



1 December 2011

The Local Shopping REIT plc
(“LSR” or the “Company” or the “Group”)

UNAUDITED FULL YEAR RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2011

The Local Shopping REIT plc (LSE: LSR), a real estate investment trust that provides investors with access to a diversified portfolio of local shopping assets across the UK, today announces unaudited results for the year ended 30 September 2011.

Financial Highlights:

- Market value of the portfolio broadly flat at £189.2 million (2010: £192.9 million), a 0.4% like-for-like decrease over the full year
- Recurring profit of £3.2 million or 4.0 pence per share (2010: £2.9 million or 3.6 pence per share) with an IFRS loss of £0.7 million (2010: profit £1.8 million)
- Net Asset Value (NAV) of £53.8 million or 65 pence per share (2010: £57.6 million or 70 pence per share)
- Adjusted NAV of £63.1 million or 76 pence per share excluding liabilities arising from derivative financial instruments (2010: £66.8 million or 81 pence per share excluding liabilities arising from derivative financial instruments)
- Annual rent roll of £16.2 million (2010: £16.4 million) with like-for-like rent improving 0.7% (2010: down 1.0%)
- Prudent debt and financial management:
 - Total net debt of £130.6 million, reflecting an LTV of 68.5%, with no ongoing loan to value default provisions on the fully drawn facilities and low interest cover tests across all loans
 - £45.6 million of undrawn facilities as at 30 September 2011, comprising a term loan, of which £14.5 million is undrawn, and a revolving credit facility, of which £31.1 million is undrawn. The undrawn term loan was cancelled in October 2011
 - Debt free properties valued at £26.4 million
 - No refinancing due until 2016
- Total dividend for the year up 11.1% to 4.0 pence per share (2010: 3.6 pence per share) following the payment of a second dividend for the year of 2.1 pence per share (2010: 1.9 pence per share) to be paid by 31 December 2011 as a non-PID to shareholders on the register on 9 December 2011. The ex-dividend date will be 8 December 2011.

Operational highlights:

- Strong lettings progress resulted in a meaningful reduction of voids to 10.6% (2010: 11.3%), of which 2.3% of the total were deliberate:
 - 130 vacant commercial units let at an annual rental income of £1.2 million (2010: 107 units let at £983,584 per annum), of which 66 were let in the second half producing £584,150 per annum
 - 205 rent reviews with an average rental uplift of 4.3% (7.5% above Market Rent) increased income by £105,590 per annum
 - 54 lease renewals with an average rental uplift of 3.0% (3.2% above Market Rent) increased rental income by £18,303 per annum
 - Rental deposits increased to approximately £970,000 or 24% of the quarterly rent roll (2010: £940,000)
 - 11 newly constructed flats let, adding a further £70,680 per annum to rent roll
- Six accretive acquisitions secured at an average yield of 7.09%. This reflects the ongoing selective approach to acquisitions. Given the strong tenant covenants, these assets are expected to deliver future growth through fixed rental uplifts and RPI linked rent reviews
- Solid progress made with the Company's strategy of divesting ex-growth properties, with the sale of 17 assets (including one part-sale and four flats) at an average yield of 7.38% and an 8.5% premium to their existing valuation. Four of these were sold during the second half for £0.4 million, showing a 12.6% surplus over the 31 March 2011 valuation
- Planning consent secured for 21 flats, three retail units and the sub-division of two properties to provide an additional four smaller retail units. Change-of-use consents to higher value uses obtained on 12 units which will improve their letting prospects
- Construction completed on 14 flats, 11 of which are now leased (see above), with 10 further flats under construction and expected to complete by the end of 2011
- Further progress in leveraging the Company's expertise in managing diverse portfolios of smaller assets to generate fee income from banks and other joint venture partners:
 - 50/50 joint venture work-out vehicle established with £10 million of equity to invest in properties which require asset management; four properties acquired to date for a total of £3.39 million. LSR also receives fee income
 - Joint venture established with Pramerica Real Estate Investors made good but prudent progress, having selectively invested or committed to invest over £22 million since November 2010
 - Appointed by a UK bank to asset manage a property in north Scotland

Grahame Whateley, Chairman of The Local Shopping REIT plc, commented: “During the past year we have made good progress in executing our strategy and, despite the challenging economic environment, the business is performing well. Our active asset management of the portfolio has resulted in a falling void rate, growing rents and a stable valuation. Our financing is long term, with our facilities expiring in 2016, and our two fully drawn loans have no loan-to-value covenants.

“With this solid platform, we are now focused on growing our business. We continue to believe that the next few years will provide opportunities to generate substantial returns for our shareholders from investing in and managing distressed situations. Since the last year end we have taken significant steps towards achieving our strategic goals. The establishment of two strong joint ventures with major financial institutions provides us with the financial firepower to invest in distressed situations as well as the opportunity to earn fees. During the coming year, we seek to grow our investment in these two ventures as well as progress other initiatives that will enhance our ability to deliver steadily improving earnings and enhanced shareholder value.”

Mike Riley, Joint Chief Executive Officer, said: “Tenant demand for smaller local shopping assets from both national operators (particularly supermarkets for their convenience store formats) and independent traders remains resilient, as evidenced by the 23% increase in the value of new lettings achieved during the year. We remain confident that the wide geographic spread and diversity of our asset and tenant base, with its focus on supporting the top-up shopping needs of local communities, will continue to underpin our strong, cash generative business model. Furthermore, we believe that our rents remain affordable, which is demonstrated by our continuing success in letting vacant units.”

Nick Gregory, Joint Chief Executive Officer, added: “A key element of our strategy for growth is the management of distressed assets and, during the year, we were appointed to manage property on behalf of a third UK lending institution. Discussions continue with a number of other lenders who recognise the value of our business model and we hope to build on this progress during the coming year to generate additional income for the business.

“We will also seek to further leverage our unique skill set and grow the business through the creation of additional joint ventures such as the one agreed with Pramerica. As with our core business, we are taking a highly selective approach to acquisitions on behalf of the JV, but have already purchased or committed to buy 13 properties with a combined purchase price of approximately £22 million. Furthermore, we recently entered into a 50/50 joint venture partnership with an established UK financial institution to create a £10 million workout vehicle to invest in UK commercial properties, primarily comprising local shopping assets that will benefit from LSR’s specialist asset management.”

Meeting

A meeting for analysts and institutional investors will take place today at 11.15am at FTI Consulting, 26 Southampton Buildings, London WC2A 1PB.

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About The Local Shopping REIT

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

Already a major owner of local retail property, the Company is building a portfolio of local shops in urban and suburban areas, investing in neighbourhood and convenience properties throughout the UK. Typical of the portfolio are shops in local shopping parades and neighbourhood venues for convenience or 'top-up' shopping. As at 30 September 2011 the Company's directly owned portfolio comprised 648 properties, with over 2,030 letting units. In addition, the Company intends to deploy its unique set of specialist asset management skills in the management of third party assets and joint ventures, building upon its current mandates with a number of leading institutions.

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

CHAIRMAN'S STATEMENT

I am pleased to announce the Company's full year results for the 12 month period to 30 September 2011.

Introduction

The Company made strong operational progress during the year in executing its strategy of optimising the value of and income from existing assets, and using its business platform and asset management skills to grow revenue.

We continue to work the existing portfolio hard against a challenging economic backdrop. Over the year, our hands-on asset management has generated over £120,000 per annum of additional income through successful rent reviews and lease renewals. Converting unused space above a number of our shops into 14 flats has added a further £70,000 to the annual rent roll and, over the year, we have secured planning consent for a further 21 such conversions. Our flexible leasing policy, supported by our extensive network of local agents, has resulted in a significant reduction in the void rate, from 11.3% in September 2010 to 10.6% as at 30 September 2011. As a result of these initiatives, like-for-like rents grew by 0.7% over the period.

Our national network of contacts and acquisition agents provide us with a unique insight into local investment markets. During the year, these partnerships helped us make six accretive acquisitions at an average yield of 7.09% which, given the strong tenant covenants, should deliver future growth through fixed rental uplifts and RPI linked rent reviews. At the same time, in a difficult market, we have sold 17 ex-growth properties (including one part-sale and four flats) at an average yield of 7.38% and an 8.5% premium to their existing valuation. Our success in implementing asset management initiatives has helped us to maintain the value of the portfolio which on a like-for-like basis remained broadly flat (down 0.4%) over the year.

During the year, we also made good progress with the second element of our strategy: exploiting our business platform and asset management skills to enable us to offer our skills to third parties and thereby grow future revenue. Our specialist asset management skills provide us with a unique capability to manage smaller lot sized properties throughout the UK. We see a strong business opportunity for LSR to use these skills to help property owners or administrators manage portfolios of smaller assets, where they may not possess the relevant expertise in-house. I am pleased to report that during the year we were appointed by a third UK lender, in this instance specifically to asset manage a property in the north of Scotland, clearly demonstrating our extensive national coverage. While the management fees payable on these projects for three lenders are currently relatively minor, we hope to build on this progress and our strong relationships with UK lenders over the coming year to generate further income for the business.

One such strong relationship led to the conclusion of a 50/50 joint venture partnership with an established UK financial institution, as announced on 28 September 2011. The joint venture was created as a workout vehicle to invest in commercial investment properties across the UK, primarily local shopping

assets, that will benefit from the specialist management approach applied by LSR's highly experienced team. Each JV partner will commit up to £5 million of equity. The initial drawdown of £710,000 from each was used to acquire a portfolio of four properties for £3.39 million. The JV intends to hold the properties as investment assets and grow this initial portfolio as LSR applies its specialist management skills to maximise value and income. The Company will receive management fees and incentive fees based on specific agreed performance hurdles.

Earlier in the year, as announced on 29 November 2010, we entered into a joint venture agreement with Pramerica Real Estate Investors ("Pramerica") to form Local Parade Investments LLP ("LPI"). Including gearing, LPI will have circa £100 million to invest in neighbourhood retail parades and centres throughout the UK. With Pramerica committing to provide 80% of the equity (£30 million) and LSR providing the remaining 20% (£7.5 million), the JV is structured so that LSR and Pramerica act as co-investors. LSR also acts as asset manager and will be responsible for sourcing investments, for which it receives related fees. Our partnership with Pramerica provides a strong endorsement of our asset management capabilities and the opportunities that can be found in the local shopping market. We have already built up a strong working relationship with Pramerica's team and to date have selectively invested or committed to invest over £22 million into the sector.

Dividend

As a result of the successful implementation of our strategy I can report a recurring profit for the year of 4.0 pence per share (2010: 3.6 pence per share). This result was achieved despite a rise in certain property operating costs, including the amount of empty rates payable over the period and certain costs included in administrative expenses such as the rise in the undrawn commitment fee on the loan facility. This demonstrates the real value of our active asset management of the portfolio and our new business initiatives.

I am pleased to announce a dividend for the second half of the year of 2.1 pence per share (2010: 1.9 pence per share), which is in line with our policy to pay out 100% of recurring profits earned over the year. This has been a strong year from an earnings perspective. The underlying market may well prove more challenging next year but we remain committed to a progressive dividend policy.

The dividend will be paid by 31 December 2011, as a non-PID to shareholders on the register on 9 December 2011. This will take the total dividend paid for the year to 4.0 pence per share, an 11.1% increase on the dividend paid in the previous year (2010: 3.6 pence per share).

Outlook

During the past year we have made good progress in executing our strategy and, despite the challenging economic environment, the business is performing well. Our active asset management of the portfolio has resulted in a falling void rate, growing rents and a stable valuation. Our financing is long term, with our facilities expiring in 2016, and our two fully drawn loans have no loan-to-value covenants.

With this solid platform we are now focused on growing our business. We continue to believe that the next few years will provide opportunities to generate substantial returns for our shareholders from investing in distressed situations. Since the last year end we have taken significant steps towards achieving our strategic goals. The establishment of two strong joint ventures with major financial institutions provides us with the financial firepower to invest in distressed situations as well as the opportunity to earn fees. During the coming year, we seek to grow our investment in these two ventures as well as progress other initiatives that will enhance our ability to deliver steadily improving earnings and enhanced shareholder value.

Grahame Whateley

Chairman

1 December 2011

BUSINESS REVIEW

In the review below, as well as providing an overview of the business activities over the last 12 months, we also make comment, where appropriate, on the progress made since the portfolio was last valued on 31 March 2011.

Results and Net Asset Value

During the year, the Company achieved a £0.3 million increase in recurring profit to £3.2 million (4.0 pence per share), up from £2.9 million (3.6 pence per share) in 2010. This has been achieved as a result of an increase in portfolio rent following the purchases completed in 2010 which has offset an increase in property operating expenses arising primarily from the removal of empty rates relief from April 2011. The recurring result contributed by the joint ventures is de minimus for the 12 month period given the relatively short period of time assets have been owned. The detailed calculation of recurring profit is given in the Finance Director's Review below.

In addition the Group has earned £0.1 million in one-off acquisition fees from the joint ventures. The first year set up costs incurred on these vehicles has resulted in only a minimal profit being recorded, but we expect greater profits to be generated in the coming year.

The net asset value of the Group has fallen in value over the 12 month period by £3.8 million. This is a result of the decline in the value of the portfolio, together with an increase in investment in a number of deliberately vacant properties and other value-add opportunities in order to protect and enhance future values. In addition, there has been a small increase in the liability arising from the interest rate swaps in the period (£0.1 million). Therefore, the consequential fall in NAV per share is 5 pence, down to 65 pence per share compared to 70 pence at 30 September 2010. The adjusted net asset value per share (adjusted for the fair value of the swap agreements) has fallen to 76 pence per share compared to 81 pence in 2010.

Portfolio Performance

Our directly owned portfolio was re-valued at the year end at £189.2 million, reflecting an equivalent yield (excluding residential element) of 8.83%. It now comprises 648 properties, with 2,034 letting units, and produces annual rental income of £16.2 million.

Combined Portfolio

Value	£189.2 million
Initial Yield	8.16%
Reversionary Yield	8.77%
Equivalent Yield*	8.83%
Rent pa	£16.2 million
Market Rent pa	£17.5 million

Value Range	No. of Properties	Value £ million	Equivalent Yield*
£0 - £100k	147	11.0	9.35%
£101 - £200k	245	36.5	8.96%
£201 - £500k	154	49.9	8.84%
£501k - £1m	76	50.7	8.75%
£1m - £3m	24	34.8	8.74%
£3m +	2	6.3	8.38%
Total	648	189.2	8.83%

* excluding residential element

The table above illustrates the range of property values throughout the portfolio. The average property value is £292,000 and the median is £170,000. The residential element of the portfolio has been valued at £18.3 million, based on 85% of vacant possession value. The average value of the residential units in our portfolio remains low, at just below £58,000.

Like-for-like portfolio – adjusted for part sales

	30 September 2011	30 September 2010	Change
Value	£187.3 million	£188.0 million	-0.36%
Initial Yield	8.17%	8.03%	+14 bp
Reversionary Yield	8.78%	8.74%	+4 bp
Equivalent Yield*	8.85%	8.89%	-4 bp
Rent per annum	£16.1 million	£16.0 million	+0.65%
Market Rent per annum	£17.3 million	£17.4 million	-0.64%

* excluding residential element

Over the year as a whole, the portfolio market rent has held up well, falling only 0.6% compared with a fall of 2.3% during the previous financial year. More encouragingly, as a result of our asset management successes, like-for-like rent grew during the year by 0.7% compared with a fall of 1.0% in the year to 30 September 2010.

Our success in implementing asset management initiatives and growing rental income has helped us to maintain the value of the portfolio which, on a like-for-like basis, fell only slightly (down just 0.4%) over the year, with the equivalent yield (excluding the residential element) moving out only four basis points to 8.85%.

Investment Market

Values within the local shopping sub-sector have remained relatively stable over the year. Private investors, faced with low interest rates, continue to invest in smaller lot sized properties in order to satisfy their requirement for income. Interestingly, our conversations with the leading auction houses suggest many of the investors purchasing smaller retail properties are new entrants to the sector. We believe that low interest rates are supportive of current valuation levels but, with bank debt remaining scarce and expensive, any near term yield compression in our sector seems unlikely. The prevailing low interest rate environment has also encouraged owner-occupiers to consider purchasing rather than renting. We have

seen the impact of this within our own portfolio, with the sale of a number of vacant units at firm prices and increased interest from our existing tenants in acquiring their own premises.

The banking sector needs to carry out substantial de-leveraging over the next few years. Many investors had anticipated that this would result in a reasonable increase in supply from sales of smaller assets where a borrower was in default. However, we have not yet seen stock or market liquidity increase to the extent that had been predicted. In addition, the inability of banks to make appropriate write-downs has often led to a mismatch between the pricing expectations of buyers and sellers.

Acquisitions and Sales

Throughout the year we maintained our highly selective approach to making acquisitions, concentrating on securing attractively priced properties with sustainable rents and the potential for growth through fixed or inflation linked rent reviews or active asset management. During the year, we purchased six properties for our wholly owned portfolio for a total consideration of £1.8 million, at a blended yield of 7.09%. Of these, just one has been acquired since 31 March 2011 for £0.2 million. Five of the six acquisitions were convenience store investments let to Tesco, Co-op and Martin McColl, with four of them leased on long leases, offering good growth potential through fixed or RPI linked rent reviews.

In line with our stated strategy, we continued to make solid progress in selling ex-growth properties. During the year, we sold 17 properties, including one part disposal and four flats, for £3.6 million at an average yield of 7.38%. These sales were at an 8.5% premium to valuation. Four of these were sold during the second half of the year for £0.4 million showing a 12.6% surplus over the 31 March 2011 valuation. We also exchanged contracts (subject to planning) to sell a property yielding 6.98% in Rutherglen for £0.5 million, 11.1% above valuation. In addition, a property in Stanwell was transferred during the first half into the joint venture with Pramerica Real Estate Investors at its £1.62 million valuation.

Since the year end, we have completed the sale of a property in Taunton for £0.2 million, 10.0% above its September 2011 valuation. Over the coming year we intend to sell further ex-growth properties in order to reinvest the proceeds into our joint ventures and other interesting opportunities.

Occupier Market

Within the occupier market, conditions remain challenging. The year has been characterised by weak domestic growth, inflation remaining persistently above the Bank of England's target and ongoing substantial cuts to public spending. More recently, increasing instability within the Eurozone can be added to the mix. The resulting squeeze on disposable income and the knock-on adverse impact on consumer confidence is putting severe pressure on many traditional high street retailers, whose business models rely on discretionary spend. Such retailers are faced with ever-growing competition from the internet, out-of-town developments and the larger regional centres, and we anticipate further High Street store closures and tenant failures over the coming months. By contrast, tenant demand for smaller local shopping assets from both national operators (particularly supermarkets for their convenience store

formats) and independent traders remains resilient, as evidenced by the 23% increase in the value of the new lettings we achieved during the year. We remain confident that the wide geographic spread and diversity of our asset and tenant base, with its focus on supporting the top-up shopping needs of local communities, will continue to underpin our strong, cash generative business model. Furthermore, we believe that our rents remain affordable, which is demonstrated by our continuing success in letting vacant units. Our average shop rent is only £11.14 per sq ft, or £12,031 per annum (£231 per week).

Despite the weak economic backdrop our flexible leasing policy, supported by our extensive network of local letting agents and hard work from our asset managers, resulted in a meaningful reduction in the void rate over the year, from 11.3% in September 2010 to 10.6% as at 30 September 2011.

Key Performance Indicator - Void Rate

	30 September 2011	31 July 2011	31 March 2011	31 January 2011	30 September 2010
Vacant – Commercial	7.7%	7.8%	7.8%	8.0%	8.0%
Vacant – Deliberate	2.3%	2.5%	2.4%	2.4%	2.5%
Vacant – Residential	0.6%	0.5%	0.9%	0.9%	0.8%
Total	10.6%	10.8%	11.1%	11.3%	11.3%

Our success in letting vacant commercial units while keeping on top of tenant turnover has seen the commercial void rate fall from 8.0% as at 30 September 2010 to 7.7% as at 30 September 2011. The level of deliberate voids, where we are looking to change use or reconfigure units, also fell as we completed a number of flat conversions and refurbishments towards the end of the year. As we continue to improve the quality of our residential stock, we are pleased to note the residential void rate fell by 20 basis points during the period under review.

Given the nature of our tenants, 68% of whom are independent traders, and the challenging trading conditions they are facing, bad debts are inevitable. However, we are pleased to report that our continuing strong focus throughout the year on credit control resulted in our bad debt write-offs falling by 12.2% to £806,632, compared with £918,452 in the previous financial year. We continue to take a robust approach to debt recovery and generally prefer to take back units where tenants are in financial difficulty so we can re-let them and improve the quality of our cashflow. However, we also recognise that there may be occasions when it is sensible to let a tenant remain in occupation at a reduced rent in order to mitigate our outgoings, particularly our liability for empty rates, where the local letting market is challenging. Similarly, we adopt a pragmatic approach to letting our more difficult vacant units in order to mitigate any increase in voids and associated costs.

When we let units to independent tenants or deal with assignments and sub-lettings, it is our policy to seek rent deposits of between three to six months. Over the year we increased the number and value of deposits held and, at 30 September 2011, this totalled approximately £970,000 (30 September 2010:

approximately £940,000) or 24% of our quarterly rent roll. This provides us with a measure of protection against tenant default, which is not generally available when letting units to national retailers.

Asset Management

Faced with a challenging and unsettled economic backdrop, we recognise the importance of working our existing assets hard. LSR has established a reputation for being able to add value to smaller commercial properties located throughout the UK and we are pleased to report that we continue to achieve strong results by applying these skills to our diverse portfolio.

Despite difficult trading conditions, demand for local shops remains resilient. During the year to 30 September 2011, the Company let 130 vacant commercial units at a total rent of £1,210,240 per annum (compared to 107 units let at £983,584 per annum during the previous year). 66 of these units were let during the second half of the year at a total rent of £584,150 per annum. Over the full year the units were let, on average, at just 0.9% below Market Rent. However, 32 of these new lettings incorporated stepped rent increases, which we have ignored in our comparison. These 32 lettings were secured at an initial rent of £308,400 per annum rising to £364,750 per annum over the first three years of their leases, compared with a Market Rent of £348,020 per annum. The remaining 98 units were let at a 3.3% premium to Market Rent. With our focus on maximising cashflow, we prefer to deal with letting incentives by way of these stepped rents, rather than by granting protracted rent free periods. Our average rent free period on lettings completed during the year was just 74 days. The letting pipeline also remains healthy with 27 units under offer as at 30 September 2011, at a combined rental of £318,180 per annum.

Current market conditions make it difficult to grow rents at rent review and lease renewal. However, over the year, rent reviews on 205 units increased rental income by a total of £105,590 per annum, reflecting an average uplift of 4.3%, and 7.5% above Market Rent. Lease renewals on 54 units added a further £18,303 of rental income per annum (an average uplift of 3.0%, and 3.2% above Market Rent) and two lease extensions on flats in Harrow and Worcester secured £10,415 in premiums from the tenants.

In line with our drive to deliver value from under-used and poorly configured properties, we secured planning consent for 21 flats and three retail units, as well as for the sub-division of properties in Birkenhead and Bolton to provide an additional four smaller retail units. In addition, we obtained 12 change of use consents from class A1 (shops) and class D1 (Institutional) to higher value uses which will improve their letting prospects.

During the year we completed the construction of 14 flats over seven separate projects, redeveloping the redundant space above shop units where we had previously secured the necessary planning consents. Eleven of these flats were subsequently let at a combined rent of £70,680 per annum, while three of the flats have been held back for sale. We intend to continue to build out similar projects where we can achieve an acceptable rental yield following conversion. A further 10 flats are under construction with completion due towards the end of December 2011.

In addition, we purchased the freehold interests in two properties where we previously owned long leasehold interests and extended the lease of a property in Hastings with a sub 50 year leasehold interest (in exchange for an improved ground rent) which resulted in a 4.6% valuation gain. We also acquired an option to purchase land adjacent to a small supermarket we own in St Helens, where we are working up a planning application to extend the unit in conjunction with the tenant.

Working with Banks

A key element of our strategy for growth is the management of distressed assets. At the beginning of the period we were managing properties for two UK banks. During the year we were appointed by a third UK lender to asset manage a property in the north of Scotland, demonstrating our extensive national coverage. This brought the annual rent roll of properties under management to just under £900,000. Our remuneration for these projects is typically an asset management fee based on a percentage of the rental income with, in some cases, a profit share payable on ultimate disposal. The management fees payable on these three projects are currently relatively minor. However, discussions continue with a number of other lenders who recognise the value of our business model, encompassing nationwide coverage, an extensive network of local agents and our intensive and specialist asset management skills. We hope to build on this progress during the coming year to generate additional income for the business.

Joint Ventures

A second and key element of our strategy is to seek to grow the business through the creation of joint ventures.

During the period, and as announced on 29 November 2010, we entered into a joint venture agreement with Pramerica Real Estate Investors Limited ("Pramerica") to invest in neighbourhood retail parades and centres throughout the UK. It is intended that the joint venture will comprise over £37 million in equity which, with gearing, will provide a total of around £100 million to invest. With Pramerica committing to provide 80% of the equity (£30 million) and LSR providing the remaining 20% (£7.5 million), the joint venture is structured so that LSR and Pramerica act as co-investors. LSR also acts as asset manager, for which it receives fees, and is responsible for sourcing the investments. Debt finance is being provided by HSBC.

Since establishing the joint venture, we have reviewed over 350 opportunities with a combined asking price of over £850 million, which we are typically sourcing off-market using our UK-wide network of retained agents. We are taking a highly selective approach in our buying, but have to date purchased or committed to purchase 13 properties with a combined purchase price of £22.3 million, of which 10 had been acquired as at 30 September 2011 for a combined £11.7 million. Of these, nine were valued at the year-end by our independent valuer, Allsop. We are pleased to report that, as a result of our highly selective approach to making acquisitions and the subsequent successful implementation of a number of asset management initiatives, the valuation of these properties showed an 8.0% increase above their purchase price. The properties acquired are a mix of newly developed and established parades and neighbourhood centres. The largest of these acquisitions was the forward funding of the 50,000 sq ft

Halewood District Centre in Liverpool for £7.2 million which is due for completion in September 2012. In order to finance these acquisitions, as at 30 September 2011 we had drawn down £7.1 million from our HSBC facility, of which we had hedged £2 million, resulting in an overall interest rate of 3.3%.

More recently, and as announced on 28 September 2011, we entered in to a 50/50 joint venture partnership with an established UK financial institution. The joint venture ("JV") has been created as a workout vehicle to invest in commercial investment properties across the UK, primarily comprising local shopping assets that will benefit from LSR's specialist asset management. Each partner will commit up to £5 million of equity which may be geared as appropriate, with debt being provided by the financial institution. The initial drawdown of £710,000 each was used to acquire a portfolio of four properties for £3.39 million at a 7.8% yield. This initial portfolio consists of three convenience stores let on long leases to Co-op and a tyre centre let to NTS. The JV intends to hold the properties as investment assets and grow this initial portfolio as LSR applies its specialist management skills to maximise value and income. The Company will receive acquisition fees, management fees and incentive fees based on specific agreed performance hurdles.

Business Outlook

While we believe that values in our sub-sector are supported by the current low level of interest rates, debt finance remains both scarce and expensive and equity investors only have a finite amount of money, making further near term yield compression unlikely. Future growth in the value of our existing portfolio will therefore depend on our ability to grow rents, building upon our success over the past year in achieving rental uplifts of nearly £120,000 per annum from rent reviews and lease renewals, and from creating additional value by applying our active asset management skills. During the coming year we will continue to sell ex-growth properties and look to reinvest the proceeds into our newly established joint ventures and other interesting opportunities.

Market conditions during the period under review have continued to be challenging. A backdrop of weak domestic growth, inflation above target, substantial cuts to public spending and increasing instability within the Eurozone is having a major bearing on occupier markets. While our diverse tenant base of largely independent traders continues to perform relatively well, particularly where their trade relies on non-discretionary spend and everyday items, we are mindful that downside economic risks persist. However, our highly active approach to managing the portfolio has, over the year, resulted in a falling void rate, growing rents and a stable valuation. In addition our financing is long term, with our facilities expiring in 2016, and our two fully drawn loans have no loan-to-value covenants. We aim to continue to grow portfolio income, building upon the 0.7% increase in like-for-like rents achieved since 30 September 2010 as a result of successful rent reviews, lease renewals and a reduction in the void rate.

The banking sector needs to carry out a substantial de-leveraging over the next few years. Previous market expectations were that this would provide a reasonable increase in supply from sales of smaller assets where a borrower was in default. In practice we have not seen the increase in stock that had been predicted. It had also been expected that banks, constrained by their ability to make further loan write-downs, would look for longer term asset management led solutions to the distressed properties and

portfolios on their books. To some extent this is happening and we are pleased to be acting as an asset manager for three UK lenders, where we are seeking to add value to a number of distressed property situations. More recently, however, it has become clear that increasingly stringent capital requirements are steering the banks towards sales of loan books and larger portfolios in addition to individual asset sales. As a business we are looking to ensure that we have the tools in place to allow us to unlock all these opportunities.

We believe distressed investment situations will provide LSR, whether acting as manager or investor, with the potential to generate attractive returns for our shareholders over the coming years. Our nationwide coverage, extensive network of local agents and specialist asset management skills have already been recognised by three lenders who have appointed us to manage distressed situations on their behalf. Our cash, £26.4 million of uncharged properties and undrawn loan facilities, together with our two joint ventures formed during the year, give us the flexibility and firepower to take advantage of any accretive buying opportunities that emerge when lenders decide to sell.

Our future success will therefore be based upon the continuing effective execution of our strategy:

- optimising the value of and income from existing assets
- using our unique business platform and management skills to grow revenue, which will be achieved by:
 - sales of ex-growth properties to invest in new opportunities;
 - portfolio or corporate acquisitions;
 - the creation of further partnership vehicles aligned to our sector; and
 - distressed asset management.

Community and Partnerships

We recognise our responsibilities as an owner and manager of assets within the built environment. We believe that the nature of our investments – principally in shops that serve their local communities – is a positive force for both the environment and social activity and we seek constructive dialogue with local authorities and other stakeholders in relation to any environmental or social and community issues that present themselves.

Our network of national, regional and local agents remains central to our business model and we are grateful to them, and to our excellent team of corporate advisers, for their continued support. We would also like to take the opportunity to thank all of our staff who have contributed to our business performance over the past year.

Mike Riley & Nick Gregory
Joint Chief Executive Officers
1 December 2011

FINANCE DIRECTOR'S REVIEW

This report has been prepared in accordance with International Reporting Standards (IFRS). During the year, as described in the Business Review, the Group has entered into two new joint ventures which have resulted in the adoption of IAS 31 for the first time. The accounting policy adopted in respect to these investments is described in the basis of preparation note provided in the Notes to the Preliminary Financial Statements in the latter part of this announcement.

Key performance indicators

The following key performance indicators are monitored by the directors to review the performance of the business, in addition to the specific measures described in the operating review which are used to monitor the performance of the property portfolio.

	30 September 2011	30 September 2010
Interest cover*	215%	211%
Loan to value (LTV) ratio**	68.5%	67.3%
Adjusted NAV per share***	76 pence****	81 pence****
Gearing (net of cash held)	234%	218%
Recurring profit per share	4.0 pence	3.6 pence

*Based on rental income compared to interest payable

** Net of cash held on substitution to buy properties

***Based on 82,505,853 shares in issue at 30 September 2011 (2010: 82,505,853)

**** Adjusted to exclude the fair value of financial derivatives

Recurring profit

The Group's operating business performance again shows an improvement on the previous year and continues to demonstrate the benefits of our robust portfolio with its diversified tenant base and affordable rents.

The recurring profit for the year was £3.24 million (2010: £2.94 million). The calculation of recurring profit remains consistent with previous years. It also includes the Group's share of the recurring result of the joint ventures entered into in the year. The calculation is as follows:

	30 September 2011 £000	30 September 2010 £000
IFRS reported result	(710)	1,815
Movement in fair value of the portfolio	4,194	(2,667)
Movement in the fair value of the interest rate swaps held	131	3,789
Profit on sale of investment properties	(402)	(7)
Loss on disposal of fixed assets	-	4
Non-recurring costs associated with the set up of the new joint ventures	30	-
Recurring result from joint ventures	(3)	-
Recurring profit	3,240	2,934

The two amounts included in the above recurring profit calculation in relation to the joint ventures have been calculated as follows:

- Only the fees received for the ongoing management of the portfolios owned by the joint ventures are included in the Group's recurring profit calculation. The Group also receives one-off acquisition fees, as properties are purchased; and
- A recurring result has then been calculated from the joint ventures on the same basis as for the Group and included above. The main adjustment made to arrive at the recurring result is the add back of set up costs incurred which are one-off in nature.

The Group's dividend policy continues to be the payment of 100% of recurring profits. The recurring profit per share is 4.0 pence (2010: 3.6 pence). Therefore, a dividend will be paid of 2.1 pence (2010: 1.9 pence) by 31 December 2011 to shareholders on the register at 9 December 2011 which, together with the dividend of 1.9 pence per share (2010: 1.7 pence) which was paid on 30 June 2011, takes the total dividend for the year to 4.0 pence (2010: 3.6 pence). As in previous years, the Employee Benefit Trust will waive its right to a dividend.

Dividends distributed by REIT's are known as PID's and non-PID's. The dividend to be paid by 31 December 2011 will be a non-PID. The allocation of future dividends between PID and non-PID may vary.

Results

The Group has recorded an IFRS loss for the year of £0.7 million, mainly as a result of the write down of the value of the property portfolio which is recorded in the Income Statement, in accordance with IFRS.

Rental income increased in the year as a result of; the properties purchased in the previous year, the conversion to flats of redundant space in both the current and previous years and a fall in the portfolio void rate. The impact of sales and purchases completed to 30 September 2011 on future rent is minimal.

Property operating costs have remained constant despite the additional costs incurred following the removal of empty rates relief on vacant properties in April 2011. A full year of this additional expense will be incurred in the coming financial year. Letting costs increased in the year under review compared to the prior year. As previously described, these costs are highly dependent on the turnover of tenants and the ability to use Law Society leases as opposed to engaging third party lawyers to complete the lettings. As described in the Business Review, the bad debt charge for the year has fallen considerably which has compensated for the increase in other property costs described above.

Administrative expenses increased during the year. This arose, in part, from an increase in the undrawn commitment fee incurred on the undrawn facilities from HSBC at the start of the financial year. The remainder of the increase occurred as the activity levels within the business grew throughout the year. An additional member of staff has also been recruited to assist with growing reporting requirements.

Net other income grew in the year as a result of the acquisition fees and management fees received from the joint ventures. Included in other expenses are the set up fees incurred on the joint ventures.

Interest payable increased year on year as further funds were drawn down to invest in the existing portfolio and the new joint ventures. The Group continues to hold the same interest rate swaps as in 2010. The liability arising from these swaps has remained constant compared with 2010 with only a £0.1 million charge being taken to the Income Statement for the year.

Net assets

The net assets of the Group have fallen to £53.8 million at the year end, compared to £57.6 million in 2010. The fall is largely as a result of the decline in value of the portfolio, together with a strategic increase in investment in a number of vacant properties.

During the year over £1 million was invested in the upper parts of properties, their conversion to residential flats and the re-configuration of existing flats to improve the rental income generated by these properties. Further investment was made to exploit the additional development opportunities within the portfolio and in maintaining their current level of repair to ensure they are able to attract and retain tenants.

The Group's revaluation policy remains unchanged. At the half year end and year end, 25% of the portfolio, plus all properties purchased in these two six month periods, were valued by Allsop LLP, a firm of Chartered Surveyors, acting as external valuers, who are experienced in the Group's particular type of property. The remainder of the portfolio has been valued on the basis of Market Value by the directors who have relevant experience and professional qualifications.

Joint Ventures

It has been considered most appropriate to adopt equity accounting in respect of the investments made in the new joint ventures. At the year end the Group had invested £1.9 million into these ventures. After the revaluation of its property portfolio, the Group's share of profit made by the joint venture with Pramerica has recorded a minor profit. The second venture entered into very close to the year end has recorded a small loss due to set up costs. Further details of these joint ventures are given in note 6 below.

Bank debt and facilities

The Group operates using the following facilities:

Loan	Facility £ million	Loan outstanding £ million	Undrawn £ million	LTV covenant	Repayable in one instalment	Termination date
Barclays fixed rate loan	69.2	69.2	-	No	Yes	October 2016
HSBC fully drawn term loan	47.7	47.7	-	No	Yes	April 2016
HSBC term loan	25.0	10.5	14.5	Yes	Yes	October 2016
HSBC revolving credit facility	35.0	3.9	31.1	Yes	Yes	October 2016
		<u>131.3</u>	<u>45.6</u>			

As shown above, at 30 September 2011 the total debt drawn down by the Group was £131.3 million. The facilities available to the Group remained unchanged throughout the year. Since the year end the undrawn term facility with HSBC has been cancelled, thereby reducing the undrawn facilities available to £31.1 million. None of the loan facilities fall due for repayment before 2016.

During the year the Group drew down and repaid the HSBC revolving credit facility as needed. This resulted in a net repayment of £1.2 million during the year. This facility includes an LTV covenant of 85%, together with actual and forecast interest cover tests. There is an undrawn commitment fee of 60 basis points which has been applicable to the undrawn facility throughout the year.

The Group continues to hold properties with a total value of £26.4 million which have no debt drawn against them. These could be used in a number of ways which, together with the loan facilities available, give the Group flexibility to exploit opportunities as they arise in the future and to fund the commitments made to the joint ventures.

Taxation

The Group continued to operate as a REIT throughout the year. Accordingly, any profits and gains from the property investment business should be exempt from Corporation Tax provided certain conditions continue to be met. The asset management income earned in the year will form part of the “residual” business, profits from which are not exempt from Corporation Tax. However, this income remained minimal in the year and the Group has available losses to relieve any such profits arising. Therefore, no provision for Corporation Tax has been made.

Victoria Whitehouse

Finance Director

1 December 2011

Consolidated Income Statement
for the year ended 30 September 2011

	<i>Note</i>	Unaudited Year ended 30 September 2011 £000	Audited Year ended 30 September 2010 £000
Gross rental income		16,078	15,539
Property operating expenses		(2,628)	(2,646)
		<hr/>	<hr/>
Net rental income		13,450	12,893
Profit on disposal of investment properties		51	7
Loss on disposal of fixed assets		-	(4)
(Loss)/gain from change in fair value of investment properties	5	(3,843)	2,667
Administrative expenses		(2,736)	(2,573)
Net other income/(expense)		40	(40)
Share of results from jointly controlled entities		(55)	-
		<hr/>	<hr/>
Operating profit before net financing costs		6,907	12,950
Financing income*	2	4	7
Financing expenses*	2	(7,490)	(7,353)
Movement in fair value of financial derivatives	2	(131)	(3,789)
		<hr/>	<hr/>
(Loss)/profit before tax		(710)	1,815
Taxation		-	-
		<hr/>	<hr/>
(Loss)/profit for the financial year attributable to equity holders of the Company		(710)	1,815
		<hr/> <hr/>	<hr/> <hr/>
Basic and diluted (loss)/earnings per share	3	(0.9p)	2.2p
		<hr/> <hr/>	<hr/> <hr/>

* Excluding movement in the fair value of financial derivatives

Consolidated Statement of Comprehensive Income
for the year ended 30 September 2011

	Unaudited	Audited
	Year ended	Year ended
	30 September	30 September
	2011	2010
	£000	£000
(Loss)/profit for the financial year	(710)	1,815
	<hr/>	<hr/>
Total comprehensive income for the year	(710)	1,815
	<hr/> <hr/>	<hr/> <hr/>
Attributable to:		
Equity holders of the parent company	(710)	1,815
	<hr/> <hr/>	<hr/> <hr/>

Consolidated Balance Sheet
as at 30 September 2011

	<i>Note</i>	Unaudited	Audited
		30 September	30 September
		2011	2010
		£000	£000
Non-current assets			
Property, plant and equipment		161	189
Investment properties	5	190,111	194,079
Investments in jointly controlled entities	6	1,823	-
		-----	-----
Total non-current assets		192,095	194,268
		-----	-----
Current assets			
Trade and other receivables	7	3,773	4,337
Cash		4,461	6,120
		-----	-----
Total current assets		8,234	10,457
		-----	-----
Total assets		200,329	204,725
		=====	=====
Non-current liabilities			
Interest bearing loans and borrowings	8	(130,620)	(131,691)
Finance lease liabilities		(922)	(1,206)
Derivative financial instruments	11	(7,264)	(6,746)
		-----	-----
Total non-current liabilities		(138,806)	(139,643)
		-----	-----
Current liabilities			
Interest bearing loans and borrowings	8	-	-
Trade and other payables	9	(5,689)	(5,061)
Derivative financial instruments	11	(1,994)	(2,381)
		-----	-----
Total current liabilities		(7,683)	(7,442)
		-----	-----
Total liabilities		(146,489)	(147,085)
		=====	=====
Net assets		53,840	57,640
		=====	=====

Equity

Issued capital	10	18,334	18,334
Reserves		3,773	3,773
Capital redemption reserve		1,764	1,764
Retained earnings		29,969	33,769
		<hr/>	<hr/>
Total attributable to equity holders of the Company		53,840	57,640
		<hr/> <hr/>	<hr/> <hr/>

Consolidated Statement of Cash Flows
for the year ended 30 September 2011

	Unaudited	Audited
	Year ended	Year ended
	30 September	30 September
	2011	2010
	£000	£000
Operating activities		
(Loss)/profit for the year	(710)	1,815
Adjustments for:		
Loss/(gain) from change in fair value of investment properties	3,843	(2,667)
Net financing costs	7,617	11,135
Profit on disposal of investment properties	(51)	(7)
Loss on disposal of fixed assets	-	4
Payment of finance leases	124	116
Depreciation	38	38
Employee share options	3	107
Share of result in jointly controlled entities	55	-
	<hr/>	<hr/>
	10,919	10,541
Decrease in trade and other receivables	552	310
Decrease/(increase) in trade and other payables	759	(174)
	<hr/>	<hr/>
	12,230	10,677
Interest paid	(7,491)	(7,331)
Interest received	4	7
Corporation tax paid	-	-
	<hr/>	<hr/>
Net cash flows from operating activities	4,743	3,353
Investing activities		
Proceeds from sale of investment properties	5,020	4,589
Acquisition of and improvements to investment properties	(5,116)	(20,356)
Acquisition of property, plant and equipment	(11)	(51)
Investment in jointly controlled entities	(1,878)	-
	<hr/>	<hr/>

Cash flows from investing activities	(1,985)	(15,818)
Financing activities		
Repayment of borrowings	(2,200)	-
New borrowings	1,000	15,600
Dividends paid	(3,093)	(2,848)
Payment of finance lease liabilities	(124)	(116)
	<hr/>	<hr/>
Cash flows from financing activities	(4,417)	12,636
Net (decrease)/increase in cash	(1,659)	171
Cash at the beginning of the year	6,120	5,949
	<hr/>	<hr/>
Cash at the end of the year	4,461	6,120
	<hr/> <hr/>	<hr/> <hr/>

Consolidated Statement of Changes in Equity
for the year ended 30 September 2011

	Share capital	Reserves	Capital redemption reserve	Retained earnings	Total
	£000	£000	£000	£000	£000
Balance at 1 October 2009	18,334	3,773	1,764	34,695	58,566
Total comprehensive income for the year					
Profit for the year	-	-	-	1,815	1,815
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	(2,848)	(2,848)
Share based payments	-	-	-	107	107
Total contributions by and distributions to owners	-	-	-	(2,741)	(2,741)
Balance at 30 September 2010	18,334	3,773	1,764	33,769	57,640
Total comprehensive income for the year					
Loss for the year	-	-	-	(710)	(710)
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	(3,093)	(3,093)
Share based payments	-	-	-	3	3
Total contributions by and distributions to owners	-	-	-	(3,090)	(3,090)
Balance at 30 September 2011	18,334	3,773	1,764	29,969	53,840

Notes to the Preliminary Financial Statements
for the year ended 30 September 2011

Accounting policies

1 Basis of preparation

The financial information set out below does not constitute the Company's statutory accounts for the years ended 30 September 2011 and 30 September 2010. The financial information for 2010 is derived from the statutory accounts for 2010 which have been delivered to the Registrar of Companies. The auditors have reported on the 2010 accounts: their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2011 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies in due course.

The financial information contained in these preliminary results has been prepared in accordance with the Listing Rules of the Financial Services Authority, IFRS's as adopted by the EU and the accounting policies set out on pages 31 to 34 of the Annual Report 2010 which is available on the Company's website (www.localshoppingreit.co.uk).

During the year the Group has entered into two new joint venture agreements, therefore, the following new accounting policy has been adopted in respect of accounting for these jointly controlled entities.

The Group has contractual arrangements with other parties which represent jointly controlled entities. These take the form of agreements to share control over other entities. The consolidated financial statements include the Group's share of the total recognised gains and losses of jointly controlled entities on an equity accounted basis. Under the equity method, the interests in the jointly controlled entities is carried in the Balance Sheet at cost plus post acquisition changes in the Group's share of their net assets, less distributions received and less any impairment in value of the individual investments. The Income Statement reflects the Group's share of the jointly controlled entities' results after interest and tax.

The financial statements of the jointly controlled entities are prepared for the same reporting period as the Group. Where necessary adjustments are made to bring the accounting policies used in line with those of the Group.

There have been no other new standards adopted in the year which have had a significant impact on the results of the Group.

2 Net financing costs

	2011	2010
	£000	£000
Financing income		
Interest receivable	4	7
	_____	_____
Financing income	4	7
	_____	_____
Financing expenses		
Bank loan interest	(7,290)	(7,167)
Amortisation of loan arrangement fees	(145)	(130)
Head rents treated as finance leases	(55)	(56)
	_____	_____
Financing expenses excluding fair value movements	(7,490)	(7,353)
Fair value losses on derivative financial instruments (note 11)	(131)	(3,789)
	_____	_____
Financing expenses	(7,621)	(11,142)
	_____	_____
Net financing costs	(7,617)	(11,135)
	=====	=====

3 Earnings per share

Basic earnings per share

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

(Loss)/profit attributable to ordinary shares

	2011	2010
	£000	£000
(Loss)/profit for the year	(710)	1,815

	2011	2010
	Number	Number
	000	000
Weighted average number of ordinary shares		
Issued ordinary shares at the start of the year	91,670	91,670
Shares held by EBT	(1,114)	(1,123)
Treasury shares	(9,164)	(9,164)
Dilutive effect of share options	(28)	-
Weighted average number of ordinary shares at the end of the year	81,364	81,383

Diluted earnings per share

There was no difference between basic and diluted earnings per share in the prior year.

4 Dividends

The following dividend payments were paid during the current and previous years:

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

Under the REIT legislation the Company's dividends are divided into two components, known as Property Income Distributions ("PID") and non-Property Income Distributions ("Non-PID").

A dividend of 2.1 pence will be paid by 31 December 2011 as a non-PID.

5 Investment property

	Total £000
At 1 October 2009	174,156
Additions	20,541
Disposals	(3,285)
Fair value adjustments	2,667
	<hr/>
At 30 September 2010	194,079
Additions	5,116
Disposals	(5,241)
Fair value adjustments	(3,843)
	<hr/>
At 30 September 2011	190,111
	<hr/> <hr/>

No investment properties have been identified that meet the criteria of assets held for resale at 30 September 2011.

The investment properties have all been revalued to their fair value at 30 September 2011.

At the half year and year end all properties acquired in those six months, together with a sample selected by the valuers of 25% of the portfolio at the half year and at the year end, have been valued by Allsop LLP, a firm of independent Chartered Surveyors. The valuations were undertaken in accordance with the Royal Institute of Chartered Surveyors 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.

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

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 generate rental income.

A reconciliation of the portfolio valuation at 30 September 2011 to the total value for investment properties given in the Balance Sheet is as follows:

	2011	2010
	£000	£000
Portfolio valuation	189,189	192,873
Head leases treated as investment properties held under finance leases per IAS 17	922	1,206
	<hr/>	<hr/>
Total per Balance Sheet	190,111	194,079
	<hr/> <hr/>	<hr/> <hr/>

6 Investments in jointly controlled entities

The Group has the following investments in jointly controlled entities:

	Country	Ownership	Country	Ownership
	2011		2010	
Local Parade Investments LLP	United Kingdom	20%	-	-
Gracechurch Commercial Investments Limited	United Kingdom	50%	-	-

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

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

Cost	£000
At 1 October 2010	-
Equity investments	500
Loan advances	1,378
Share of results, net of tax	(55)
Distributions received	-
	<hr/>
At 30 September 2011	1,823
	<hr/> <hr/>

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

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

	£000
Non-current assets	4,351
Current assets	333
Non-current liabilities	(2,594)
Current liabilities	(267)
	<hr/>
	1,823
	<hr/> <hr/>
Represented by:	
Capital	500
Loans	1,378
Share of results, net of tax	(55)
	<hr/>
Group's share of net assets	1,823
	<hr/> <hr/>
Net rental income	53
Property expenses	(13)
Administrative expenses	(87)
Change in fair value of properties	37
Net interest payable	(32)
Movement in fair value of financial derivatives	(13)
	<hr/>
	(55)
	<hr/> <hr/>

7 Trade and other receivables

	2011	2010
	£000	£000
Trade receivables	2,258	2,883
Other receivables	544	696
Prepayments	971	758
	<hr/>	<hr/>
	3,773	4,337
	<hr/> <hr/>	<hr/> <hr/>

8 Interest-bearing loans and borrowings

	2011	2010
	£000	£000
Non-current liabilities		
Secured bank loans	131,328	132,529
Less: loan arrangement fees	(708)	(838)
	<hr/>	<hr/>
	130,620	131,691
	<hr/> <hr/>	<hr/> <hr/>
Current liabilities		
Current portion of secured bank loans	-	-
	<hr/> <hr/>	<hr/> <hr/>

All bank borrowings are secured by fixed charges over certain of the Group's property assets and floating charges over the companies which own the assets charged. Each loan is repayable in one instalment in 2016.

9 Trade and other payables

	2011	2010
	£000	£000
Trade payables	868	433
Other taxation and social security	422	292
Other payables	1,103	1,006
Accruals and deferred income	3,296	3,330
	<hr/>	<hr/>
	5,689	5,061
	<hr/> <hr/>	<hr/> <hr/>

Other payables include rent deposits held in respect of commercial tenants of £850,000 (2010: £854,000).

10 Capital and reserves

Share capital

	Ordinary shares		Ordinary shares	
	2011	2011	2010	2010
	Number	Value	Number	Value
	000	£000	000	£000
Allotted, called up and fully paid	91,670	18,334	91,670	18,334
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Investment in own shares

At the year end, 9,164,017 shares were held in Treasury (2010: 9,164,017). The number of shares held by the Company's Employee Benefit Trust, LSR Trustee Limited at the year end was 1,114,089 (2010: 1,123,339). During the year the EBT transferred 9,250 shares to employees on the vesting of awards under the Long Term Incentive Plan.

Reserves

The value of shares issued to purchase Gilfin Property Holdings Limited in excess of their nominal value has been shown as a separate reserve in accordance with the Companies Act 2006.

Capital redemption reserve

The capital redemption reserve arose in prior years on the cancellation of 675,000 Ordinary 20p shares.

11 Derivative financial instruments

Derivative financial instruments held by the Group are interest rate swaps used to manage the Group's interest rate exposure on its variable rate loan. The Group also has a fixed rate loan. The interest rate swaps held are shown in the Balance Sheet as follows:

	Fair value 2009 £000	Movements in Income Statement £000	Fair value 2010 £000	Movements in Income Statement £000	Fair value 2011 £000
Non-current liabilities	(2,976)	(3,770)	(6,746)	(518)	(7,264)
Current liabilities	(2,362)	(19)	(2,381)	387	(1,994)
Net value	<u>(5,338)</u>		<u>(9,127)</u>		<u>(9,258)</u>
Amount charged to Income Statement		<u>(3,789)</u>		<u>(131)</u>	

At 30 September 2011 and 30 September 2010 these derivative financial instruments did not qualify as effective swaps for hedge accounting under the criteria set out in IAS 39.

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

Maturity date	Amount £000	Rate %	Fair value 2010 £000	Movements in Income Statement £000	Fair value 2011 £000
30 April 2016	33,000	5.06 to 5.29	(4,179)	1,833	(2,346)
31 January 2017	23,578	5.4476	(4,948)	(1,964)	(6,912)
Swaps in place at 30 September 2011	<u>56,578</u>		<u>(9,127)</u>	<u>(131)</u>	<u>(9,258)</u>

The notional value of the £23,578,000 swap amortises at a rate of £200,000 per quarter.

The derivative financial instruments included in the above tables are stated at their fair value based on quotations from the Group's bank. The Group does not speculate in financial instruments, it uses them to limit its exposure to interest rate fluctuations.

12 Fair value

The fair value of the Group's financial liabilities is not considered to be materially different from their book value with the exception of the following fixed rate loan held with Capita Asset Services Limited. The fixed rate element of the loan has also been valued by JC Rathbone Associates Limited using a discounted cash flow model and published information.

	2011	2010
	£000	£000
Fixed rate loan		
Carrying value of loan	69,033	68,969
Fair value	(80,728)	(80,056)
	_____	_____
Difference	(11,695)	(11,087)
	=====	=====