparing the Chief Executive Officer's percentage change of remuneration to that of the average employee would not provide any meaningful information to the shareholders. This is due to the Company not having any employees in this or the prior period with the exception of the directors. The directors will review the inclusion of this table for future reports.

Company Performance Graph

The directors have considered the requirement for a UK 10-year performance graph comparing the Company's Total Shareholder Return with that of a comparable indicator. The directors do not currently consider that including the graph will be meaningful because the Company has not paying dividends for a number of years, and is currently incurring losses. In addition, and as mentioned above, the remuneration of directors is not currently linked to performance and we therefore do not consider the inclusion of this graph to be useful to shareholders at present. The directors will review the inclusion of this table for future reports.

Relative Importance of Spend on Pay

The table below illustrates a comparison between total remuneration to distributions to shareholders and loss before tax for the financial period ended 30 September 2018 and 30 September 2019:

Year Ended	Employee Remuneration £	Distributions to Shareholders £	Operational Cash Inflow/(Outflow) £
30 September 2019	-	18,738,000	717,000
30 September 2018	-	-	(3,423,000)

Employee remuneration does not include fees payable to the directors. Further details can be found above.

Operational cash outflow has been shown in the table above as cash flow monitoring and forecasting in an important consideration for the Board when determining cash-based remuneration for Directors and employees.

Only the tables in this report (with the exception of Table 2: Directors' Service Contracts) are considered to comprise audited information.

Table 1: Directors' Total Remuneration 2018-19

Director	Salary	Short term incentives	Long term incentives	Pension contributions	Benefits in kind	Total
Non-executive directors						
Stephen East*	30,000	-	-	-	-	30,000
Brett Miller*	30,000	-	-	-	-	30,000
Nick Vetch*	30,000	-	-	-	-	30,000
Total	90,000	-	-	-	-	90,000

The figures in the above table were unchanged from the previous year. Neither of Duncan Soukup or Gareth Edwards are paid a salary by the Company.

Table 2: Directors' Service Contracts

Non-executive directors	Date of initial appointment	Date of current appointment letter	Expiry of term
Stephen East*	10 September 2009	10 September 2019	9 September 2020
Brett Miller*	12 December 2016	12 December 2018	11 December 2019
Nick Vetch*	30 March 2007	30 March 2019	29 March 2020
Duncan Soukup	4 October 2019	4 October 2019	3 October 2020
Gareth Edwards	4 October 2019	4 October 2019	3 October 2020

*Resigned 4 October 2019

Directors' Interests in Contracts

No director had any material interest in any contract or arrangement with any company within the Group during the year. Jonathan Short and Rupert Wallman, who held office as directors of the Company's operating subsidiaries during the year, were executives of Principal Real Estate Limited, with which the Company had a contract during the year.

No director had any beneficial interest in any subsidiaries of the Company during the year.

Directors' Interests in the Company's Shares

The interests of the Directors in Ordinary Shares of 1 pence each in the capital of the Company as at 30 September 2019 are set out in the table below:

Director	Total interest as at 30 September 2019
Stephen East*	-
Brett Miller*	-
Nicholas Vetch*	-
Duncan Soukup**	-
Gareth Edwards	-

*Resigned 4 October 2019
**Whilst Mr Soukup owns no shares in the Company, he is beneficially interested in the Company's shares by virtue of his interest in Thalassa Holdings Ltd.

There have been no changes to the interests set out above since the year-end. There are no requirements or guidelines for directors to own shares in the Company.

The interests during the year of the directors who held office during the year in the issued share capital of the Company, all of which were beneficial, are set out below:

Ordinary 1p Shares*		
Director	**2019**	**2018**
Stephen East	75,000	75,000
Brett Miller	518,000	518,000
Nicholas Vetch	2,873,563	2,873,563

*Re-denominated from Ordinary 10p Shares 29 August 2019

All of the beneficial interests reported above were purchased by the Company at the end of the year under the share buy-back tender offer.

The Company's Articles of Association provide a framework for directors to report actual or potential situational conflicts, enabling the Board to give such situational conflicts appropriate and early consideration. All directors are aware of the importance of consulting the Company Secretary regarding possible situational conflicts.

Directors' Indemnities and Insurance Cover

To the extent permitted by law, the Company indemnifies its directors and officers against claims arising from their acts and omissions related to their office. The Company also maintains an insurance policy in respect of claims against directors.

Gareth Edwards
Remuneration Committee Chairman
29 January 2020

Audit Committee Report

The Audit Committee comprises solely of the Board's independent non-executive directors and chaired by a member whom the Board considers to have the requisite skills and experience to chair the Committee.

The Committee met twice during the year and each member's attendance record is set out in the table on page 14. During the year, the Committee paid particular attention to the significant areas set out below, which were discussed in detail with the Auditors.

Valuation of Investment Properties

Key areas of focus for the Committee were the methodology adopted and valuations provided by Allsop LLP ("Allsop"). During the year, the Committee reviewed the valuations for 30 September 2018, 31 March 2019 and 25 July 2019 Following the year-end, the Committee reviewed the valuations for 30 September 2019.

Going Concern Assumption

Following the change of control of the Company at the year-end and the new Board's intention to propose to shareholders a resolution amending the Company's investment policy enabling the Company to recommence property investment activity, the Committee recommended that the financial statements of 30 September 2019 should be prepared on a Going Concern basis, which was approved by the Board.

The Committee also covered the following items:

- ensuring that the format of the financial statements and the information supplied meets the standards set by the International Accounting Standards Board;
- reviewing the accounting treatment of receivables and ensuring effective co-ordination between the Company's records and those of its managing agents;
- ensuring that the audit scope properly reflected the risk profile of the business;
- ensuring that the Committee's terms of reference continued to accord with the Code.

The Committee considers the independence of external auditors and ensures that, before any non-audit services are provided, by external auditors, they will not impair the auditors' objectivity or independence. Neither the Company's auditors during the year, KPMG LLP, nor the auditors appointed after the year-end, Jeffreys Henry LLP, supplied any non-audit services to the Company whilst they were engaged as Company's auditors.

The Committee has primary responsibility for making recommendations to the Board in respect of appointments, re-appointments and removal of external auditors. Having assessed the performance, objectivity and independence of the auditors, as well as the audit process and approach taken, the Committee has recommended the re-appointment of Jeffreys Henry LLP at the Company's annual general meeting in 2020. This is the first year in which Jeffreys Henry LLP has audited the Company.

Gareth Edwards
Audit Committee Chairman
29 January 2020

Directors' Report

The directors of The Local Shopping REIT plc ("the Company") present their report and the audited financial statements of the Company together with its subsidiary and associated undertakings ("the Group") for the year ended 30 September 2019.

The Directors' Report also includes the information set out on pages 1 to 23, together with the description of the Company's investment policy and business model described on the inside front cover.

The following directors have held office since 1 October 2018:

Stephen East (resigned 4 October 2019)
Nicholas Vetch (resigned 4 October 2019)
Brett Miller (resigned 4 October 2019)
Gareth Edwards (appointed 4 October 2019)
Duncan Soukup (appointed 4 October 2019)

Group Result and Dividend

The loss for the Group attributable to shareholders for the year was £1.87 million (2018: loss £7.15 million). In accordance with the revised investment policy, no interim dividend has been or will be distributed in respect of the financial year. The directors continue to keep the dividend distribution policy under review.

Post Balance Sheet Events

No significant post-balance sheet events have been identified, with the exception of the resignations and appointments of directors described above and the completion of sales of two properties referred to in the Chairman's Statement.

Going Concern Basis

The 2018 financial statements were prepared on a break-up basis, in view of the then ongoing programme of asset realisation. However, the new board of directors appointed following the assumption of control by Thalassa Holdings Limited intends to continue to operate the Company as a going concern. Accordingly, these statements have been prepared on the Going Concern basis.

In reaching this decision, the directors reviewed projections of future activity over the 12 months following the date of this report, as required by the Going Concern basis. The Directors concluded there were no identifiable material uncertainties, and present cash reserves were sufficient to meet all liabilities as they fall due, up to and beyond that date.

Future Developments

This information has not been included in the Directors' Report as it is shown in the Strategic Report, as permitted by Section 414 c (11) of the Companies Act 2006.

Share Capital

Details of the Company's issued share capital are set out in note 12 to the financial statements. All of the Company's issued shares are listed on the London Stock Exchange. The Company's share capital comprises one class of Ordinary Shares of 1p each (re-denominated from Ordinary Shares of 10p each on 29 August 2019). All issued shares are fully paid up and rank equally. The Company's Articles impose requirements on shareholders in relation to distributions and the size of individual holdings, in order to ensure that the Company conforms to the UK REIT regime. Subject to this, there are no restrictions on the transfer of shares or the size of holdings. The directors are not aware of any agreements between shareholders in relation to the Company's shares. The Company's issued share capital reduced during the year, as described below.

Transactions in the Company's shares

On 20 August 2019 the Company's members approved resolutions (inter alia) to implement the following, in order give effect to the Company's investment policy:

- subject to Court approval, the reduction in the nominal capital of each of the Company's ordinary shares from £0.20 to £0.01;
- the cancellation of the historic capital redemption reserve;
- the authorisation of the Company to make market purchases of its ordinary shares for the purpose of a tender offer for the Company's ordinary shares on terms set out in a circular previously issued by the directors.

The reduction in nominal capital, having been approved by the Court, created sufficient distributable reserves to implement the tender offer and purchase by the Company of its ordinary shares at 31.33p per share. Under the tender offer 59,808,456 ordinary shares, with a nominal value of £598,000, representing 72.49% of the then called up share capital of the Company (excluding shares held in treasury), were bought back by the Company, for an aggregate consideration of £18.738 million. The re-purchased shares were then cancelled.

The Company has no rules in place in relation to the amendment of its Articles in addition to statutory provisions

Substantial Interests

As at 5 January 2019, the last practicable reporting date before the production of this document, the Company had been notified of the following major interests (of 3% or more) in its issued share capital:

Shareholder	Ordinary Shares	%
Thalassa Holdings Ltd	21,021,277	92.61
KBL European Private Bankers	781,250	3.44

The increased proportion of the Company's issued share capital held by Thalassa Holdings Ltd ("Thalassa") came about because Thalassa did not participate in the tender offer described above. As a result of Thalassa's increased proportionate holding, the Company sought a temporary suspension of trading in its shares on the London Stock Exchange. Thalassa has informed the Board that it is actively seeking to address this matter and your Board aims to have trading in the Company's shares restored as soon as possible.

Supplier Payment Policy

The Group policy is to settle the terms of each payment with suppliers when agreeing the terms of each transaction and to ensure that suppliers are made aware of the terms of payment and abide by those terms.

The average creditors for the Group expressed in days is 3 days (2018: 5 days).

The Company is a public limited company incorporated in England under registered number 05304743, with its registered office at Eastleigh Court, Bishopstrow, Warminster BA12 9HW.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Responsibility Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Disclosure to Auditors

The directors who were in office at the date of the approval of the financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they have taken all necessary steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that this has been communicated with the auditors.

Responsibility statement of the directors in respect of the annual financial report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- the strategic report/directors' report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

The foregoing reports were approved by the directors on 29 January 2020

William A Heaney
Company Secretary
29 January 2020

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF THE LOCAL SHOPPING REIT PLC

Independent Auditors’ Report to the Members of The Local Shopping REIT Plc

Opinion

We have audited the financial statements of The Local Shopping REIT Plc (the ‘parent company’) and its subsidiaries (the ‘group’) for the year ended 30 September 2019 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company balance sheet, the consolidated statement of cash flows, the consolidated statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group’s and of the parent company’s affairs as at 30 September 2019 and of the group’s loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards to the group financial statements, Article 4 of the IAS Regulation

1.1.1.1 Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to public listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

1.1.1.2 Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report, as set out on page 6, that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation, as set out on page 6, in the annual report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement , as set out on page 42, in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group and the parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation, as set out on page 25, in the annual report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

1.1.1.3 Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	**How our audit addressed the key audit matter**
Valuation and presentation of investment property The Group holds £3,139,000 (2018: nil) as at the year-end as well as £677,000 (2018: £22,317,000) of assets held for sale. Investment properties are held at fair value which represents a significant area of management judgment. Assets held for sale are held at net realisable value being expected sales price less cost to sell.	We reviewed the recognition, capitalisation and fair valuation of investment properties in conjunction with IAS 40 Investment Property and IFRS 13 Fair Value Measurement. We assessed the competence, capabilities, qualifications and objectivity of the external independent valuers employed by the Group. We have critically evaluated managements methodologies in reviewing valuations and adjusting the fair values of investment properties. All properties that the Group were in the process of selling were allocated as held for sale.

	We found no issues with the valuations and presentations of investment properties.
Value of parent investment in subsidiaries The parent company held £3,277,000 (2018: £20,950,000) of investments as at the year end. The directors are required to review the investments for impairments on an annual basis. Impairments are based on estimated recoverable amounts, which is based on estimates and judgments. The subsidiaries have historically been loss making which is a sign of impairment. Furthermore, as the companies have been disposing of properties in the year the net assets of the company has been falling on a year on year basis.	We reviewed the director's impairment review. An impairment had been made against individual subsidiaries to reduce the carrying value of the investments to that of the net assets in the respective companies. This appears to be a reasonable estimate of recoverable amount of the investment. The calculations have been reviewed as part of the audit. We found no issues with the valuation of investments in subsidiaries

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgment, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£190,000.	£70,000.
How we determined it	10% of group profits/losses	1% of net assets limited by Group materiality
Rationale for benchmark applied	We believe that profits are the primary measures used by shareholders in assessing the Group's performance. It is considered a standard industry benchmark.	We believe that net assets are the primary measures used by shareholders in assessing the Company's performance. It is considered a standard industry benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £135,000 and £10,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £9,500 for the Group and £5,000 for the Company, as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

1.1.1.4 An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of six reporting units, comprising the Group's operating businesses and holding companies.

We performed audits of the complete financial information of The Local Shopping REIT Plc, NOS 4 Ltd, NOS 5 Ltd. NOS 6 Ltd, NOS 7 Ltd and Gilfin Property Holdings Ltd (in liquidation) reporting units, which were individually financially significant and accounted for 100% of the Group's revenue and 100% of the Group's absolute profit before tax (i.e. the sum of the numerical values without regard to whether they were profits or losses for the relevant reporting units).

The Group engagement team performed all audit procedures.

1.1.1.5 Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable, as set out on page 29, the statement given by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- Audit committee reporting, as set out on page 24, the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- Directors' statement of compliance with the UK Corporate Governance Code, as set out on page 11, the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

1.1.1.6 Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules),is consistent with the financial statements and has been prepared in accordance with applicable legal requirements;
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules; and
- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

1.1.1.7 Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report or the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the director's remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

1.1.1.8 Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

1.1.1.9 Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of the audit, in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We have audited the company and the subsidiaries thereof and so are responsible for obtaining sufficient appropriate audit evidence regarding the financial information of the entities. We are solely responsible for the auditor's opinion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the directors on 24 October 2019 to audit the financial statements for the year ending 30 September 2019 and subsequent financial periods. The period of total uninterrupted engagement is 1 year, covering the year ending 30 September 2019. The non-audit services prohibited by the

FRC’s Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

1.1.1.10 Use of this report

This report is made solely to the company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company’s members those matters we are required to state to them in an auditor’s 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 and the company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Sanjay Parmar
Senior Statutory Auditor

For and on behalf of
Jeffreys Henry LLP (Statutory Auditors)
Finsgate 5-7 Cranwood Street
London EC1V 9EE
29 January 2020

Consolidated Income Statement for the year ended 30 September 2019

	Note	2019 £000s	2018 £000s
Gross rental income		764	3,381
Property operating expenses	2	(695)	(2,451)
Net rental income		**69**	**930**
Loss on disposal of investment properties	3	(148)	(1,417)
Loss from change in fair value of investment properties	7	(258)	(4,536)
Administrative expenses including non-recurring items	4	(1,580)	(1,522)
Operating profit before net financing costs		**(1,917)**	**(6,545)**
Financing income	5	49	2
Financing expenses	5	(6)	(611)
Loss before tax		**(1,874)**	**(7,154)**
Taxation	6	–	–
Loss for the year from continuing operations		**(1,874)**	**(7,154)**
Loss for the financial year attributable to equity holders of the Company		**(1,874)**	**(7,154)**
Basic and diluted loss per share on profit for the year	14	(2.34)p	(8.67)p
Basic and diluted loss per share on operations for the year	14	(2.34)p	(8.67)p

Consolidated Statement of Comprehensive Income for the year ended 30 September 2019

	2019 £000s	2018 £000s
Loss for the financial year	**(1,874)**	
Loss for the financial year on discontinued operations (below)	**-**	**(7,154)**
Total comprehensive loss for the year	**(1,874)**	**(7,154)**
Attributable to:		
Equity holders of the parent Company	**(1,874)**	**(7,154)**

	2019 £000s	2018 £000s
Revenue less expenses for the financial year on discontinued operations	**-**	**(6,896)**
Fair value adjustment of assets held for sale from discontinued operations	**-**	**(258)**
Total comprehensive loss for the year	**(1,874)**	**(7,154)**
Taxation on discontinued operations	**-**	-
Total loss for the financial year on discontinued operations (above)	**-**	**(7,154)**

Consolidated Balance Sheet as at 30 September 2019

	Note	2019 £000s	2018 £000s
Non-current assets			
Investment properties	**7**	3,139	-
		3,139	**-**
Current assets			
Trade and other receivables	**8**	378	4,341
Investment properties held for sale	**7**	677	22,317
Cash	**9**	3,566	3,292
		4,621	**29,950**
Total assets		**7,760**	**29,950**
Non-current liabilities			
Finance lease liabilities	**11**	(350)	-
		(350)	**-**
Current liabilities			
Trade and other payables	**10**	(418)	(2,217)
		(418)	**(2,217)**
Total liabilities		**(768)**	**(2,217)**
Net assets		**6,992**	**27,733**
Equity			
Issued capital	12	319	18,334
Reserves	12	-	3,773
Capital redemption reserve	12	598	1,764
Retained earnings		6,075	3,862
Total attributable to equity holders of the Company		**6,992**	**27,733**

These financial statements were approved by the Board of directors on 29 January 2020 and signed on its behalf by:

Gareth Edwards
Director

Consolidated Statement of Cash Flows for the year ended 30 September 2019

	Note	2019 £000s	2018 £000s
Operating activities			
(Loss) for the year		(1,874)	(7,154)
Adjustments for:			
Loss from change in fair value of investment properties	7	258	4,536
Net financing costs/(income)	5	(43)	609
Loss on disposal of investment properties		148	1,417
Equity secured share-based payment expenses		40	98
		(1,471)	**(494)**
Decrease/ (Increase) in trade and other receivables		3,963	(2,198)
Decrease in trade and other payables		(1,818)	(265)
		674	**(2,957)**
Interest paid		-	(445)
Loan arrangement fees paid		(6)	(23)
Interest received		49	2
Net cash (outflow)/inflow from operating activities		**717**	**(3,423)**
Investing activities			
Net proceeds from sale of investment properties		18,468	27,380
Acquisition and improvements to investment properties	7	(4)	(188)
Cash flows from investing activities		**18,464**	**27,192**
Net cash flows from operating activities and investing activities		**19,181**	**23,769**
Financing activities			
Repayment of borrowings		-	(30,932)
Reduction in share capital		(18,907)	-
Cash flows from financing activities		**(18,907)**	**(30,932)**
Net decrease in cash		**274**	**(7,163)**
Cash at beginning of year		3,292	10,455
Cash at end of year	9	**3,566**	**3,292**

Consolidated Statement of Changes in Equity for the year ended 30 September 2019

	Share capital £000	Reserves £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Balance at 1 October 2017	**18,334**	**3,773**	**1,764**	**10,918**	**34,789**
Total comprehensive expense for the year	-	-	-	-	-
Loss for the year	-	-	-	**(7,154)**	**(7,154)**
Total contributions by and distributions to owners	-	-	-	**-**	**-**
Share based payments	-	-	-	**98**	**98**
Balance at 30 September 2018	**18,334**	**3,773**	**1,764**	**3,862**	**27,733**
Capital reduction (Note a)	**(17,417)**	**-**	**-**	**17,417**	**-**
Transfer capital reserves to revenue Note b)	**-**	**(3,773)**	**(1,764)**	**5,537**	**-**
Cost of own shares acquired (note c)	**(598)**	**-**	**-**	**(18,309)**	**(18,907)**
Creation of Capital Redemption Reserve (note d)	**-**	**-**	**598**	**(598)**	**-**
Total comprehensive expense for the year	-	-	-	-	-
Loss for the year	-	-	-	**(1,874)**	**(1,874)**
Total contributions by and distributions to owners	-	-	-	-	-
Share based payments	-	-	-	40	40
Balance at 30 September 2019	**319**	**-**	**598**	**6,075**	**6,992**

During the year the Company successfully applied to the High Court to undertake a capital restructuring in order to enable a share buy-back. Under this restructuring and buy back:

(a) The nominal value of ordinary shares was reduced from 20p to 1p, resulting in £17.417m being released to retained earnings.
(b) The capital redemption reserves and other reserves were transferred to retained earnings as part of the Court approved capital restructuring.
(c) 59,808,456 ordinary 1p shares were purchased, representing 72.5% of total share capital at the time, at a price of 31.33p each and then cancelled, the total cost comprising:

			£000s
59,808,456 shares purchased at	1p nominal value of each share		598
	plus premium 30.33p on each share	18,140	
	legal costs of restructuring and buy back	169	18,309
			18,907

(d) A new capital redemption reserve of £0.598m was created to replace the nominal value of shares bought.

Notes to the Financial Statements for the year ended 30 September 2019

1. Accounting Policies

Basis of Preparation

The Local Shopping REIT plc (the "Company") is a public company limited by shares, incorporated, domiciled and registered in England. The registered number is 05304743 and the registered address is Eastleigh Court, Bishopstrow, Warminster, BA12 9HW

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and in accordance with the provisions of the Companies Act 2006. The Company has elected to prepare its parent company financial statements in accordance with FRS 102; these are presented on pages 65 to 71.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed later in this note under the heading "*Use of Estimates and Judgements".*

The financial statements are prepared in pounds sterling, rounded to the nearest thousand. They have been prepared under the historical cost convention except for the following assets which are measured on the basis of fair value: investment properties, and investment properties held for sale.

Going Concern

The Company had followed a policy, established in 2013, of realising assets and returning capital to shareholders. Prior to 30 September 2018 the year end the Board determined that progress with the sales of properties had been such that it was no longer appropriate to prepare financial statements on a going concern basis for the 2018 financial year. Accordingly the financial statements for 2018 were prepared on a break up basis, as the directors intended putting the Company and its subsidiaries into liquidation.

The 2018 statements included the following adjustments to bring the results to a break up basis:

1. The property portfolio was revalued to reflect the expected net realisable proceeds of the individual properties, after taking into account realisation costs.
2. Provision was made for anticipated expenditure on the property portfolio prior to sale.

3. The head lease value was removed from the Balance Sheet, along with its matching finance liability.
4. Provision was made for expected legal and professional costs of the liquidation.

During the 2019, following the share buy-back scheme, the Company became a company controlled by Thalassa Holdings Limited. On 4 October 2019 a new board of directors was appointed, whose intention is to recommend to the Company's shareholders that the Company's investment policy be amended to enable it to continue trading as a property investment business. Accordingly, the 2019 financial statements have been prepared on a going concern basis. The Board is satisfied the Company has sufficient resources to continue trading for at least another 18 months.

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings up to 30 September 2019. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared using consistent accounting policies. Inter-company transactions and balances are eliminated.

Investment Property

Investment properties are those properties owned by the Group that are held to earn rental income or for capital appreciation or both and are not occupied by the Company or any of its subsidiaries.

Historically the Company's normal valuation policy has been as set out in the following paragraph.

For the Group as a whole Allsop LLP, a firm of independent chartered surveyors valued the Group's property portfolio at 30 September 2018 (subject to the above paragraph), 31 March 2018, 30 September 2017 and 31 March 2017. On each of these dates Allsop LLP performed a full valuation of 25% of the Group's properties (including site inspections) and a desktop valuation of the remainder, such that all properties owned by the Group have been inspected and valued over the two-year period. The valuations, using assumptions regarding yield rates, void levels and comparable market transactions, 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.

For the half year to 31 March 2019 the above policy was followed.

In July 2019 the Company had a full valuation (including site visits) carried out by Allsop LLP on all the properties held at that date. In the light of that recent full valuation, for the

September 2019 financial statements the Company had desktop valuations prepared by Allsops for all the properties in the portfolio at that date, except for three properties which were held for sale and were valued at their expected sale price less sales costs. This is considered a level 3 valuation on the fair value hierarchy.

Investment properties are treated as acquired at the point the Group assumes the significant risks and returns of ownership. Subsequent expenditure is charged to the asset's carrying value only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of each item can be reliably measured. All other repairs and maintenance costs are charged to the Income Statement during the period in which they are incurred.

Rental income from investment properties is accounted for as described below.
All revenues and direct operating expenses are relating to investment properties.

Investment Properties Held for Sale

Investment properties held for sale are included in the Balance Sheet at their fair value less estimated sales costs.. In determining whether assets no longer meet the investment criteria of the Group, consideration has been given to the conditions required under IFRS 5.

An investment property shall classify a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable as at the year end.

Head Leases

Where a property is held under a head lease and is classified as an investment property, it is initially recognised as an asset based on the sum of the premium paid on acquisition and if the remaining life of the lease at the date of acquisition is considered to be material, the net present value of the minimum ground rent payments. The corresponding rent liability to the leaseholder was included in the Balance Sheet as a finance obligation in current and non-current liabilities.

This was discontinued for the September 2018 financial statements, and as the Company had no investment properties at the Balance Sheet date, the head lease value and its corresponding liability were removed from the Balance Sheet.

Following the change of policy by the new board not to cease operations, this policy has been reinstated, and the appropriate values at the balance sheet date disclosed in the financial statements.

The payment of head rents has been expensed through the Income Statement.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and deposits held on call. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less.

Financial instruments

Financial assets and financial liabilities are initially classified as measured at amortised cost, fair value through other comprehensive income, or fair value through profit and loss when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows expire, or the Company no longer retains the significant risks or rewards of ownership of the financial asset. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Financial assets are classified dependent on the Company's business model for managing the financial and the cash flow characteristics of the asset. Financial liabilities are classified and measured at amortised cost except for trading liabilities, or where designated at original recognition to achieve more relevant presentation. The Company classifies its financial assets and liabilities into the following categories.

Financial assets at amortised cost

The Company's financial assets at amortised cost comprise trade and other receivables. These represent debt instruments with fixed or determinable payments that represent principal or interest and where the intention is to hold to collect these contractual cash flows. They are initially recognised at fair value, included in current and non-current assets, depending on the nature of the transaction, and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.

Impairment of trade and other receivables

In accordance with IFRS 9 an expected loss provisioning model is used to calculate an impairment provision. We have implemented the IFRS 9 simplified approach to measuring expected credit losses arising from trade and other receivables, being a lifetime expected credit loss. This is calculated based on an evaluation of our historic experience plus an adjustment based on our judgement of whether this historic experience is likely reflective of our view of the future at the balance sheet date. In the previous year the incurred loss model is used to calculate the impairment provision.

Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise loan liabilities, including convertible loan note liability elements, and trade and other payables. They are classified as current and non-current liabilities depending on the nature of the transaction, are subsequently measured at amortised cost using the effective interest method. All convertible loan notes are held at amortised cost and no election has been made to hold them as fair value through profit and loss.

Financial assets at fair value through profit and loss

Financial assets at fair value are recognized and measured at fair value using the most recent available market price with gains and losses recognized immediately in the profit and loss.

The fair value measurement of the Company's financial and non- financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy').

Level 1 – Quoted prices in active markets
Level 2 – Observable direct or indirect inputs other than Level 1 inputs
Level 3 – Inputs that are not based on observable market data

Ordinary Share Capital

External costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Shares which have been repurchased are classified as treasury shares and shown in retained earnings. They are recognised at the trade date for the amount of consideration paid, together with directly attributable costs. This is presented as a deduction from total equity. Shares held by the Employee Benefit Trust are treated as being those of the Group until such time as they are distributed to employees, when they are expensed in the profit and loss account.

The nominal value of shares cancelled has been taken to a capital redemption reserve.

Rental Income

Rental income from investment properties leased out under operating leases is recognised net of VAT, returns, rebates and discounts in the Income Statement on a straight-line basis over the term of the lease. The directors consider this is in line with when the Company's performance obligations are satisfied. Standard payments terms are that services are paid in advance. When the Group provides lease incentives to its tenants the cost of incentives are recognised over the lease term, on a straight-line basis, as a reduction to income.

Taxation

Corporation tax on the profit or loss for the year comprises current and deferred tax. Corporation tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

As a REIT, the Group will be exempt from corporation tax on the profits and gains from its property investment business, 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. Therefore, current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. Deferred tax is provided using the balance sheet liability method. Provision is made for temporary differences between the carrying amounts of assets and liabilities in the financial statements for financial reporting purposes and the amounts used for taxation purposes. Deferred income tax is calculated after taking into account any indexation allowances and capital losses on an undiscounted basis. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are only offset if there is a legally enforceable right of set-off.

Pensions

The Company had no pension arrangements in operation during the year.

Share-based Payments

Share based payments are recognised as an employee expense, with a corresponding increase in equity.

Employee Benefit Trust

In 2007 the Group established an Employee Benefit Trust in connection with its various share based incentive schemes. The Group either purchased its own shares directly or it funded the trust to acquire shares in the Company. Transactions of the Employee Benefit Trust have been treated as being those of the Company and are therefore reflected in the Group financial statements. Following the distribution of its remaining shares, the Employee Benefit Trust was wound up in January 2019.

Use of Estimates and Judgements

To be able to prepare accounts according to generally accepted accounting principles, management must make estimates and assumptions that affect the asset and liability items and revenue and expense amounts recorded in the financial statements. These estimates are based on historical experience and various other assumptions that management and the Board of directors believe are reasonable under the circumstances. The results of these considerations form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources.

The areas requiring the use of estimates and judgements that may significantly impact the Group's earnings and financial position include the estimation of: the fair value of investment properties.

The valuation basis of the Group's investment properties is set out above.

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, being rental income in the UK, which is reported to the Board of directors on a quarterly basis. The Board of directors is considered to be the chief operating decision maker.

Adoption of new and revised standards

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning that would be expected to have a material impact on the Company. The new IFRSs adopted during the year are as follows:

IFRS 9 – Financial Instruments
IFRS 15 - Revenue from Contracts with Customers including amendments and clarifications

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 October 2018 and have not been early adopted. The Directors anticipate that the adoption of these standard and the interpretations in future periods will have no material impact on the financial statements of the Company.

The new standards include:

IFRS 3	Business Combinations2
IFRS 16	Leases1
IFRS 17	Insurance Contracts3
IAS 1	Presentation of Financial Statements2
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors2
IAS 19	Employee Benefits (amendment) 1
IAS 28	Investment in associates and joint ventures (amendment) 1
IFRIC 23	Uncertainty over Income Tax Treatments1

Improvements to IFRSs Annual Improvements 2015-2017 Cycle1: Amendments to 2 IFRSs and 2 IASs

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material effect on the financial statements of the group.

2. Property Operating Expenses

	2019 £000	2018 £000
Bad debt charge	108	(221)
Head rent payments	(11)	(37)
Repairs	(211)	(993)
Business rates and council tax	(25)	(185)
Irrecoverable service charge	(39)	(122)
Utilities	(109)	(108)
Insurance	(36)	(53)
Managing agent fees	(123)	(158)
Letting and review fees	(36)	(266)
Legal & professional	(113)	(173)
EPC amortisation, Abortives, and Misc	(100)	(135)
Total property operating expenses	**(695)**	**(2,451)**

3. Property Disposals

	2019 Number 000s	2018 Number 000s
Number of sales	66	107
	£000	£000
Average value	287	264
Sales		
Total sales	18,955	28,197
Carrying value	(18,616)	(28,796)
Profit/(Loss) on disposals before transaction costs	339	(599)
Transaction costs		
Legal fees	(210)	(339)
Agent fees, marketing and brochure costs	(240)	(426)
Disbursements	(8)	(2)
Non recoverable VAT (on non-opted and residential elements)	(29)	(51)
Total transaction costs	(487)	(818)
(Loss)/profit on disposals after transaction costs	(148)	(1,417)
Transaction costs as percentage of sales value	-2.6%	-2.9%

4. Administrative Expenses

	2019 £000	2018 £000
Investment manager fees	(320)	(496)
Legal and professional	(1,177)	(186)
Tax and audit	(96)	(113)
Remuneration Costs:		
Directors' remuneration	90	90
Social security costs	4	6
Share based payments*	40	98
Other	14	(41)
Irrecoverable VAT on Administration expenses **	(92)	(92)
Provision for liquidators' fees	225	(250)
Provision for legal costs of winding up	-	(150)
Total administrative expenses	**(1,580)**	**(1,522)**

* Share based payments comprised of shares held by an employee benefit trust which vested in 2018 onwards or if liquidation targets were met. All 791,000 shares held by the trust were distributed in December 2018. The costs shown have a corresponding entry in equity and have no impact on the Company's net assets now or in the future.

The Company had no employees during the year. However the Company had three directors (2018: three).

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

Financials

The following fees have been paid to the Group's Auditors:

	2019 £000	2018 £000
Auditors' remuneration for audit services:		
Audit of parent Company	22	34
Audit related assurance services	16	16
Statutory audit of subsidiaries	18	39
Auditors' remuneration for non-audit services:		
Tax services	8	-
Other services supplied	-	-

Note: The tax services were provided by KPMG LLP subsequent to their resignation as auditors

5. Net Financing Income

	2019 £000	2018 £000
Interest receivable	49	2
Interest receivable excluding fair value movements	**49**	**2**
Financing income	**49**	**2**
Bank loan interest	-	(327)
Amortisation of loan arrangement fees	-	(261)
Bank facility fees	(6)	(23)
Financing expenses	**(6)**	**(611)**
Net financing income/(costs)	**43**	**(609)**

6. Taxation

	2019 £000	2018 £000
(Loss)/Profit before tax	(1,874)	(7,154)
Corporation tax in the UK of 19% (2018: 20%)	(356)	(1,431)
Effects of:		
Revaluation deficit and other non-deductible items	220	907
Deferred tax asset not recognised	136	524
Total tax	-	-

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2016) were substantively enacted on 2 July 2013. Further reductions to 19% (effective 1 April 2017 were substantively enacted on 26 October 2016. From 11 May 2007, the Group elected to join the UK REIT regime. As a result, the Group will be exempt from corporation tax on the profits and gains from its property 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.

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 sufficient profits from the residual business will be generated in the foreseeable future to utilise the losses carried forward and therefore no deferred tax asset has been recognised in these accounts. The potential unprovided deferred tax asset at 30 September 2019, based on a rate of 19%, was £9.09m (2018: £8.95m, based on a rate of 19%).

7. Investment Properties

	Freehold Investment Properties £000	**Leasehold Investment Properties £000**	**Total £000**
At 30 September 2017	**42,570**	**12,043**	**54,613**
Additions	116	72	188
Disposals - property	(23,134)	(5,663)	(28,797)
Disposals - head leases	-	(431)	(431)
Fair value adjustments	(2,735)	(1,801)	(4,536)
Movement on Investment properties held for sale	(16,817)	(4,220)	(21,037)
At 30 September 2018	**-**	**-**	**-**
Additions – capital expenditure	4	-	4
Disposals - property	(17,170)	(1,446)	(18,616)
Reinstated - head leases	-	369	369
Fair value adjustments	(68)	(190)	(258)
Movement on Investment properties held for sale	17,274	4,366	21,640
At 30 September 2019	**40**	**3,099**	**3,139**

The investment properties have all been revalued to their fair value at 30 September 2019, on the basis set out in note 1 - investment properties above.

All rental income recognised in the Income Statement is generated by the investment properties held and all direct operating expenses incurred resulted from investment properties that generated rental income.

No properties have been used as security for loans during the year or at the balance sheet date.

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

	2019 £000	2018 £000
Portfolio valuation	3,447	22,317
Investment properties held for sale	(677)	(22,317)
Head leases treated as investment properties held under finance leases per IAS 17	369	-
Total per Balance Sheet	**3,139**	**-**

8. Trade and Other Receivables

	2019 £000	2018 £000
Trade receivables	83	541
Other receivables	189	3,609
Prepayments and contract assets	106	191
	378	**4,341**

9. Cash

	2019 £000	2018 £000
Cash in the Statement of Cash Flows	**3,566**	**3,292**

10. Trade and Other Payables

	2019 £000	2018 £000
Trade payables	32	98
Other taxation and social security	-	40
Other payables	203	1,425
Accruals and contract liabilities	164	654
Head lease liabilities	19	-
	418	**2,217**

Other payables include rent deposits held in respect of commercial tenants of £0.041m (2018: £0.340m).

11. Leasing

Obligations Under Finance leases

Finance lease liabilities on head rents are payable as follows:

	Minimum Lease Payment £000	Interest £000	Principal £000
At 30 September 2017	**3,075**	**(2,644)**	**431**
Disposals	(3,075)	2,644	(431)
At 30 September 2018	**-**	**-**	**-**
Reinstated	3,074	(2,705)	369
At 30 September 2019	**3,074**	**(2,705)**	**369**

Short term liabilities	19	-	19
Long term liabilities	3,055	(2,705)	350
Total	3,074	(2,705)	369

In the above table, interest represents the difference between the carrying amount and the contractual liability/cash flow.

All leases expire in more than five years.

12. Capital and Reserves

Share Capital

		Number 000's	Amount £000's
Balance 1 October 2018	Ordinary 20p shares	91,670	18,334
Converted to shares of 1p			(17,417)
Balance following court application		91,670	917
Shares bought back and cancelled		(59,809)	(598)
Balance 30 September 2019	Ordinary 1p shares	31,861	319

All shares are ranked pari passu with equal voting rights and rights to distributions. Of the shares bought back during the year 59,177,398 were placed in treasury and cancelled during the year. The balance of 631,058 were acquired immediately prior to the year end and cancelled on 1 October 2019.

Investment in Own Shares

At the year-end, 9,795,075 shares were held in treasury (2018: 9,164,017), and at the date of this report 9,165,017 were held in treasury.

Employee Benefit Trust("EBT")

The number of shares held by the Company's Employee Benefit Trust, LSR Trustee Limited at the year-end was nil (2018: 791,098). During the year:

1. 791,098 shares (2018: no shares) were allocated to beneficiaries under the Local Shopping REIT Plc Employee & Former Employee Incentive Scheme 2016.

2. The EBT transferred no shares to employees on the exercise of awards under either the Company's Long Term Incentive Plan or the Company's Share Option Scheme.

The EBT was wound-up in January 2019.

Reserves

The value of shares issued to purchase Gilfin Property Holdings Limited ("Gilfin") in excess of their nominal value was previously shown as a separate reserve in accordance with the Companies Act 2006. Following the commencement of liquidation of Gilfin in March 2019 and a distribution from the liquidator of £2.1m, this reserve was released by transfer to distributable reserves.

Capital Redemption Reserve

The brought forward capital redemption reserve arose in prior years on the cancellation of 8,822,920 Ordinary 20p Shares. As part of the share buy-back scheme this was released by Court permission to distributable reserves. Following the purchase by the Company of 59,808,456 of its 1p shares, a capital redemption reserve in the sum of £598,084 was established.

Calculation of Net Asset Value Per Share (NAV)

	2019 **£000**	**2018** **£000**
Net assets	**6,992**	**27,733**

	2019 **Number** **000s**	**2018** **Number** **000s**
Allotted, called up and fully paid shares	31,861	91,670
Treasury shares	(9,164)	(9,164)
Number of shares	**22,697**	**82,506**
NAV per share	**31p**	**34p**

13.Dividends

No dividends were paid during the current and previous year.

14. Earnings Per Share

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:

	2019 £000	2018 £000
Loss for the year (£'000)	(1,874)	(7,154)
Weighted average number of shares (000s)	89,395	91,670
Treasury shares (000s)	(9,164)	(9,164)
	-	-
Effective weighted average number of shares (000s)	**80,231**	**82,506**
Earnings/(loss) per share (pence)	**(2.34)**	**(8.67)**
Diluted earnings/(loss) per share (pence)	**(2.34)**	**(8.67)**

As the Group was loss making all potentially dilutive items would be considered anti-dilutive and so disregarded for the purposes of the dilutive earnings per share calculation.

There were shares held in the Employee Benefit Trust in the prior period which were entitled to dividends, which had been included in the weighted average calculations. These were fully divested during the period.

15. Financial Instruments and Risk Management

The Board of directors has overall responsibility for the establishment and oversight of the Group’s risk management framework.

As described in the Corporate Governance report, this responsibility has been assigned to the executive directors with support and feedback from the Audit Committee. The Audit Committee oversees how management monitors compliance with the Group’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group has identified exposure to the following financial risks from its use of financial instruments: capital management risk, market risk, credit risk and liquidity risk.

Capital Management Risk

The Group's capital consists of cash and equity attributable to the shareholders. Following repayment of the bank borrowing, the Board do not consider there is any material capital management risk exposure.

Market Risk

Market risk is the risk that changes in market conditions, such as interest rates, foreign exchange rates and equity prices, will affect the Group's profit or loss and cash flows. The Group's exposure to market risks was restricted to interest rate risk only. Following repayment of the bank borrowing, the Board do not consider there is any material market risk exposure.

The Group does not speculate in financial instruments. They have only been used to limit exposure to interest rate fluctuations. With the present cash balances, it is not likely that any borrowing and hence exposure to interest rate will occur.

Sensitivity Analysis

IFRS 7 requires an illustration of the impact on the Group's financial performance of changes in interest rates. The following sensitivity analysis has been prepared in accordance with the Group's existing accounting policies and considers the impact on the Income Statement and on equity of an increase of 100 basis points (1%) in interest rates. As interest rates were below 1% in the current and previous year, it has not been possible to consider the impact of a decrease of 100 basis points on interest income and expense as it would result in a negative rate of interest. Therefore, the impact of a fall in interest rates has been restricted to a floor of 0%. All other variables remain the same and any consequential tax impact is excluded.

Actual results in the future may differ materially from these assumptions and, as such, these tables should not be considered as a projection of likely future gains and losses.

	2019				**2018**			
	Impact on Income		**Impact on Equity**		**Impact on Income**		**Impact on Equity**	
	Increase by 1%	Decrease to 0%	Increase by 1%	Decrease to 0%	Increase by 1%	Decrease to 0%	Increase by 1%	Decrease to 0%
Impact on Interest income and expense in £000s	+138	nil	+138	nil	nil	nil	nil	nil

Fair value measurements recognised in the statement of financial position

Investment properties and Investment properties held for sale are measured subsequent to initial recognition at fair value and have been group as Level 3 (2018: level 3) based on the degree to which fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investment properties have been valued using the investment method which involves applying a yield to rental income streams.

Inputs include equivalent yield, tenancy information, and leasing assumptions. Valuation reports are based on both information provided by the Company e.g. tenancy information including current rents, which are derived from the Company's financial and property management systems and are subject to the Company's overall control environment, and assumptions applied by the valuers e.g. ERVs, and yields. These assumptions are based on market observation and the valuers professional judgement.

An increase/decrease in equivalent yields will decrease/increase valuations, and an increase or decrease in rental values will increase or decrease valuations. Other inputs include ERVs, and likely void and rent-free periods. There are interrelationships between these inputs as they are determined by market conditions. The valuation movement in a period depends on the balance of those inputs.

Below is a sensitivity analysis of the impact of a 1% increase or decrease in equivalent yields on income and equity. Actual results may differ materially from these assumptions and, as such, these tables should not be considered as a projection of likely future gains and losses.

	2019				**2018**			
	Impact on Income		**Impact on Equity**		**Impact on Income**		**Impact on Equity**	
	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%	Increase by 1%	Decrease by 1%
Impact in £000s	(237)	278	(237)	278	(561)	659	(561)	659

Credit Risk

Credit risk is the risk of financial loss to the Group if a tenant, bank or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from tenants, cash and cash equivalents held by the Group's banks and derivative financial instruments entered into with the Group's banks.

Trade and Other Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. At 30 September 2019 the Group had over 70 letting units in eight properties. 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. Geographically there is no concentration of credit risk in any one area of the UK. An analysis of the business by region, user type and tenant grade is given in the Operating Review. The level of arrears is monitored monthly by the Group and more frequently on a tenant by tenant basis by the asset managers.

Cash, Cash Equivalents and Derivative Financial Instruments

Two major UK banks provide the majority of the banking services used by the Group. In the past, financial derivatives were only entered into with one of these core banks.

The Group's financial assets which are exposed to credit risk are classified as follows and are shown with their fair value:

30 September 2019

	Available For Sale £000	At Amortised Cost £000	Total Carrying Amount £000	At Fair Value £000
Cash and cash equivalents	3,566	--	**3,566**	3,566
Trade receivables	--	83	**83**	83
Other receivables	--	189	**189**	189
	3,566	**272**	**3,838**	**3,838**

30 September 2018

	Available For Sale £000	At Amortised Cost £000	Total Carrying Amount £000	At Fair Value £000
Cash and cash equivalents	3,292	--	**3,292**	3,292
Trade receivables		541	**541**	541
Other receivables	--	3,609	**3,609**	3,609
	3,292	**4,150**	**7,442**	**7,442**

For all classes of financial assets, the carrying amount is a reasonable approximation of fair value.

	2019			2018		
	Total £000	**Impairment £000**	**After Impairment £000**	**Total £000**	**Impairment £000**	**After Impairment £000**
Not yet due	22		**22**	229		**229**
Past due by one to 30 days	32		**32**	191		**191**
Past due by 30–60 days	5		**5**	42		**42**
Past due by 60–90 days	3		**3**	19		**19**
Past due by 90 days	196	(175)	**21**	707	(647)	**60**
	258	**(175)**	**83**	**1,188**	**(647)**	**541**
Impairment as percentage of total debt		**67.83%**			**54.46%**	

Trade receivables that are not impaired are expected to be recovered.

The movement in the trade receivables' impairment allowance during the year was as follows:

	2019 £000	2018 £000
Balance at beginning of year	647	542
Impairment loss (credited)/recognised	(272)	221
Trade receivables written off	(200)	(116)
Balance at end of year	**175**	**647**

The impairment loss recognised relates to the movement in the Group's assessment of the recoverability of outstanding trade receivables.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have adequate resources to meet its liabilities when they fall due for both the operational needs of the business and to meet planned future investments. This position is formally reviewed on a quarterly basis or more frequently should events require it.

The Group's financial liabilities are classified and are shown with their fair value as follows:
30 September 2019

	At Amortised Cost £000	Total Carrying Amount £000	At Fair Value £000
Finance lease liabilities	368	368	368
Trade payables	32	32	32
Other payables	203	203	203
Accruals	164	164	164
	767	**767**	**767**

30 September 2018

	At Amortised Cost £000	Total Carrying Amount £000	At Fair Value £000
Trade payables	98	98	98
Other payables	1,425	1,425	1,425
Accruals	654	654	654
	2,177	**2,177**	**2,177**

For all classes of financial liabilities, the carrying amount is a reasonable approximation of fair value.

The maturity profiles of the Group's financial liabilities are as follows:

30 September 2019

	Carrying Value £000	Contractual Cash Flows £000	Within One Year £000	One to Two Years £000	Two to Three Years £000	Three to Four Years £000	Four to Five Years £000	Over Five Years £000
Finance lease liabilities	368	3,074	19	19	19	19	19	2,979
Trade payables	32	32	32	-	-	-	-	-
Other payables	203	203	203	-	-	-	-	-
Accruals	164	164	164	-	-	-	-	-
	767	**3,473**	**418**	**19**	**19**	**19**	**19**	**2,979**

30 September 2018

	Carrying Value £000	Contractual Cash Flows £000	Within One Year £000	One to Two Years £000	Two to Three Years £000	Three to Four Years £000	Four to Five Years £000	Over Five Years £000
Finance lease liabilities	-	-	-	-	-	-	-	-
Trade payables	98	98	98	-	-	-	-	-
Other payables	1,425	1,425	1,425	-	-	-	-	-
Accruals	654	654	654	-	-	-	-	-
	2,177	**2,177**	**2,177**	-	-	-	-	-

Contractual cash flows include the undiscounted committed interest cash flows and, where the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the year end.

16. Operating Lease Arrangements

a) Leases as Lessee

The Company has no leases where it is a lessee with the exception of head leases which have been capitalised (note 11)

b) Leases as Lessor

The investment properties are let under operating leases. Future minimum lease payments receivable by the Group under non-cancellable operating leases are receivable as follows:

	2019 £000	2018 £000
Less than one year	352	1,644
Between one and five years	875	4,363
More than five years	561	3,871
	1,788	**9,878**

17. Capital Commitments

Provision has been made for further anticipated expenditure on the properties as 30 September 2019 and 30 September 2018. No capital expenditure was planned at the balance sheet date.

18. Related Parties

Transactions with Key Management Personnel
The only transactions with key management personnel relate to remuneration which is set out in the Remuneration Report.

The key management personnel of the Group for the purposes of related party disclosures under IAS 24 comprise all executive and non-executive directors.

See also Note 20: Significant Contracts .The only other related party transactions relate to intergroup trading.

19. Group Entities

All the below companies are incorporated in the United Kingdom and 100% owned at 30 September 2019 and 2018

NOS 4 Limited
NOS 5 Limited
NOS 6 Limited
NOS 7 Limited
Gilfin Property Holding Limited(in liquidation)
LSR Trustee Limited (subsequently applied to dissolve and due to be struck off on 12 January 2020)

20. Significant contracts

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

- An annual management fee of 0.70% of the gross asset value of the portfolio, 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.

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

- Fees for cumulative property sales as follows:
  Up to £50m nil
  £50m–£150m 0.5% of sales
  Over £150m 1.0% of sales

- A terminal fee of 5.7% of cash returned to the Company's shareholders in excess of 36.1 pence per share from the Effective Date (22 July 2013) 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.

As at the year end the hurdle stood at 57.3p (2018: 53.0) per share.

Since the year end the agreement between the Company and Principal has terminated, and no liquidation has taken place. Accordingly no terminal fee will be payable now or in the future.

Under the terms of the agreement Principal received fees of £0.320m (2018: £0.416m) during the year.

There were no fees outstanding as at the year-end (2018: £nil)

Company Balance Sheet as at 30 September 2019

		2019		2018	
	Note	**£000**	**£000**	**£000**	**£000**
Fixed assets					
Investments	C5		3,277		20,950
			3,277		**20,950**
Current assets					
Debtors	C6	763		8,144	
Cash		3,127		2,568	
		3,891		**10,712**	
Creditors: Amounts falling due within one year	C7	(178)		(4,569)	
Net current assets			**3,714**		**6,143**
Total assets less current liabilities			**6,990**		**27,093**
Creditors: Amounts falling due after one year			–		–
Net assets			**6,990**		**27,093**

Capital and reserves					
Share capital	C8		319		18,334
Reserves	C8		-		3,742
Capital redemption reserve	C8		598		1,764
Profit and loss account	C8		6,073		3,253
Shareholders' funds			**6,990**		**27,093**

These financial statements were approved by the Board of directors on 29 January 2020 and were signed on its behalf by:

Gareth Edwards
Director

The registered number of the Company is 05304743.

Statement of Changes in Equity for the year ended 30 September 2019

	Share Capital £000	Reserves £000	Capital Redemption Reserve £000	Profit and Loss Account - £000	Total £000
At 1 October 2017	18,334	3,742	1,764	9,203	**33,043**
Share-based payments		–	–	98	98
Loss for the financial year		–	–	(6,048)	**(6,048)**
At 30 September 2018	18,334	3,742	1,764	3,253	27,093
Capital reduction	(17,417)			17,417	-
Transfer capital reserves to revenue		(3,742)	(1,764)	5,506	-
Cost of own shares acquired	(598)			(18,309)	(18,907)
Creation of Capital Redemption Reserve			598	(598)	
Share-based payments		–	–	40	**40**
Loss for the financial year		–	–	(1,236)	**(1,236)**
At 30 September 2019	319	**-**	**598**	**6,073**	**6,990**

As explained in the notes to the Statement of changes in Equity on page 41 of the consolidated financial statements, the Company underwent a Court approved restructure of capital and buy back of shares. Under this action the issued 20p shares were converted to 1p; capital reserves were transferred to distributable reserves; 59,808,456 shares were repurchased and cancelled, and a new Capital Redemption Reserve of £0.598m was established.

Notes to the Financial Statements

C1. Accounting Policies

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2016 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The consolidated financial statements of The Local Shopping REIT plc are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments;* and,
- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

There were no judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements, with a significant risk of material adjustment in the next year.

Measurement convention

The financial statements are prepared on the historical cost basis.

Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Basic financial instruments

Trade and other debtors / creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Judgements and Estimates

In testing for impairment, management assesses the recoverable amount of investments and inter-company debtors by reference to the subsidiaries' net assets and their ability to recover these assets.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.19 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.
Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Profit for the Financial Year

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company’s loss for the year was £1.236m (2018: £6.048m).

C2. Remuneration of Directors
The detailed information concerning directors’ emoluments, shareholdings and share options is shown in the Remuneration Report and note 4 to the group financial statements.

All directors of the Company are directors of the Group.

C3. Remuneration of Auditors
The detailed information concerning Auditors’ remuneration is shown in note 4 to the Group financial statements.

C4. Staff Numbers, Costs and Share Option Schemes
The detailed information concerning staff numbers, costs and share option schemes is shown in notes 4 and 12 to the Group financial statements.

C5. Fixed Asset Investments

	Shares in Group Undertakings £000	Total £000
Cost		
At 30 September 2018	108,605	108,605
Disposals	-	-
At 30 September 2019	**108,605**	**108,605**
Provisions		
At 30 September 2018	87,655	87,655
Impairment charge for year	17,673	17,673
Disposals	-	-
At 30 September 2019	**105,328**	**105,328**
Net book value		
At 30 September 2019	**3,277**	**3,277**
At 30 September 2018	20,950	20,950

An impairment review of the carrying value of the Company's investments in its subsidiary undertakings has been performed. In carrying out this review, the directors had due regard to the nature of the property investments held, which is commensurate with the funding arrangements in place. On the basis of this review which included a review of the underlying assets of the individual subsidiaries the directors have written down the value of investments in subsidiary undertakings to their estimated realisable value. This is considered a level 3 valuation on the fair value hierarchy.

The companies in which the Company's interests at the year-end were more than 20% and so are included in the consolidated financial statements are as follows:

Company	Nature of Business	Interest*
NOS 4 Limited**	Property Investment	100%
NOS 5 Limited**	Property Investment	100%
NOS 6 Limited**	Property Investment	100%
NOS 7 Limited**	Property Investment	100%
Gilfin Property Holdings Limited (in liquidation)***	Property Investment	100%
LSR Trustee Limited (subsequently applied to dissolve and strike off)**	Holding Trustee	100%

*All interests comprise 100% ordinary shares.
**Incorporated in England, registered office: Eastleigh Court, Bishopstrow, Warminster BA12 9HW
***Incorporated in Scotland, registered office: 4 Atlantic Quay, 70 York Street, Glasgow G2 8JX (Liquidator)

C6. Debtors

	2019 £000	2018 £000
Amounts owed by Group undertakings*	708	8,116
Other debtors	46	2
Prepayments	9	26
	763	**8,144**

Amounts owed by group undertakings are interest free and repayable on demand. During the year the Company forgave £152,000 of debt due from NOS 7 Limited. This was expensed in the year.

C7. Creditors

	2019 £000	2018 £000
Trade creditors	2	71
Amounts owed to Group undertakings	72	3,757
Other taxation and social security	-	13
Other creditors	-	-
Accruals	104	728
	178	**4,569**

Amounts owed to group undertakings are interest free and repayable on demand

C8. Reconciliation of Shareholders' Funds
Share Capital

	2019 Ordinary 1p Shares		2018 Ordinary 20o shares	
	Number 000	Amount £000	Number 000	Amount £000
Allotted, called up and fully paid	31,861	319	91,670	18,334

As explained in note 12 to the Consolidated Financial Statements, the 20p shares were converted to 1p nominal value, and 59.809m shares bought and cancelled by the Company**.**

Investment in Own Shares
At the yearend, 9,164,017 shares were held in treasury (2018: 9,164,017), and at the date of this report 9,164,017 were held in treasury.

C9. Controlling party
As at the date of this report the company was controlled by Thalassa Holdings Ltd by way of its significant shareholding. No consolidated financial statements including the Company have yet been prepared. Financial statements for Thalassa Holdings Ltd are available at its website www.thalassaholdings.com

Dividends
No dividends were paid during the current and previous year.

Glossary

Earnings Per Share ("EPS")
EPS is calculated as profit attributable to shareholders divided by the weighted average number of shares in issue in the year.

Equivalent Yield
Equivalent yield is a weighted average of the initial yield and reversionary yield and represents the return a property will produce based upon the timing of the income received. In accordance with usual practice, the equivalent yields (as determined by the Group's external valuers) assume rent received annually in arrears and on gross values including prospective purchasers' costs (including stamp duty, and agents' and legal fees).

Head Lease
A head lease is a lease under which the Group holds an investment property.

Initial Yield
Initial yield is the annualised net rent generated by a property expressed as a percentage of the property valuation. In accordance with usual practice the property value is grossed up to include prospective purchasers' costs.

Like-for-like Market Rent
This is the Market Rent for the Group's investment properties at the end of the financial year compared with the Market Rent for the same properties at the end of the prior year, i.e. excluding the Market Rent of those properties disposed of during the interim period.

Like-for-like rental income
This is the rental income for the Group's investment properties at the end of the financial year compared with the rental income for the same properties at the end of the prior year, i.e. excluding rental income of those properties disposed of during the interim period.

Market Value
Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Market Rent
Market rent is the estimated amount for which a property should lease on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms, in an arm's length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Net Asset Value ("NAV") per share
NAV per share is calculated as shareholders' funds divided by the number of shares in issue at the year-end excluding treasury shares.

Real Estate Investment Trust ("REIT")
A REIT is a listed property company which qualifies for and has elected into a tax regime, which exempts qualifying UK property rental income and gains on investment property disposals from corporation tax. LSR converted to REIT status on 11 May 2007.

Reversionary Yield
Reversionary yield is the annualised net rent that would be generated by a property if it were fully let at market rent expressed as a percentage of the property valuation. In accordance with usual practice the property value is grossed up to include prospective purchasers' costs.

Shareholder Information

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For further information visit our website: www.localshoppingreit.co.uk