



the **Local Shopping** reit plc

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If you sell or have sold or otherwise transferred all of your Ordinary Shares you should send this document as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding, you should retain these documents.

The Local Shopping REIT plc (“the Company”)

(incorporated and registered in England and Wales under number 5304743)

Notice of Annual General Meeting

Notice of an Annual General Meeting (“the Meeting”) of the Company, to be held at the offices of the Company, 6th Floor, Palladium House, 1-4 Argyll Street, London W1F 7TA on Thursday 26 February 2009 at 11.00am, is set out at the end of this document. The form of proxy for use at the Meeting accompanies this document and, in order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company’s Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6ZL, not less than 48 hours before the time of the Meeting or of any adjournment of the Meeting. Completion and return of a form of proxy will not preclude a member from attending and voting at the Meeting in person, should he subsequently decide to do so.



the Local Shopping reit plc

Registered office:
6th Floor
Palladium House
1-4 Argyll Street
London
W1F 7TA

16 January 2009

The Local Shopping REIT plc ("the Company")

(incorporated and registered in England and Wales under number 5304743)

Notice of Annual General Meeting

Dear Shareholder

I am pleased to be writing to you with details of our Meeting which we are holding at the Registered Office of the Company on Thursday 26 February 2009 at 11.00am and also to provide you with explanatory notes to some of the resolutions to be considered at that Meeting.

We are asking shareholders to vote to approve the resolutions set out in the Notice. If you would like to vote on the resolutions but cannot come to the Meeting, please fill in the proxy form sent to you with this Notice and return it to our Registrars as soon as possible. They must receive it not less than 48 hours before the time of the Meeting or any adjournment of the Meeting.

The formal Notice of Annual General Meeting is set out following this letter.

Explanatory Notes

Resolution 3 – Re-election of Directors

The Company's Articles of Association require one-third of the directors to retire by rotation at each Annual General Meeting and to offer themselves for re-election, unless the number of directors obliged to retire is two, in which case one director shall retire.

Resolution 5 – Renewal of the Powers of the Board to Allot Shares

This resolution replaces the existing authority of the directors to allot shares, which expires at the conclusion of the forthcoming Meeting. The resolution authorises the directors to allot shares to a limit of approximately one-third of the current issued share capital of the Company.

Resolution 6 – Renewal of the Powers of the Board to Disapply Pre-emption Rights

This resolution empowers, subject to passing resolution 5, the directors (inter alia) to allot shares for cash or sell treasury shares on a non-pre-emptive basis up to a maximum of 10% of the issued share capital (excluding shares held in treasury) as at the date of this Notice. Resolution 6 replaces the existing authority of the directors to allot shares for cash on a non-pre-emptive basis, which expires at the conclusion of the forthcoming Meeting.

The extent of the authorities contained in resolutions 5 and 6 are considered by the directors to be within the norm for investment companies.

Resolution 7 – Authorisation of the Company to Purchase its Own Shares

This resolution renews the directors' existing authority to purchase the Company's shares, up to a maximum of 14.99% of the Company's issued share capital (excluding shares held in treasury), for a further year. The directors propose to exercise the authority only when they believe this to be in the best interests of shareholders.

Resolution 8 – New Articles of Association

The Company's current Articles of Association ("Current Articles") have been reviewed and, in common with many other public companies, we are asking shareholders to vote to approve the adoption of new Articles of Association which have been amended to take account of changes introduced by the Companies Act 2006 ("2006 Act").

The 2006 Act is expected to have been implemented in full by October 2009. Accordingly, the Company intends to undertake a further review of the Articles of Association prior to the Annual General Meeting in 2010 and to propose further amendments to reflect the final form of the 2006 Act. Given the intention to carry out a detailed review next year, the changes now proposed have been kept to a minimum.

Appendix 1 contains a summary of the changes which would be made to the Company's existing Articles of Association should this resolution be passed.

Resolution 9 – Benefits of Increasing Borrowing Powers Under the Articles of Association

The Current Articles restrict the borrowing powers of the directors to an amount equal to 65% of the total assets of the Company, being a requirement of the Listing Rules at the time of the Company's IPO. Although the directors are conscious of the need to exercise prudence in relation to gearing levels, particularly in the current economic climate, the directors believe that developing market conditions may provide opportunities for the Company to purchase properties on advantageous terms. Accordingly, on 5 September 2008 the Company arranged a new £60m finance facility with HSBC Bank Plc. So as to avoid unduly limiting the Company's ability to make use of the new facility when attractive buying opportunities are identified, we are asking shareholders to vote to approve the proposed amendment to Article 127.1 of the Current Articles increasing the limit on the borrowing powers of the directors to 75% of the total assets of the Company. This increase in the borrowing powers of the directors would constitute a material change to the published investment policy of the Company and therefore shareholder approval is required pursuant to the Listing Rules. The directors will continue to monitor the Company's borrowing levels and will only increase gearing where they believe this to be in the best interests of shareholders.

Following the change referred to above, the Company's investment policy following the AGM will be as follows:

The Company's investment policy is to acquire local shops in urban and suburban areas, investing in neighbourhood and convenience properties throughout the UK. The portfolio typically comprises shops that are well established in their local communities, although the Company will invest in new developments of local shops where these are supported by existing or newly built residential property. The shops trade across all retail planning consents and there is no concentration of risk in a particular retail sector. The intention is to maintain a high level of diversification. The Company has the power under its Articles to borrow up to an amount equal to 75% of gross assets at the time of drawdown.

Risk Factors

The following risk factors are considered to be applicable to the business of the proposed increase of borrowing powers under the Articles of Association pursuant to resolution 9:

a) Gearing

The Company will borrow to fund the acquisition of properties. Investors should be aware that, whilst the use of borrowings should enhance the net asset value of the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling.

In addition, in the event that the rental income of the Company's property portfolio falls for whatever reason, including tenant defaults, the use of borrowings will increase the impact of such a fall on the net revenue of the Company and accordingly will have an adverse effect on the Company's ability to pay dividends to shareholders.

In certain circumstances, including breach of financial covenants relating to interest cover and loan to value ratios, the Company's bank borrowings may be repayable prior to the date on which they would otherwise fall due for repayment. In such circumstances, assets may have to be sold at depressed prices to repay borrowings and prepayment penalties may be payable.

b) Interest Rate Risks

If the Company is unable to refinance any loan at the end of its term, this may have an adverse effect on the Company's capital and income growth and its ability to pay dividends to the shareholders. The market prices of Ordinary Shares may be affected by changes in interest rates. This is because the price of such shares is partly related to their yield and a rise in interest rates would make the yield relatively less attractive. Conversely, a fall in interest rates would make the yield relatively more attractive.

Action to be Taken

Shareholders will find enclosed a form of proxy for use at the Meeting. Whether or not you intend to attend, you should complete and return the form by post or by hand and the form must reach the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, BN99 6ZL, not less than 48 hours before the time of the Meeting or of any adjournment of the Meeting.

Documents Available for Inspection

Copies of the following documents are available for inspection at the registered office of the Company and at the offices of Eversheds LLP, One Wood Street, London, EC2V 7WS during usual business hours on any weekday (Saturday and public holidays excluded) and at the place of the Meeting from at least 15 minutes prior to and until the conclusion of the Meeting:

- a) the service contracts and letters of appointment of each of the directors;
- b) the Memorandum and Articles of Association of the Company and copies of the Memorandum and Articles of Association of the Company marked up to show (i) the changes proposed pursuant to resolution 8 only, (ii) the changes proposed pursuant to resolution 9 only, (iii) all changes proposed pursuant to resolutions 8 and 9; and
- c) this document.

Recommendation

The directors consider the resolutions to be proposed at the Meeting of the Company to be in the best interests of the Company and its shareholders as a whole. Accordingly, your directors unanimously recommend that shareholders vote in favour of the resolutions set out in the Notice of Meeting at the end of this document, as they intend to do in respect of their own beneficial holdings which amount to 8,694,241 Ordinary Shares (representing 10.54% of the existing issued Ordinary Share capital of the Company as at 16 January 2009, the last practicable day prior to publication of this document).

Yours sincerely

BY ORDER OF THE BOARD

Grahame Whateley
Chairman

Notice of Annual General Meeting

The Local Shopping REIT plc ("the Company")

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the offices of the Company, 6th Floor, Palladium House, 1-4 Argyll Street, London W1F 7TA on Thursday 26 February 2009 at 11.00am, for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as to resolutions 1 to 5 as ordinary resolutions and as to resolutions 6 to 9 as special resolutions.

Ordinary Business

- 1 To receive and adopt the report of the directors and the financial statements of the Company for the year ended 30 September 2008, together with the report of the Auditors.
- 2 To approve the Directors' Remuneration Report contained in the report of the directors and the financial statements for the year ended 30 September 2008.
- 3 To re-elect as a director Michael Riley, who retires by rotation, in accordance with Article 111 of the Company's Articles of Association.
- 4 To re-appoint KPMG Audit Plc as Auditors to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company, and to authorise the directors to determine their remuneration.

Special Business

- 5 THAT the directors be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") (in substitution for any existing authority to allot relevant securities) to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to a maximum nominal amount of £5,500,390 (being approximately one third of the issued share capital of the Company at the date of this Notice) provided that (save in the case of the issue of securities to or in accordance with the Company's employee share schemes, being the Company Share Option Plan, Long Term Incentive Plan and Employee Benefit Trust) the directors will not allot any equity securities (as defined by section 94 of the Act) below the net asset value for that type of equity security as estimated by the directors on the latest practicable date prior to such allotment and that such authority shall expire on the conclusion of the Meeting of the Company to be held in 2010 or on 26 May 2010, whichever is the earlier, but so that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry, and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired.
- 6 THAT, subject to the passing of resolution 5 above, the directors be empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the general authority conferred by resolution 5 above and sell relevant shares (as defined in section 94 of the Act) held by the Company as treasury shares (as defined in section 162A of the Act) for cash, as if section 89(1) of the Act did not apply to such allotment or sale, provided that this power shall be limited to allotments of equity securities and the sale of treasury shares:
 - i) in connection with or pursuant to an offer by way of rights, open offer or other pre-emptive offer to the holders of shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory; and
 - ii) otherwise than pursuant to sub-paragraph (i) above, up to an aggregate nominal amount of £1,650,117 (being approximately 10% of the issued share capital of the Company at the date of this Notice).

and such power shall expire on the conclusion of the Meeting of the Company to be held in 2010 or on 26 May 2010, whichever is the earlier, but so that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry, and the directors may allot equity securities or sell treasury shares in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

- 7 THAT the Company be generally and unconditionally authorised, pursuant to and in accordance with section 166 of the Act to make market purchases (as defined in section 163(3) of the Act) of its Ordinary Shares of 20p each in the capital of the Company (the "Shares") on such terms and in such manner as the directors may from time to time determine, provided that:
- a) the maximum aggregate number of Shares authorised to be purchased is 12,367,627 being the number representing 14.99% of the issued capital of the Company (excluding Shares held by the Company in treasury) at the date of this Notice;
 - b) the minimum price (exclusive of expenses) which may be paid for a Share is 20p (being the nominal value of a Share);
 - c) unless a tender offer is made to all holders of Shares, the maximum price which may be paid for a Share is an amount equal to the higher of: (a) 105% of the average of the middle market quotations for a Share as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the Share is purchased; and (b) the higher of the price of the last independent trade in Shares and the highest then current independent bid for the Shares on the London Stock Exchange and, where a tender offer is made to all holders of Shares, the maximum price which may be paid for a Share is an amount equal to the net asset value per Share at the latest practicable date prior to such purchase, all as determined by the directors;
 - d) the authority shall expire at the conclusion of the Meeting of the Company to be held in 2010 or on 26 May 2010, whichever is the earlier; and
 - e) the Company may make a contract to purchase Shares under the authority before the expiry of the authority which will or may be executed wholly or partly after its expiry and may make a purchase of Shares in pursuance of any such contract.
- 8 THAT the Company's new Articles of Association in the form produced to the Meeting and initialled by the Chairman for the purposes of identification, be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.
- 9 THAT Article 127.1 of the Company's Articles of Association (whether the Company's Articles of Association adopted on 11 April 2007 or those adopted at the Annual General Meeting of the Company on 26 February 2009) be deleted in its entirety and substituted with the following:
- "The Board may exercise all the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property or assets (present or future) and uncalled capital and issue debentures and other securities, and to give security whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party provided always that the aggregate principal outstanding at the time of drawdown in respect of moneys borrowed by the Company (exclusive of moneys borrowed by one Group company from another) shall not exceed an amount equal to 75% of the total assets at that time.",
- and that the Company's then existing adopted Articles of Association which have been amended by this resolution 9 in the form produced to the Meeting and initialled by the Chairman for the purposes of identification, be filed with the Registrar of companies accordingly.

BY ORDER OF THE BOARD

W A Heaney
Company Secretary
16 January 2009

Registered office:
6th Floor
Palladium House
1-4 Argyll Street
London W1F 7TA

General Notes:

- 1 Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and to vote on a poll instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the Meeting in person, should he subsequently decide to do so.
- 2 If you are a person with information rights under section 146 of the 2006 Act you do not have the right to appoint a proxy. Any purported exercise by such persons (whether by completion and return of a form of proxy, or otherwise) will be ineffective. You may however have specific rights to instruct the member who granted you information rights as to how such member exercises their right to appoint a proxy.
- 3 In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must reach the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing BN99 6ZL, not less than 48 hours before the time of the Meeting or of any adjournment of the Meeting.
- 4 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders must be entered on the Company's share register at 6.00pm on 24 February 2009 in order to be entitled to attend and vote at the Meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries on the relevant register after that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
- 5 The total number of Ordinary Shares of 20p each in issue as at 16 January 2009, the last practicable day before printing this document was 91,669,870 and the total number of Ordinary Shares with voting rights was 91,669,870, of which 9,164,017 were attached to Ordinary Shares held in treasury by the Company. The Ordinary Shares held in treasury represent 11.11% of the issued share capital of the Company (excluding treasury shares) (which is equal to 9.99% of the issued share capital of the Company (including treasury shares)).
- 6 Copies of the service contracts and letters of appointment of each of the directors, the Memorandum and Articles of Association of the Company and copies of the Memorandum and Articles of Association of the Company marked up to show (i) the changes proposed pursuant to resolution 8 only, (ii) the changes proposed pursuant to resolution 9 only, and (iii) all the changes proposed pursuant to resolutions 8 and 9 will be available for inspection at the registered office of the Company and at the offices of Eversheds LLP, One Wood Street, London, EC2V 7WS during usual business hours on any weekday (Saturdays and public holidays excluded) and at the place of the Meeting from at least 15 minutes prior to and until the conclusion of the Meeting.
- 7 Biographical details of each director who is being proposed for re-appointment or re-election by shareholders, including their membership of Board committees, are set out in the Company's Annual Report 2008.
- 8 In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above. A letter in this form would be acceptable to the Company and its Registrars.

APPENDIX 1

Amendments to the Company's Articles of Association adopted on 11 April 2007 (the "Current Articles")

General

Changes throughout the Current Articles are being made in order to make correct reference to the "Companies Act 2006" and the "Companies Act 1985", as well as to update and correct statutory references where appropriate.

References to Extraordinary General Meetings and Extraordinary Resolutions

The provisions in the Current Articles relating to convening of extraordinary general meetings and the proposal of extraordinary resolutions are being amended to reflect that these terms are no longer used in the 2006 Act.

Votes of Members

Under the 2006 Act proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the 2006 Act so that the Articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. The New Articles give the directors discretion, when calculating the time limits, to exclude weekend and bank holidays. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect these new provisions.

Reasons for Refusal to Register Transfer

The 2006 Act requires the reason for a refusal by the Board of directors to register a transfer of shares on the register of members to be given. The Current Articles allow the Board to refuse to register any transfer of shares "without giving a reason" which is no longer appropriate. The New Articles reflect the requirement of the 2006 Act.

Conflicts of Interest

The 2006 Act sets out directors' general duties which largely codify the existing law, but with some changes. Under the 2006 Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where the Articles of Association contain a provision to this effect. The 2006 Act also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively and that the procedures have been followed.