



the **Local Shopping** reit plc

Preliminary results for the year ended 30 September 2010



Our sector: Occupier

- Continued resilience from our tenants
- Our rents are low at £11.27 psf, < £233 per week and < 7% of business turnover
- Our rent free periods are shorter: typically 0 - 3 months compared with 18 - 36+ months for national retailers. Our tenants generally provide up to three months rent deposit
- Letting activity has remained robust although less successful retailers are still in danger with rents under pressure, particularly for larger units
- Lettings under offer remain high at £300,740 pa (1.68% of ERV)



Our sector: Investment

- The past six months have seen a softer market
- Stock picking is key due to over rented property
- Yields have stabilised in our market
- Continued visibility exists on investment yields from the auction market and private treaty activity, although auction volumes have held up, the success rate has fallen
- Increasing owner occupier interest in purchasing with prevailing low interest rates
- Bank debt tightening with margins increasing
- Banks putting more pressure on borrowers but need longer term solutions
- Values will be driven in the short term by exploiting asset management angles and rental growth

Opportunities in our sector

- Parades, neighbourhood centres, precincts – the Pramerica JV
- Banks who are seeking longer term solutions to distressed situations
- Local Authorities who need asset management expertise to enable capital release
- Asset management for third parties
- Selective residential conversions / development
- Corporate acquisitions

Strategy

- Optimise value and income from existing assets and recycle ex-growth properties
- Use our unique business platform and management skills to grow revenue by:-
 - Developing further partnership vehicles aligned to our sector
 - Selling ex growth properties to fund investment in vehicles
 - Corporate or portfolio acquisitions; use REIT status as appropriate
 - Distressed asset management for third parties

Pramerica £100m JV

- Local parades and precincts with rental growth and asset management opportunities
- Pramerica providing £30m equity and LSR £7.5m (80 : 20 equity split), paid pro rata on purchase. LSR equity funded from property disposals and/or facility drawdown
- Committed 5 year term loan from HSBC at 65% LTV drawn down and 70% default covenant
- Lot size £1.25m to £7m
- Exclusive investment period for 2 years or until 90% of equity is invested
- Minimum 15% geared IRR investment return targeted
- LSR will receive an acquisition fee, management fee and a promote
- Term - 5 years
- Exit options include, portfolio disposals, break up, LSR buy in, etc

Results for the year ended 30 September 2010

Income Statement	30 September 2010	30 September 2009	Change
Rental income	£15.5m	£15.3m	+1.3%
Property expenses	£2.6m	£2.9m	-10.3%
Admin expenses	£2.6m	£2.5m	+4.0%
Net interest expense <i>(excluding the movement in fair value of swap)</i>	£7.4m	£7.1m	+4.2%
Recurring profit	£2.9m	£2.9m	-
Interest cover	209%	214%	-
Recurring profit per share <i>(Based on 81,382,514 shares)</i>	3.6p	3.5p	+2.9%

Results for the year ended 30 September 2010

Balance Sheet	30 September 2010	30 September 2009
Balance Sheet valuation	£194.1m	£174.2m
Cash held	£6.1m	£5.9m
Outstanding debt <i>(debt less outstanding loan arrangement fees)</i>	£131.7m	£116.1m
Adjusted net assets <i>(adjusted to exclude fair value of financial derivatives)</i>	£66.8m	£63.9m
Gearing <i>(excluding restricted cash)</i>	224.6%	188.1%
Loan to value ratio <i>(including substitution cash)</i>	67.3%	66.4%
Adjusted NAV per share <i>(adjusted to exclude fair value of financial derivatives) (based on 81m shares)</i>	81p	77p

Debt facilities in place

The Group operates using the following facilities:

Loan	Facility	Loan outstanding	Undrawn	LTV covenant	Repayable in one instalment	Termination date
Barclays fixed rate loan	£69.2m	£69.2m	-	No	Yes	2016
HSBC fully drawn term loan	£47.7m	£47.7m	-	No	Yes	2016
HSBC term loan	£25.0m	£10.5m	£14.5m	Yes	Yes	2016
HSBC revolver facility	£35.0m	£5.1m	£29.9m	Yes	Yes	2016
Total		£132.5m	£44.4m			

The LTV covenant on the undrawn available facility is 85%

All loans have actual and forecast ICR covenants which range between 110% - 120% for actual and 107% - 115% for forecast

Margin on undrawn facility between 1.2% and 1.6% depending on LTV

Undrawn commitment fee of 60bp going forward

Portfolio valuation: £192.9m (as at 30 September 2010)

- Initial Yield 8.03%
- Reversionary Yield 8.76%
- Equivalent Yield* (EY) 8.88%
- Rent pa £16.4m
- Market Rent pa £17.9m

Capital Value	No. of Properties	Market Value	EY*
£0 – £100k	148	£11.2m	9.38%
£101 – £200k	232	£34.1m	8.93%
£201 – £500k	170	£53.1m	8.48%
£501k – £1m	77	£50.7m	8.96%
£1 – £3m	27	£40.7m	8.79%
£3m +	1	£3.1m	7.42%
Total	655	£192.9m	8.88%

* Excluding residential valued at 85% of vacant possession value (£17.2m)

Portfolio valuation – Adjusted for Purchases/Sales

	Change Last 6m	Change Sep 09- Sep 10	Change Sep 08- Sep 09	Change Sep 07-Sep 08	Change Mar 07-Sep 07
Value	-1.6% (1)	+3.5%	-13.2%	-17.7%	-4.1%
Rent pa	+0.2%	-1.0%	-3.6%	-5.4%	-1.5%
Market Rent pa	-0.6%	-2.3%	-4.4%	-1.2%	+1.1%

(1) Valuation last 6m: 341 properties unchanged; 92 increased (ave 8.1%); 198 decreased (ave -6.7%)

Portfolio yields

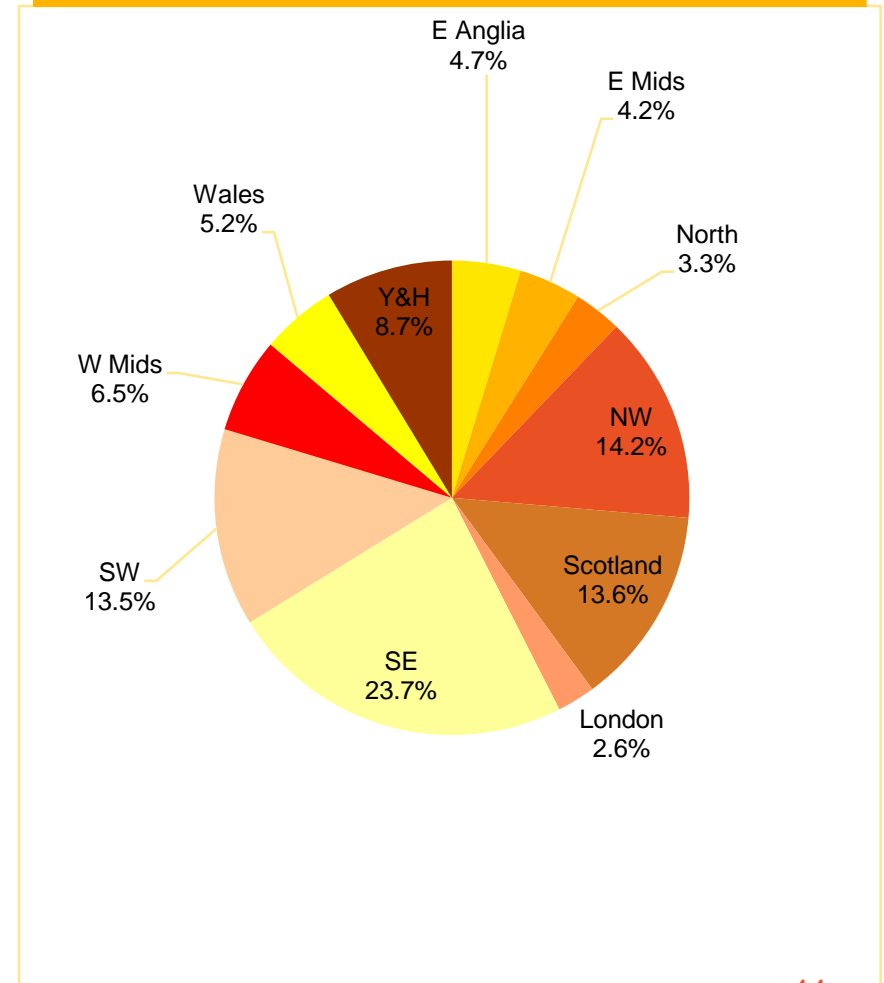
	Sep10	Mar 10	Sep 09	Mar 09	Sep 08	Mar 08	Sep 07
Initial Yield	8.03%	7.96%	8.43%	9.03%	7.57%	6.76%	6.53%
Reversionary Yield	8.76%	8.78%	9.35%	10.08%	8.48%	7.53%	7.06%
Equivalent Yield*	8.88%	8.86%	9.47%	10.22%	8.52%	7.53%	7.08%

* Excluding residential

Portfolio remains diversified (data as at 30 September 2010)

- 655 properties: 2,075 letting units
- Median property value: £170,000
- Largest tenant: 2.3% of portfolio rent (Tesco)
- Largest property: 1.6% of portfolio value
- Average rent per shop: £12,129 pa, £11.27 psf
- Retail: 83.6%
- Offices: 5.1%
- Residential: 8.6%
- Other: 2.7%
- Full breakdown in supplemental information

Regional Spread



Asset management

New Lettings – Market is Active

- Flexible approach – maximising income
- 107 vacant units let at £983,584 pa – last 6m: 63 at £589,770 pa
- 30 units let on rents rising from £296,884 pa to £369,454 pa compared to £350,750 pa market rent
- Remaining 77 units let at 1.4% premium to market rent
- Average rent free period 69 days (FY 09 - 56 days)
- Pipeline still healthy: at 30 September 2010 there were 25 units under offer at £300,740 pa

Rent Reviews/Lease Renewals etc

- Rent reviews on 198 units increased rents by £143,449 pa; average uplift of 5.6%, 7.9% above market rent
- Lease renewals on 45 units increased rents by £16,119 pa; average uplift of 4.8%, 5.2% above market rent
- Surrender and re-lettings on seven units increased rents by £9,708 pa; average uplift of 13.5%, 1.1% above market rent
- Two lease extensions on residential flats secured premiums totalling £13,250

Planning/Development

- Planning consent secured for 50 flats, the reconfiguration of 4 retail units and a 4,600 sq ft retail unit
- Building out where yields justify
 - 20 flats converted out of unused upper floor space, 19 let at £120,970 pa, one under offer for sale
 - A further 11 flats under construction
- 10 change of use consents from A1 (shops) to A2 (financial), A3 (restaurant/cafe) and A5 (hot food takeaway) and one from restricted A2 to A1

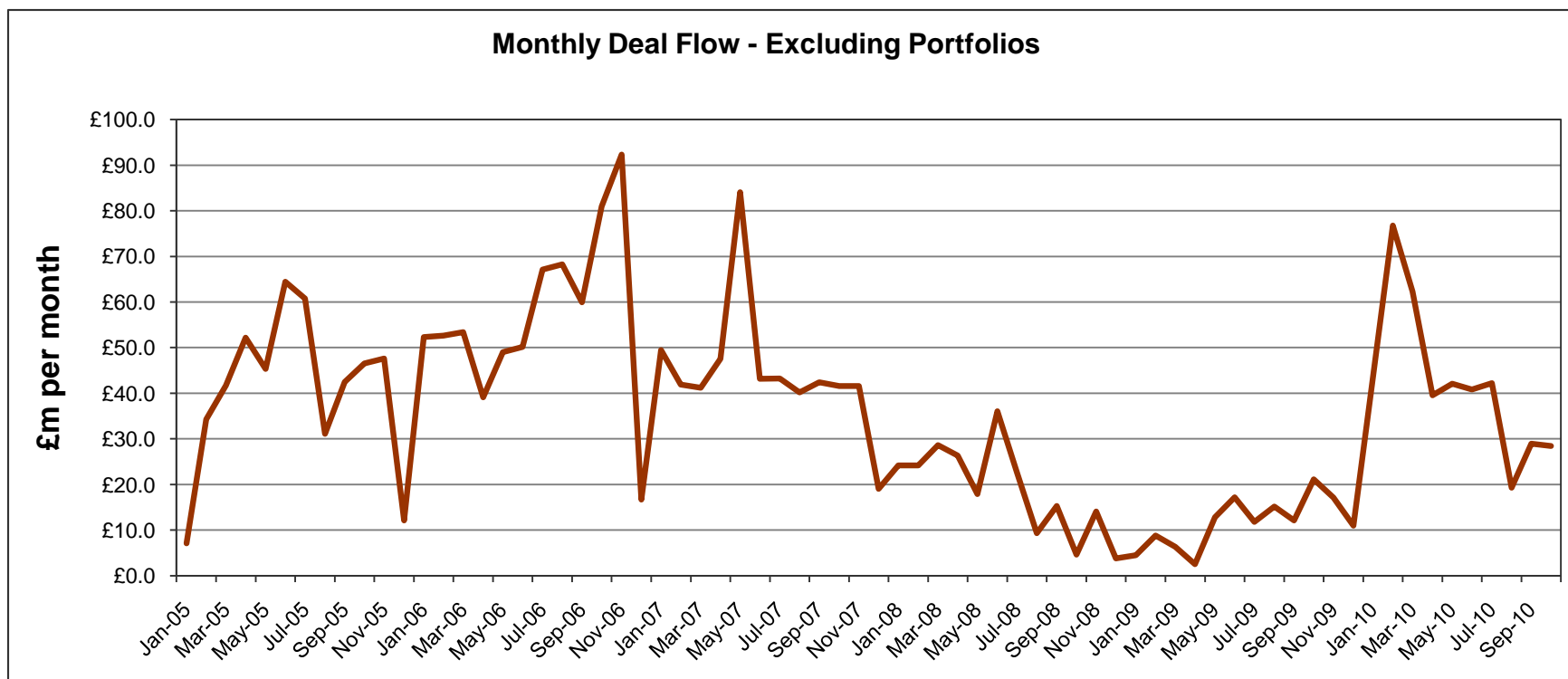
Sales – Ex-Growth Properties

- 14 properties sold for £4.7m at an average yield of 6.85% (a small premium to valuation) – Last 6m: four (two vacant, two let) sold for £2.3m (£0.1m above 31 March 2010 valuation)
- A further 2 properties sold since the year end for £0.6m at a yield of 7.98% (in line with their 30 September 2010 valuation)
- One flat sold for £85k and another sold after the year end for £80k
- Increasing interest from tenants to buy their units
- Further sales of ex-growth properties planned to release funds for reinvestment

Acquisitions – Highly Selective Approach

Purchases

- Since 30 September 2009: 35 properties purchased for £16.9m at an average yield of 7.89% - last 6m: 20 properties purchased for £10.8m at an average yield of 7.85%
- Post year end: four convenience stores let on long leases to Tesco (RPI rent reviews) and Martin McColl (fixed rent reviews) purchased for £1.4m at an average yield of 6.95%



Acquisitions – continued

- Accretive acquisitions
- Sustainable rents
- Growth potential :
 - Fixed or RPI linked rent reviews
 - Active asset management



Stanwell

7.81% - convenience store let off £8.40 psf - ERV £12.50 psf +. Planning to convert 1st fl offices into 9 flats



Ladbrokes Portfolio

8.95% - 6 x retail units in Scotland let to Ladbrokes on 6 year leases



Swindon

9.66% - new build parade of 10 shops adjacent to a Co-op superstore



Hull

8.52% - 20 year lease to Martin McColl with fixed rental uplifts

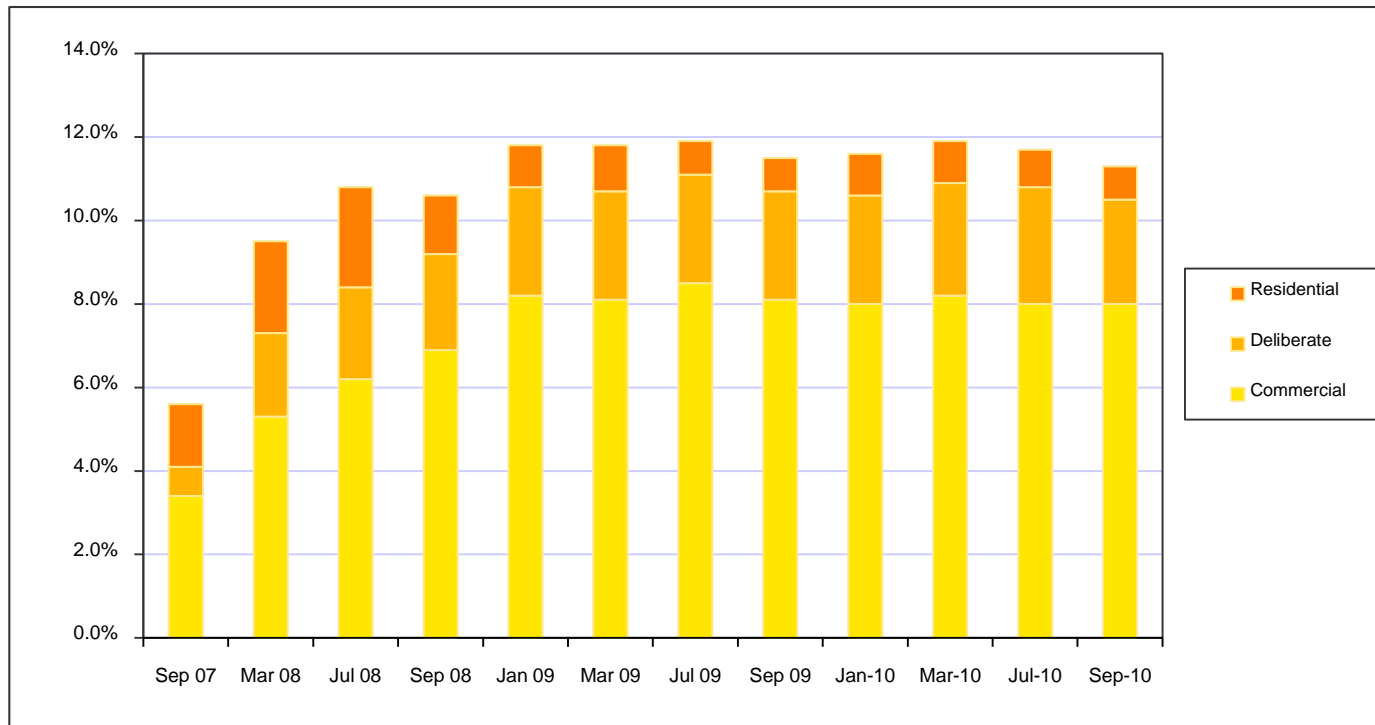


Blackburn

5.50% - 15 years to Tesco with 5 yearly rent reviews to RPI

Void rate – 0.6% fall since 31 March 2010

- Overall voids 11.3% - core commercial 8.0%, deliberate 2.5%, residential 0.8%



- Bad debts & provisions down 12% – year to 30 Sep10: £918,452 (FY09 £1,043,297)
- Increase in rent deposits held to £940,000 (£900,000 at 30 September 2009)

Dividend

- Committed to pay 100% of recurring profits earned over the full year
- Our stated objective is to pay a progressive dividend but this clearly depends upon the Company's ability to generate increased profits. This relies on:
 - Strength of tenant market
 - Sales and purchases
 - Interest rates
 - New initiatives
- Dividend payment of 1.9p, (3.5p v 3.6p for the year) to be paid as a PID on 31 December 2010 to shareholders on the register on 10 December 2010

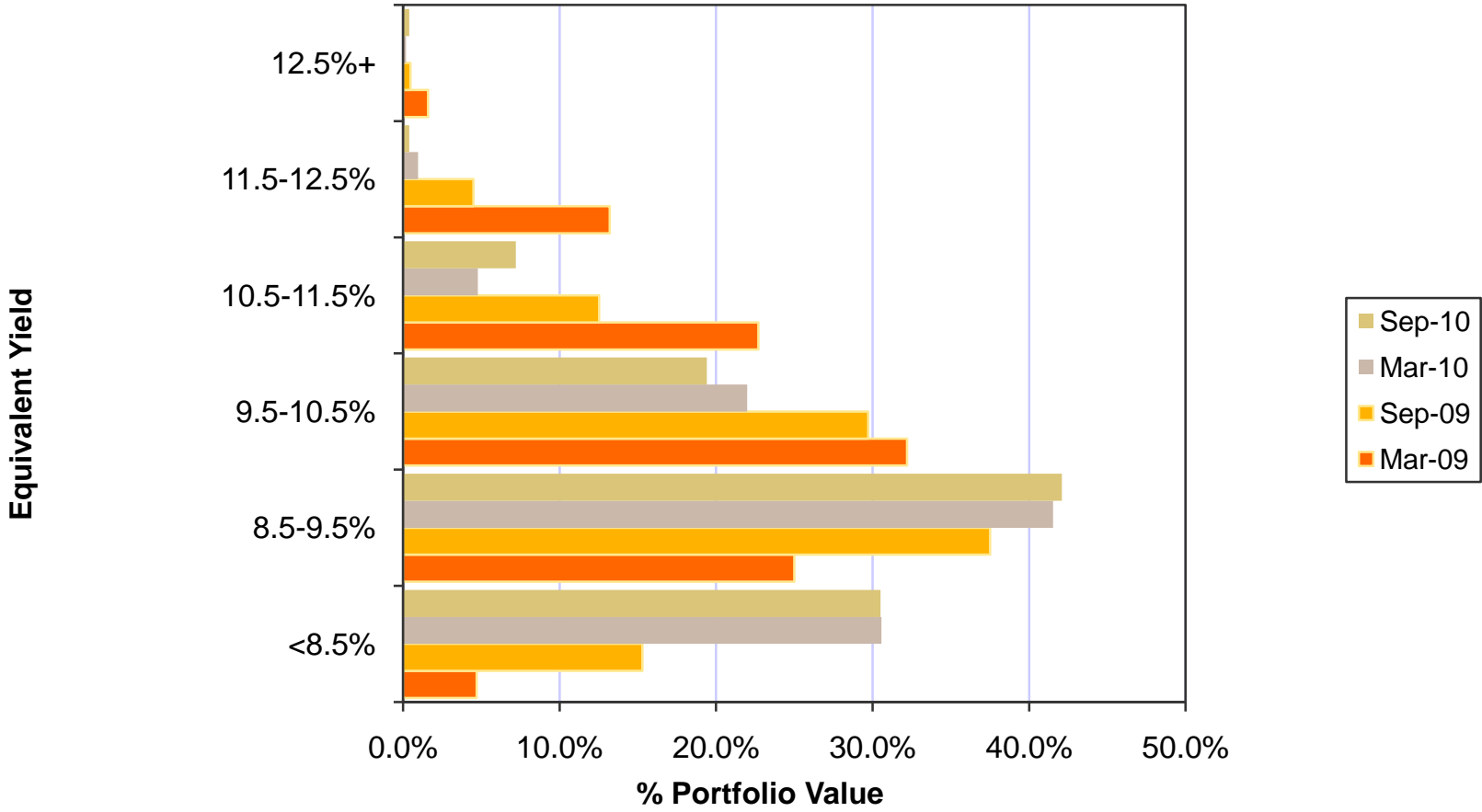
Contacts

LSR

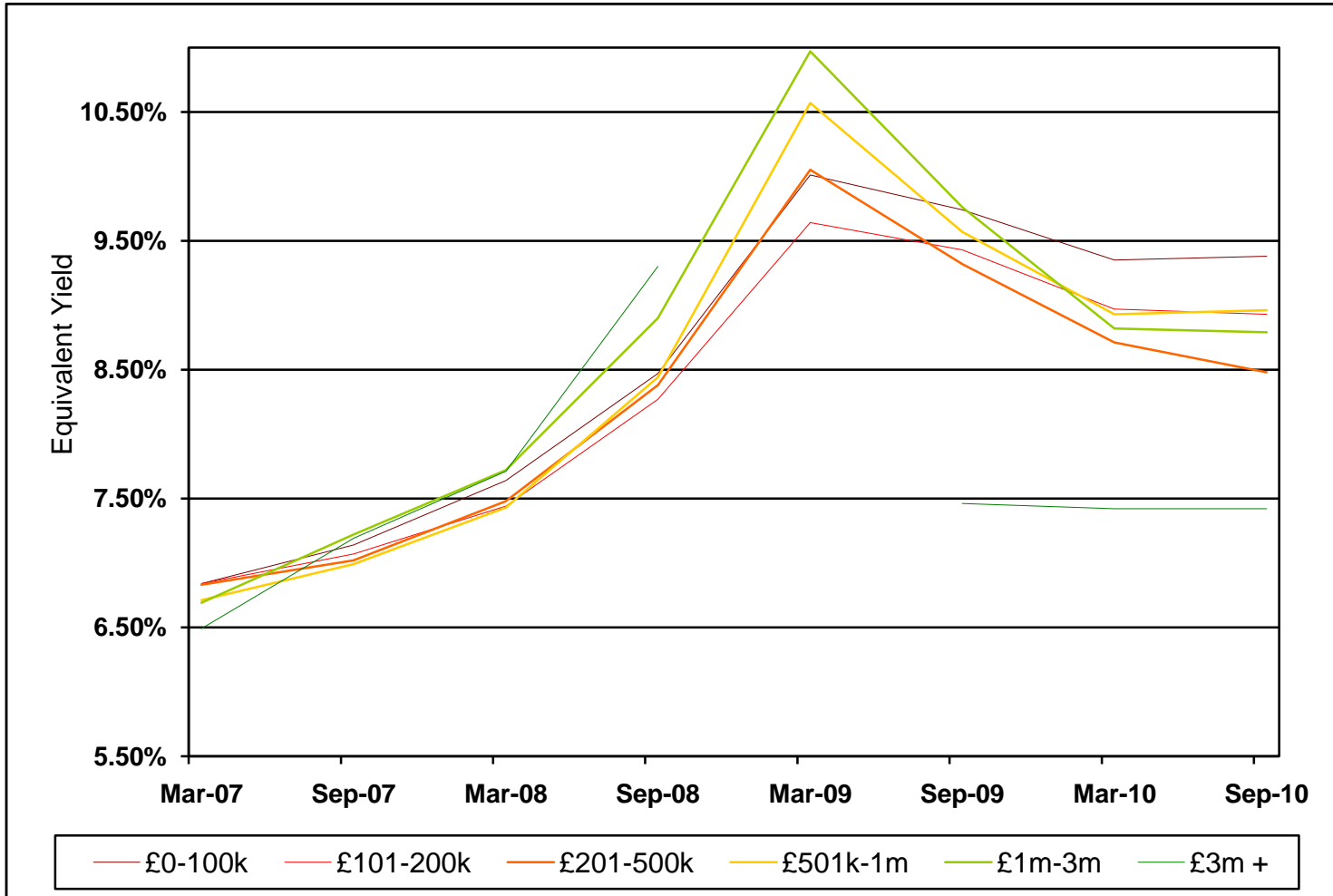
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Supplemental Information

Broad range of yields



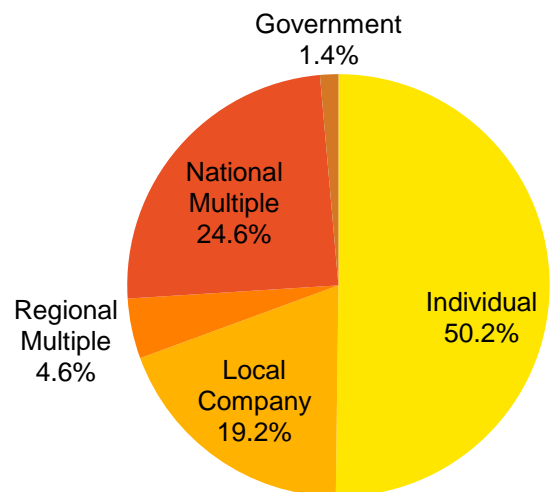
Portfolio valuation – Movement in yields



Smaller lot sizes remain more liquid

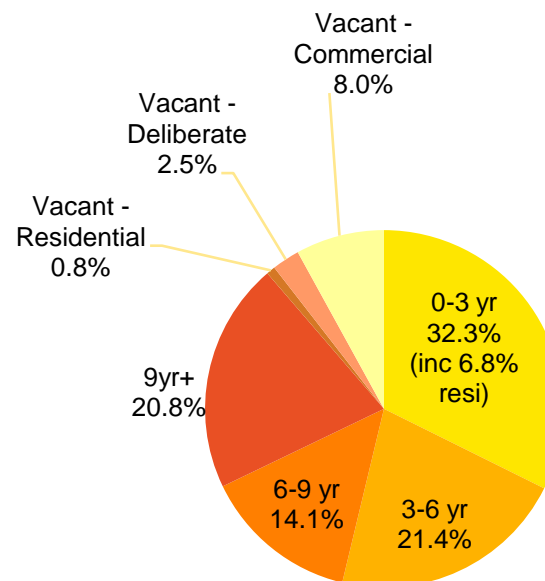
Portfolio income (as at 30 September 2010)

Tenant Grade



- 69.4% local independent traders

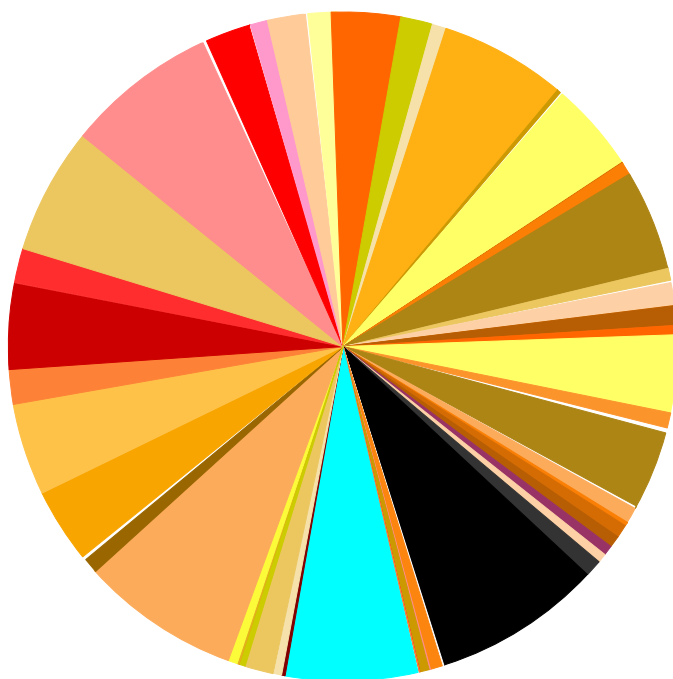
Lease Expiry Profile



- Weighted average (excl-resi): 6.9 years or with breaks 5.6 years

Diverse tenant base (as at 30 September 2010)

User Types as % of Rent



Access - 0.1%	Ad Hoarding - 0.1%
Amusements - 0.5%	AST - 7.7%
Bank - 0.7%	Beauty - 3.7%
Bookmaker - 4.5%	Cards/Gifts - 1.7%
Charity - 4.1%	Chemist - 1.7%
Clothing - 6.1%	Convenience - 7.2%
Discount - 2.3%	Dry Cleaner - 1%
Electrical - 1.8%	Entertainment - 1.4%
Estate/Letting Agent - 3.3%	Financial - 1.4%
Florist - 0.8%	Food - 6%
Funeral - 0.2%	Furniture/ Homeware - 4.4%
Garage - 0%	Ground rent - 0.8%
Hairdresser - 4.7%	Hardware/Ironmongers - 0.6%
Health - 1.2%	Industrial - 0%
Jewellers - 0.9%	Leisure - 0.6%
Misc - 3.6%	Off Licence - 0.7%
Office - 4%	Optician - 0.9%
Parking - 0.2%	Pawnbroker - 0.6%
Pet Shop - 0.6%	Photos - 0.5%
Pub/Bar - 0.4%	Recruitment - 0.8%
Restaurant/Café - 8.2%	Satellite Dish - 0.1%
Sports - 0.6%	SRT - 0.1%
Stationery - 0.5%	Storage - 0%
Substation - 0%	Takeaway - 6.4%
Taxi Hire - 0.2%	Telecom Mast - 0.4%
Travel - 1.4%	WareHse - 0.3%