

The Local Authorities' Property Fund

Half year Report & Accounts
to 30 September 2007

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Disability Discrimination Act 1995

Extracts from the Report and Accounts are available in large print and audio formats.

Structure of the Fund

Structure and Management

The Local Authorities' Property Fund (the Fund) is established under a Scheme approved by HM Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to the provisions of a Trust Deed dated 6 April 1972 and a Supplemental Trust Deed dated 13 September 1978.

The Local Authorities' Mutual Investment Trust (LAMIT) is a company incorporated under the Companies Act 1948, limited by guarantee and does not have share capital, and acts as Trustee of the Fund. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001.

LAMIT, the Trustee and Operator of the Fund, is controlled by Members of the Council under the provisions of the Memorandum and Articles of Association of LAMIT.

The Members of the Council are members and officers appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and representative Unitholders.

The Members of the Council meet regularly to receive reports and monitor the progress of the Fund.

LAMIT has delegated to CCLA Investment Management Limited (CCLA), which is authorised and regulated by the Financial Services Authority (FSA), the property management, administration, registrar and secretarial functions of the Fund under a Management Agreement. LAMIT owns 15% of the share capital of CCLA.

Under the provisions of the Financial Services and Markets Act 2000 (FSMA), LAMIT, as Trustee of the Fund, is not considered to be operating the Fund by way of business. In

consequence, it is not required to be authorised and regulated by the FSA and the members of LAMIT are not required to be authorised by the FSA for this purpose. This extends to CCLA in respect of its administrative, registrar and secretarial functions for the Fund. The property management, which refers to direct property, is outside the scope of the FSMA.

Objective

The Fund provides facilities exclusively for local authorities to invest in commercial and industrial property on a collective basis so as to obtain a spread of risk with constant expert property management. Its objective is to provide, over the long term, a satisfactory total capital and income return.

Investment Policy

The Fund's powers of investment are not restricted either to particular types of property or, subject to the consent of HM Treasury, to specific parts of the world, but it is the present policy to confine investment to commercial and industrial properties in the United Kingdom.

In accordance with Clause 14 of the Scheme, following HM Treasury approval, revised borrowing powers are available to the Manager to enhance the Fund's flexibility. Details are available from the Manager.

A suitable spread is maintained between different types of property and geographic location. Overriding importance is attached to location, standard of construction and to covenant quality of the tenants, with lease terms embodying upwards-only rent reviews at intervals of not more than five years. Finance is also provided for suitable property developments. The portfolio is kept under constant review with the object of disposing of any property if future growth prospects diminish unacceptably. Properties are regularly inspected to ensure that the tenants comply with maintenance and other contractual obligations.

Structure of the Fund

Benchmark

The performance benchmark for the Fund is the Balanced Property Unit Trust Index, compiled and calculated by Investment Property Databank (IPD) and sponsored by HSBC and The Association of Real Estate Funds (AREF), calculated on a net asset value basis.

The benchmark covers the investment performance of 21 property funds (30.9.2007) valued at £13.1bn, ranging in size from £51m to £2.5bn.

An IPD Direct Property Benchmark is also used to review and monitor the performance of the Fund's property portfolio. This provides an appropriate and durable index for measuring the performance of the Fund's property assets and details can be supplied on application to CCLA.

Monthly Subscription Dates

Investment in the Fund may be made by a local authority on any month end Dealing Day.

Withdrawals from the Fund may also be requested by a local authority on any month end Dealing Day. The Fund may, however, at its discretion, defer the processing of any withdrawal for such period not exceeding six months from the relevant Valuation Point as it may think fit, to allow time for the sale of properties, if required.

Risk Warning

The value of the Fund's units and the income from them can fall as well as rise and a local authority may not get back the amount originally invested. Past performance is no guarantee of future returns. The Fund's unit value will reflect fluctuations in property values. The units are intended only for long-term investment and are not suitable for money liable to be needed in the near future. They are realisable only on each monthly Dealing Day and a period of notice, not exceeding six months, may be imposed for the redemption of units.

Report of the Trustee

for the six months ended 30 September 2007

We have pleasure in presenting our Half-Year Report to Unitholders in the Fund.

Responsibilities of the Trustee

We have met half-yearly to carry out our responsibility for the approval of property investment strategy, to monitor diversification, suitability and risk, to review the performance of the Fund and to approve its dividend payments. In addition, we have monitored the administration, expenses and property valuations of the Fund.

Review of property management activities and policies of the Fund

We have met half-yearly with the Property Manager to review the Fund's property portfolio, transactions and policies. In addition, the Trust's Property Sub-Committee has met quarterly with the Property Manager.

Controls and Risk Management

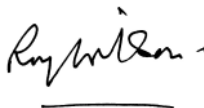
The Trustee receives and considers regular reports from the Manager and ad hoc reports and information are supplied as required. The Manager has established an internal control framework to provide reasonable, but not absolute, assurance on the effectiveness of the internal controls operated on behalf of its clients. The effectiveness of the internal controls is assessed by the directors and senior management of the Manager on a continuing basis.

The Trustee receives an Annual Report on the controls of the Manager (FRAG 21). The last report covered the year ended 31 December 2006 and included a report by CCLA's previous reporting accountants PricewaterhouseCoopers LLP. During the period, the Trustee, assisted by the Manager, reviewed the Fund's system of internal control.

Twice yearly the Trustee receives from the Manager, and reviews, a formal risk management report setting out the main risks facing the Fund, the controls in place to mitigate the risks and the assessment of each risk in terms of both gross exposure and residual exposure after application of mitigating controls.

Compliance with Trust Deed and Management Agreement

Following our regular meetings and consideration of the reports and papers we have received, we are satisfied that CCLA, to whom we have delegated the administration and management of the Fund, has complied with the terms of the Fund's Trust Deeds and the Management Agreement.



Roy Wilson
Chairman of The Local Authorities' Mutual
Investment Trust

7 November 2007

Report of the Property Manager

for the six months ended 30 September 2007

Performance

During the period under review, the Fund produced a positive unit price (NAV) total return of 3.4%. The benchmark for the Fund is the IPD Balanced PUT Index which is published on a quarterly basis. The performance of the Fund compared to the benchmark to 30 September 2007 is noted below:

Local Authorities' Property Fund		6Mths	1Yr	3Yrs	5Yrs
Total Return after all Expenses to September		%	%	%	%
Local Authorities' Property Fund		3.4	9.5	15.8	15.3
Benchmark: Balanced PUT Index		0.7	7.3	15.4	14.3

Source : IPD Pooled Property Fund Indices

Market Review

The downturn in the UK property investment market accelerated during the period under review. Capital gains achieved in the early part of 2007 have not been sustainable and valuations are now starting to fall back. Demand for UK investments has reduced sharply and yields have started to rise. Although rates of rental growth remain attractive to support valuations, interest rate rises earlier this year and weakening sentiment towards the UK property sector have placed pressure on property yields.

Almost all areas of the property market have been affected by the downturn to varying degrees. Valuations of high street property have so far fallen furthest and industrial warehouse investments have also been weak. The only sector still generating positive capital performance is central London office property, where rates of rental value growth are attractive and investors remain more confident about future performance prospects.

Activity

During the half-year the Fund acquired a well-located retail warehouse property in Bishop's Stortford. This provides an attractive income stream with realistic prospects for growth and active management. Contracts have been exchanged for the sale of two secondary holdings, a part-vacant office property in Watford and the income void industrial warehouse in Banbury. At Fenchurch Street in the City of London the lease of the office accommodation has expired and planned works of refurbishment have commenced.

The level of voids in the property portfolio increased in the period but almost all currently vacant units are being actively managed. The level of voids will decrease steadily as contracted sales and management projects complete during the remainder of the Fund's full financial year to 31 March 2008. Important rent review activity is also underway but results are awaited.

Strategy

Property assets have been carefully selected in growth sectors and markets, bearing in mind active management potential. The Fund has an overweight exposure in the office sector. This includes a strong exposure to offices in central London, in particular in the West End, which has been the strongest sub-sector of the market. The Fund also has a good weighting in retail warehouse property. This strategy has delivered success in terms of performance and has also strengthened the income growth potential of the Fund. We have reduced the Fund's exposure to high street retail due to the poor outlook for the sector. A high proportion of the Fund's shop investments form part of Central London office buildings. The exposure to the industrial warehouse sector reflects more modest rental growth expectations but a good initial yield.

Report of the Property Manager

for the six months ended 30 September 2007

We are seeking to realise the high income growth potential in the Fund and are placing greater emphasis on income flows and income quality. We used the Fund's borrowing facility in the half-year to finance property transactions and projects and we will be raising cash to repay this.

Outlook

Demand for UK property investments is now significantly reduced and the outlook has become increasingly weak and uncertain. Although valuers respond to changing market conditions relatively slowly, further reductions in capital valuations should be expected before the end of 2007. Secondary property is particularly vulnerable, although all sectors of the market may be exposed to a mark-down of some magnitude.

Rates of rental value growth need to be maintained to soften the negative impact on valuations of weaker investment markets. Opportunities to deliver more attractive performance will place greater emphasis on the skills of the property manager. The level and

quality of income streams will also be more influential on performance in the period ahead. It is possible that more favourable property investment market conditions may return early in 2008. This will depend on whether the outlook for interest rates improves and whether the current trend of investors reallocating assets to overseas property markets changes. Implementation difficulties and signs of a recovery for the UK could reverse this flow to some degree.



Paul A. Hannam
Head of Property
CCLA Investment Management Limited

7 November 2007

Report of the Independent Auditors

to the unitholders of The Local Authorities' Property Fund

We have audited the financial statements for the six months ended 30 September 2007 which comprise the Statement of Total Return, Statement of Change in Unitholders Net Assets, Portfolio Statement, Balance Sheet, Cash Flow Statement, related notes and the Distribution Table. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the unitholders of the Fund, as a body, in accordance with the Trust Deed. Our audit work has been undertaken so that we might state to the unitholders of the Fund those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the unitholders of the Fund as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustee and auditors

The Trustee is responsible for the preparation of the half year Report and the financial statements in accordance with Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Trustee and Manager's Responsibilities in relation to the financial statements. Our responsibility is to audit the financial statements in accordance with UK legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Trust Deed. We also report to you if, in our opinion, the Report of the Property Manager is not consistent with the financial statements, if the Manager has not kept proper accounting records for the Fund, if the financial statements are not in agreement

with those records, or if we have not received all the information and explanations we require for our audit.

We read other information contained in the half year Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Structure of the Fund, Report of the Trustee, Report of the Property Manager, Report of the Valuers, Net Asset Value and Comparative Tables and the Summary of Investments and Other Assets. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Report of the Independent Auditors

to the unitholders of The Local Authorities' Property Fund

Opinion

In our opinion the financial statements;

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial position of the Fund as at 30 September 2007 and of the net income and the net gains on the scheme property of the Fund for the period then ended; and
- have been properly prepared in accordance with the Trust Deed.

Ernst & Young LLP
Registered Auditor
London

7 November 2007

Report of the Valuers

Dear Sirs,

The Local Authorities' Property Fund Valuation as at 30 September 2007.

In accordance with your instructions, we have valued all the property investments owned by The Local Authorities' Property Fund as at 30 September 2007. The valuation has been prepared on the basis of Market Value in accordance with the current edition of the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (RICS). We understand that our valuation is required for accounts and unit pricing purposes.

We are of the opinion that the aggregate Market Values of all the properties held by the Fund as at 30 September 2007 was:

£153,110,000

(One hundred and fifty three million, and one hundred and ten thousand pounds).

Details of the basis of our valuation and the individual properties are set out in our Report and Valuation addressed to you and dated 2 October 2007.

Yours faithfully,
Atisreal Limited
Chartered Surveyors and International
Real Estate Consultants
Norfolk House, 31 St James Square
London SW1Y 4JR

2 October 2007

Net Asset Value, Unit Price Range, Net Distributions and Total Expense Ratio

Net Asset Value

<i>At 31 March</i>	<i>Net Asset Value £'000</i>	<i>Net Asset Value Pence per Unit</i>	<i>Number of Units in Issue</i>
2005	103,139	286.60	35,984,920
2006	117,614	326.85	35,984,920
2007	135,707	366.88	36,990,016
At 30 September 2007	134,315	373.31	35,979,785

Unit Price Range

<i>Year to 31 March</i>	<i>Highest Offer Pence per Unit</i>	<i>Lowest Bid Pence per Unit</i>
2003	249.25	224.96
2004	265.17	232.05
2005	303.08	246.91
2006	337.80	282.16
2007	379.17	320.77
To 30 September 2007	388.74	360.83

Net Distributions

<i>Year to 31 March</i>	<i>Annual Distribution Pence per Unit¹</i>	<i>Yield on Unit Held for One Year %²</i>
2003	12.6472	5.07
2004	14.1002	5.32
2005	13.1914	4.35
2006	13.2106	3.91
2007	14.3770	3.79
To 30 September 2007	5.8397	1.51

¹ Distributions are stated gross before taxation but after management expenses.

² Yield expressed as a percentage of the unit offer price at the end of the period.

Net Asset Value, Unit Price Range, Net Distributions and Total Expense Ratio

Unit Price as at 30 September 2007

	<i>Bid Price</i> <i>Pence per Unit</i>	<i>Offer Price</i> <i>Pence per Unit</i>
Income units	367.52	385.82

The Fund's units were first issued on 18 April 1972 at a price of 100.00p.

The monthly unit values of The Local Authorities' Property Fund are published daily in the Financial Times. The offer and bid prices are calculated on the net asset value plus or minus a 3.35% surcharge or 1.55% deduction respectively.

Total Expense Ratio

	<i>30.9.2007</i>	<i>30.9.2006</i>
Total expense ratio (annualised)	0.69%	0.70%

The total expense ratio is the ratio of the Fund's total operating costs to its average net assets calculated over the period. It does not include expenses incurred in managing and maintaining the individual properties held in the Fund. These expenses are detailed in note 4(ii) on page 21.

Portfolio Analysis

at 30 September 2007

Location and Use (by Capital Value)

	<i>Shops</i>	<i>Offices</i>	<i>Warehouse/ Industrial</i>	<i>Retail Warehouse</i>	<i>Total</i>
	%	%	%	%	%
City of London	4.9	12.5	-	-	17.4
London – West End	6.1	11.9	-	-	18.0
South East	4.2	4.4	0.9	16.7	26.2
South West	-	-	2.4	-	2.4
Eastern	-	1.5	3.2	-	4.7
West Midlands	-	-	6.2	-	6.2
East Midlands	2.3	-	6.9	-	9.2
North East	-	-	-	4.9	4.9
Scotland	-	11.0	-	-	11.0
	<u>17.5</u>	<u>41.3</u>	<u>19.6</u>	<u>21.6</u>	<u>100.0</u>

Tenure

	<i>30.9.2007</i>		<i>31.3.2007</i>	
	<i>£'000</i>	<i>%</i>	<i>£'000</i>	<i>%</i>
Freehold	114,060	74.50	121,360	85.22
Leasehold	22,150	14.46	21,050	14.78
Heritable	16,900	11.04	-	-
	<u>153,110</u>	<u>100.00</u>	<u>142,410</u>	<u>100.00</u>

Portfolio Statement

at 30 September 2007

	<i>£'000</i>	<i>% of Fund</i>
Properties		
Valued between £0 and £6.5m		
13 properties	54,685	40.71
Valued between £6.5m and £13m		
6 properties	52,525	39.11
Valued between £13m and £19.5m		
3 properties	45,900	34.17
	<u>153,110</u>	<u>113.99</u>
Net current liabilities	<u>(18,795)</u>	<u>(13.99)</u>
Net assets	<u><u>134,315</u></u>	<u><u>100.00</u></u>

Summary of Investments and Other Assets

at 30 September 2007

	30.9.2007		31.3.2007	
	£'000	%	£'000	%
Property Investments				
Shops	26,799	19.95	26,146	19.27
Offices	63,236	47.08	60,004	44.21
Warehouses and Industrial	30,050	22.37	30,585	22.54
Retail Warehouses	33,025	24.59	25,675	18.92
Total property investments	<u>153,110</u>	<u>113.99</u>	<u>142,410</u>	<u>104.94</u>
Net current liabilities				
Cash	1,519	1.13	3,207	2.36
Net creditors	(20,314)	(15.12)	(9,910)	(7.30)
Total net current liabilities	<u>(18,795)</u>	<u>(13.99)</u>	<u>(6,703)</u>	<u>(4.94)</u>
Total value of Fund	<u>134,315</u>	<u>100.00</u>	<u>135,707</u>	<u>100.00</u>

Distribution Statement

for the six months ended 30 September 2007

	Pence per Unit			
	30.9.2007	30.6.2007	30.9.2006	30.6.2006
Net income before taxation	3.5436	3.5595	4.4275	3.7041
Income tax at 22%	<u>0.7796</u>	<u>0.7831</u>	<u>0.9741</u>	<u>0.8149</u>
	2.7640	2.7764	3.4534	2.8892
Management expenses	<u>0.5487</u>	<u>0.7147</u>	0.6089	0.5762
Distribution payable	<u>2.2153</u>	<u>2.0617</u>	<u>2.8445</u>	<u>2.3130</u>
Gross distribution after management expenses	<u>2.9949</u>	<u>2.8448</u>	<u>3.8186</u>	<u>3.1279</u>

Details of the cash distribution paid and payable for the period are set out in Note 6.

Statement of Total Return*

for the six months ended 30 September 2007

	Notes	30.9.2007		30.9.2006	
		£'000	£'000	£'000	£'000
Net gains on investments during the period	2		2,325		9,647
Gross income	3	3,059		3,138	
Property expenses	4	(133)		(144)	
Finance costs: Interest	6	(310)		(6)	
Net income before taxation		2,616		2,988	
Income tax	5	(583)		(663)	
Net income after taxation		2,033		2,325	
Management expenses	4	(467)		(434)	
Net income after taxation and expenses			1,566		1,891
Total return for the period			3,891		11,538
Finance costs: Distributions	6		(1,566)		(1,891)
Change in net assets attributable to unitholders			2,325		9,647

* Incorporating a Statement of Income and Expenditure

Statement of change in Unitholders' Net Assets

for the six months ended 30 September 2007

Capital Account	30.9.2007		30.9.2006	
	£'000	£'000	£'000	£'000
Net assets at start of the period		135,707		117,614
Movement due to creations and cancellations of units				
Amounts receivable on creation of units		-	2,700	
Less: Amounts payable on cancellation of units		(3,717)	-	
		(3,717)		2,700
Change in net assets attributable to unitholders (see above)		2,325		9,647
Net assets at end of the period		134,315		129,961

The above statement shows the comparative closing net assets at 30 September 2006 whereas the current accounting period commenced 1 April 2007.

The notes on pages 20 to 25 form part of these accounts.

Property Portfolio – Offices

at 30 September 2007

Property	Tenant	Term/ From	Lease Review Period	Review Due	Rent £	Market Value Range £m
GLASGOW 6-20 Bell Street	Scottish Children's Reporter Administration	20 yrs 11.2.94	5 yrs	2009	225,000	0-6.5
	Scottish Children's Reporter Administration	10 yrs 7.12.00	5 yrs	-	45,500	
	Mrs Taylor	5 yrs 15.5.06	-	-	960	
	Vacant	-	-	-	-	
GLASGOW 292 St Vincent Street	McClure Naismith Anderon & Garde	25 yrs 01.11.85	-	-	260,000	0-6.5
GLASGOW 2-4 Blythswood Square	Brodies LLP	25 yrs 29.09.88	5 yrs	2008	415,000	6.5-13
LONDON, EC2 13 Austin Friars	Devonshire Business Services Ltd	20 yrs 10.10.97	5 yrs	2007	270,000	0-6.5
MILTON KEYNES Grant Thornton House Silbury Boulevard	Grant Thornton Nominees	25 yrs 15.12.89	5 yrs	2009	252,000	0-6.5
SLOUGH Bridge House Stoke Road	Inkfish Call Centres Ltd	10 yrs 18.6.99	5 yrs	-	170,000	0-6.5
WATFORD Clarendon Road	The Norwich Union Life Insurance Company	25 yrs 1.11.83	5 yrs	-	25,900	0-6.5
	Mainline Fashion Accessories Ltd	3 yrs 14.8.04	-	-	37,500*	
	The Royal Bank of Scotland plc	10 yrs 13.8.99	5 yrs	-	35,000	
	Vacant	-	-	-	-	
	Vacant	-	-	-	-	
Vacant	-	-	-	-		

* Outstanding rent review or lease renewal as at 30 September 2007

Property Portfolio – Offices/Shops

at 30 September 2007

Property	Tenant	Term/ From	Lease Review Period	Review Due	Rent £	Market Value Range £m
LONDON, SW1 101-102 Jermyn Street	DAKS Simpson Group plc	15 yrs 24.6.94	5 yrs	-	123,000	13-19.5
	Kessler Financial Services International LLC	5 yrs 13.9.04	-	-	74,132	
	Quadrant Holdings Ltd	10 yrs 24.3.03	5 yrs	2008	87,500	
	Quadrant Holdings Ltd	10 yrs 24.3.03	5 yrs	2008	-	
	BM Investments LLP	5 yrs 4.3.05	-	-	92,250	
	Material Entertainment	5 yrs 8.4.05	5 yrs	-	54,900	
LONDON, EC2 34 Threadneedle Street	Mssrs Allen and Hibberd	16 yrs 1.6.06	5 yrs	2007	156,000*	6.5-13
	Taberna Securities (UK) Ltd	5 yrs 14.4.07	-	-	69,360	
	P.M.L. (Programme Management) Ltd	10 yrs 16.6.06	5 yrs	2011	58,485	
	A.O. Services	10 yrs 7.8.98	5 yrs	2008	62,160	
	Conyers Dill & Perryman	10 yrs 7.4.98	5 yrs	-	47,200	
	Mssrs Michael A. Perry & Stuart M	10 yrs 12.12.97	5 yrs	-	34,800	
LONDON, W1 12-13 Conduit Street	Belstaff International Ltd	15 yrs 17.3.98	5 yrs	2008	250,000	13-19.5
	Hartnells Ltd	15 yrs 13.8.98	5 yrs	2008	201,000	
LONDON, EC3 157-159 Fenchurch Street	TM Lewin & Sons Ltd	15 yrs 20.2.07	5 yrs	2012	300,000	6.5-13
	O2 (UK) Limited	10 yrs 17.7.06	1 yr	2011	3,250	
	Orange Personal Communication Services Ltd	10 yrs 17.7.06	-	2011	3,500	
	Vacant+	-	-	-	-	

* Outstanding rent review or lease renewal as at 30 September 2007

+ Subject to development

Property Portfolio – Shops

at 30 September 2007

Property	Tenant	Term/ From	Lease Review Period	Review Due	Rent £	Market Value Range £m
CHICHESTER 84-85 & 86 East Street	Vacant+	-	-	-	-	0-6.5
	Vacant+	-	-	-	-	
LEICESTER 15-17 Gallowtree Gate	Hutchinson 3G UK Ltd.	3 yrs 4.7.06	-	-	186,000	0-6.5

+ Subject to development

Property Portfolio – Retail Warehouses

at 30 September 2007

Property	Tenant	Term/ From	Lease Review Period	Review Due	Rent £	Market Value Range £m
ASHFORD Barrey Road	Allied Carpets Properties Ltd	25 yrs 29.9.86	5 yrs	2006	205,000*	13-19.5
	Homebase Ltd	25 yrs 29.9.86	5 yrs	2006	398,277*	
	Comet Group plc	5 yr 1.12.05	-	-	2,000	
	Boots The Chemists Ltd	5 yr 1.12.05	-	-	2,000	
	NCB Apparel	5 yr 17.3.06	-	-	2,000	
SUNDERLAND Wessington Way	Wickes Building Supplies Ltd	25 yrs 29.9.94	5 yrs	2009	248,966	6.5-13
	Wickes Building Supplies Ltd	25 yrs 29.9.94	5 yrs	2007	100,000*	
	McDonald's Property Co. Ltd	25 yrs 29.9.94	5 yrs	2009	53,000	
BISHOPS STORTFORD Goodliffe Park	Payless DIY Limited	35 yrs 10.08.07	5 yrs	2009	398,880	6.5-13

* Outstanding rent review or lease renewal as at 30 September 2007

Property Portfolio – Warehouse and Industrial

at 30 September 2007

Property	Tenant	Term/ From	Lease Review Period	Review Due	Rent £	Market Value Range £m
BANBURY Overthorpe Industrial Estate	Vacant	-	-	-	-	0-6.5
BIRMINGHAM Unit 16 Junction Six	BSS Group plc	20 yrs 4.2.05	5 yrs	2010	350,000	6.5-13
	Additional Income	3 yrs 10.2.06	-	-	150,000	
	Additional Income	12.5 yrs 15.8.07	-	-	30,000	
COALVILLE Interlink Park	Copper Cable Co. Ltd	25 yrs 20.3.95	5 yrs	2010	394,000	0-6.5
LEICESTER Meridian Business Park	Knauf Insulation Ltd	25 yrs 29.9.96	5 yrs	2006	287,000*	0-6.5
NORWICH Units 7, 9 & 11 City Trading Estate	Unipart Automotive Ltd	15 yrs 13.6.03	5 yrs	2008	18,000	0-6.5
	RAC Auto Windscreens Ltd	10 yrs 22.6.04	5 yrs	2009	17,774	
	Edmundson Electrical Ltd	10 yrs 24.8.98	5 yrs	-	17,250	
	Vacant	-	-	-	-	
	Miller West Ltd	15 yrs 23.11.04	5 yrs	2009	24,000	
	Sunfen Ltd	15 yrs 5.3.04	5 yrs	2009	52,050	
	Holden & Holden Ltd	15 yrs 29.9.04	5 yrs	-	24,150	
	Kent Blaxill & Co. Ltd	15 yrs 5.3.04	5 yrs	2009	23,720	
	Uniglaze 2 (East Anglia) Ltd	9 yrs 31.1.06	5 yrs	2010	56,135*	
	Robinsons Autoservices Ltd	15 yrs 1.9.02	5 yrs	2007	3,000	
TEWKESBURY Ashchurch Business Park	Moog Controls Ltd	30 yrs 25.12.78	5 yrs	-	126,000	0-6.5
	Moog Controls Ltd	25 yrs 25.12.83	5 yrs	-	138,400	

* Outstanding rent review or lease renewal as at 30 September 2007

Balance Sheet

at 30 September 2007

	Notes	30.9.2007		31.3.2007	
		£'000	£'000	£'000	£'000
ASSETS					
Portfolio of investments	7		153,110		142,410
Debtors	8	1,626		613	
Cash and bank balances		1,519		3,207	
Total other assets			3,145		3,820
Total assets			156,255		146,230
LIABILITIES					
Creditors	9	3,136		2,924	
Distribution payable on income units		804		1,070	
Short term Loans		18,000		6,529	
Total other liabilities			21,940		10,523
Net assets attributable to unitholders			134,315		135,707
Approved on behalf of the Trustee 7 November 2007		Roy Wilson, <i>Chairman</i> John Galbraith, <i>Vice-Chairman</i>			

The notes on pages 20 to 25 form part of these accounts.

Cash Flow Statement

for the period ended 30 September 2007

	Notes	30.9.2007		31.3.2007	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	14		765		3,899
Net cash (outflow)/inflow from financing activities					
Creation of units		-		3,450	
Cancellation of units		<u>(3,717)</u>		<u>-</u>	
			(3,717)		3,450
Net cash outflow from investing activities					
Payments to acquire investments		(7,100)		(35,963)	
Capital expenses		(1,275)		(104)	
Proceeds on disposal of investments		<u>-</u>		<u>22,425</u>	
			(8,375)		(13,642)
Net cash outflow from distributions paid			(1,832)		<u>(3,950)</u>
Decrease in cash	15		<u>(13,159)</u>		<u>(10,243)</u>

The notes on pages 20 to 25 form part of these accounts.

Notes to the Accounts

1. Accounting policies

(a) Basis of accounting

The accounts have been prepared under the historical cost basis, as modified by the revaluation of properties, and in accordance with the accounting policies set out below.

Parts 1.3 and 2.2 of The Association of Real Estate Funds' Code of Practice relating to the reporting and accounts format of Property Collective Investment Schemes' accounts have also been followed in the preparation of these accounts.

(b) Income and expense recognition

Rental income, interest on development loans and bank deposits are accrued on a daily basis.

(c) Management expenses

Management expenses are charged to unitholders based on holdings for each month. The Manager's periodic charge payable to CCLA Investment Management Limited is based on a fixed percentage of the value of the Fund, which is currently 0.65% p.a. plus VAT. Each month, the value at the end of the previous month is taken to calculate the fee due. This fee covers the provision of staff and investment services and other expenses incurred by the Manager. Audit and legal fees and insurance are charged separately.

(d) Distribution policy

Income distributions are prepared quarterly and paid one month after each quarter end. Each month the income is applied to unitholders in the Fund and no income is included in the unit price. A net distribution is paid after deduction of expenses.

(e) Capitalised costs

All costs associated with buying, selling and development of properties are charged to capital. All other expenses, including the property valuation fees payable to Atisreal Limited, are deducted from income.

(f) Basis of valuation

Freehold property and leasehold properties are valued at each quarter-end date on the basis of Market Value in accordance with the current RICS Appraisal and Valuations Standards (The Red Book) as advised by Atisreal Limited, Chartered Surveyors. In addition, the Manager reviews these values at each intervening month end. Additions to the portfolio are valued externally after acquisition.

(g) Borrowing

Interest on borrowing made by the Fund, through its loan facility with the Royal Bank of Scotland plc, is accrued on a daily basis, in accordance with the terms of the facility, at a rate of 0.95% per annum above the bank's base rate. All costs associated with the set-up of the facility are amortised over the life of the facility.

Notes to the Accounts

2. Net gains on investments	30.9.2007	30.9.2006
	£'000	£'000
The net gains on investments during the period comprise:		
Non-derivative securities	2,325	9,647
Net gains on investments	2,325	9,647
	<u>2,325</u>	<u>9,647</u>
3. Gross income	30.9.2007	30.9.2006
	£'000	£'000
Rents receivable	3,000	2,985
Bank interest	45	148
Other interest	4	5
Other income	10	-
	3,059	3,138
	<u>3,059</u>	<u>3,138</u>
4. Expenses	30.9.2007	30.9.2006
	£'000	£'000
i) Property expenses:		
Loan finance fee	4	4
Investment Property Databank	4	-
Property empty rates	(1)	11
Travelling expenses	1	-
Property legal and professional fees	35	29
Property service charges	55	75
Property revaluation fees	35	25
	133	144
	<u>133</u>	<u>144</u>
ii) Management expenses:		
Payable to The Local Authorities' Mutual Investment Trust:		
Manager's periodic charge	456	417
Investment Property Databank	5	4
Trustee liability insurance	(4)	4
Audit fee	9	9
Travelling expenses	1	2
Public liability insurance	4	-
Bank interest receivable	(4)	(2)
	467	434
	<u>467</u>	<u>434</u>

The above expenses include VAT where applicable.

The Members of the Council receive no remuneration from the Fund. The Chairman of the Council receives a fee as a Director of CCLA Investment Management Limited.

Notes to the Accounts

5. Taxation

The Fund is not subject to capital gains tax but is subject to income tax at the basic rate.

	30.9.2007	<i>30.9.2006</i>
	£'000	<i>£'000</i>
Income tax	<u>583</u>	<u>663</u>
Income tax is calculated as follows:		
Net income before taxation at 22%	575	657
Items not allowable for income tax purposes:		
Revaluation fee at 22%	<u>8</u>	<u>6</u>
Income tax	<u>583</u>	<u>663</u>

6. Finance Costs

Distributions

Distributions paid and payable during the period comprise:

	30.9.2007	<i>30.9.2006</i>
	£'000	<i>£'000</i>
30 June - Interim distribution (paid)	762	845
30 September - Interim distribution (payable)	<u>804</u>	<u>1,046</u>
Net distribution for the period	<u>1,566</u>	<u>1,891</u>
Interest		
Net interest payable for the period	<u>310</u>	<u>6</u>
Total finance costs	<u>1,876</u>	<u>1,897</u>

Details of the distribution pence per unit are set out in the distribution statement on page 12.

7. Property investments

	30.9.2007	<i>31.3.2007</i>
	£'000	<i>£'000</i>
Market value at the start of the period	142,410	114,125
Acquisitions at cost	7,100	35,963
Sales proceeds from disposals	-	(22,425)
Realised gains on disposals	-	2,250
Unrealised gains on revaluation	3,600	12,497
Market value at the end of the period	<u>153,110</u>	<u>142,410</u>
Historical cost at the end of the period	<u>114,152</u>	<u>105,780</u>

Notes to the Accounts

8. Debtors	30.9.2007	31.3.2007
	£'000	£'000
Loan to The Local Authorities' Mutual Investment Trust	150	150
Rent due	1,408	297
Accrued income	3	1
Property payments recoverable	63	163
Prepayment of expenses	2	2
	<u>1,626</u>	<u>613</u>
9. Creditors	30.9.2007	31.3.2007
	£'000	£'000
Rent deposits	484	394
Rent received in advance	1,388	1,267
Management expenses payable to The Local Authorities' Mutual Investment Trust	201	129
Taxation payable	738	758
Property expenses payable	37	29
VAT payable	167	171
Top-up rent	67	143
Other creditors	54	33
	<u>3,136</u>	<u>2,924</u>

10. Financial instruments

The main risks arising from the Fund's financial instruments and the Manager's policies for managing these risks are summarised below. These policies have been applied throughout the period and the comparative period.

Interest rate risk

The majority of the Fund's assets are property investments and therefore do not pay interest or have maturity dates. As a consequence, any changes in interest rates will not significantly affect the Fund except insofar as they affect rental levels generally. All cash and bank balances earn interest at a floating rate based on either LIBOR or base rate. Other debtors and creditors do not pay or receive interest.

Valuation and liquidity risk

The Fund's exposure to valuation risk comprises mainly of movements in the value of its underlying investments. Exposure to liquidity arises from the nature of the property investments and the time required to realise these investments. A breakdown of the underlying investments is given in the Property Portfolio. The financial assets and liabilities of the Fund are included in the Balance Sheet at fair value. These fair values have been determined using the RICS Appraisal and Valuations Standards for valuing unquoted securities.

Notes to the Accounts

Financial liabilities

There were no financial liabilities that pay either floating rate or fixed rate interest at 30 September 2007 (31.3.2007: £nil). All financial liabilities are due to be settled in one year or on demand.

During the period the Manager utilised the Fund's power to borrow. The borrowing facility is provided by The Royal Bank of Scotland plc at a floating interest rate of 0.95% above the bank's base rate. Interest on amounts drawn down from the loan facility is calculated on a daily basis and is payable quarterly in arrears. The loan can be drawn in tranches and repaid at any time. The loan facility was further extended to September 2008. The Manager may borrow a maximum of 25% of the value of the property of the Fund to assist with investing in, improvements to or the managing of property and the short-term financing of, or meeting payments to be made out of the Fund. At the half-year end the loan outstanding was £18,000,000 (31.3.2007: £6,529,000).

11. Contingent liabilities

There are no contingent liabilities at 30 September 2007 (31.3.2007: £nil). At 30 September 2007 there were no redemption notices outstanding (31.3.2007: one redemption notice of 1,010,231 units).

12. Turnover of units

The number and net asset value of units in The Local Authorities' Property Fund created, cancelled and transferred in the period to 30 September 2007 and year to 31 March 2007 were as follows:

<i>30.9.2007</i>	<i>Number of units</i>	<i>Value £</i>	<i>% of NAV at 30.9.2007</i>
Units created	-	-	-
Units cancelled	1,010,231	3,717,751	2.77
Units transferred	-	-	-

<i>31.3.2007</i>	<i>Number of units</i>	<i>Value £</i>	<i>% of NAV at 31.3.2007</i>
Units created	1,005,096	3,450,000	2.54
Units cancelled	-	-	-
Units transferred	356,151	1,273,454	0.94

Notes to the Accounts

13. Related party transactions

Management expenses are payable to The Local Authorities' Mutual Investment Trust, a related party to the Fund. The amounts paid in respect of management expenses are disclosed in Note 4. There were outstanding balances due The Local Authorities' Mutual Investment Trust at 30 September 2007 of £201,133 (31.3.2007: £129,236). There were loans outstanding due from The Local Authorities' Mutual Investment Trust at 30 September 2007 of £150,000 (31.3.2007: £150,000). There were no other transactions entered into with The Local Authorities' Mutual Investment Trust during the period.

CCLA Investment Management Limited, as Manager of the Fund, is a related party to the Fund. There were no transactions entered into with CCLA Investment Management Limited during the period.

The Northern Ireland Local Government Officers' Superannuation Committee and the City of Bradford Metropolitan District Council are related parties to the Fund with holdings of 29.4% and 28.9% respectively of the total Fund units in issue. In addition, Mr John Galbraith (Northern Ireland Local Government Officers' Superannuation Committee) and Mr Simon Edwards (City of Bradford Metropolitan District Council) are Members of the Council and the Trust.

14. Reconciliation of net income after taxation to net cash inflow from operating activities

	30.9.2007	31.3.2007
	£'000	£'000
Revenue after taxation and expenses	1,566	3,950
Decrease/(increase) in accrued income	(1,113)	(203)
Decrease/(increase) in debtors	100	(135)
(Decrease)/increase in creditors	212	287
Net cash inflow from operating activities	<u>765</u>	<u>3,899</u>

15. Reconciliation of net cash flow to movement in cash balances

	30.9.2007	31.3.2007
	£'000	£'000
Net cash at beginning of the period	(3,322)	6,921
Movement in cash during the period	<u>(13,159)</u>	<u>(10,243)</u>
Net cash at the end of the period	<u>(16,481)</u>	<u>(3,322)</u>

Statement of Trustee and Manager Responsibilities

The Trustee of the Fund is required by the Trust Deed to prepare accounts which give a true and fair view of the financial position of the Fund at the end of each half-yearly accounting period and the movement in net assets for the period then ended, together with the information set out in clause 15(1) of the Trust Deed. In preparing these accounts the Trustee is required to:

- select accounting policies that are appropriate for the Fund and apply them on a consistent basis;
- follow generally accepted accounting principles and applicable United Kingdom accounting standards;
- keep proper accounting records which enable them to demonstrate that the accounts, as prepared, comply with the above requirements;

- make judgements and estimates that are prudent and reasonable; and
- prepare the accounts on the basis that the Fund will continue in operation unless it is inappropriate to presume this.

The Trustee has delegated to the Manager the day-to-day management, accounting and administration as permitted by the Trust Deed and the Manager is required to carry out these duties in accordance with the terms of the Trust Deed.

The Trustee is also required to manage the Fund in accordance with the Trust Deed and take reasonable steps for the prevention and detection of fraud and other irregularities.

The Local Authorities' Mutual Investment Trust

80 Cheapside, London EC2V 6DZ

Members of the Council and the Trust

Chairman

Roy Wilson

Vice-Chairman

John Galbraith

Secretary

Jackie Fox, FCIS

Local Government Association

Serge Lourie

Roy Wilson

Susan Davis, (resigned 08.05.07)

Toby Eckersley

Stuart Fraser

Paul Clokie

Peter Hardy

Northern Ireland Local Government Officers' Superannuation Committee

John Galbraith

Unitholder Member

Stuart Imeson (City of Bradford Metropolitan
District Council) (resigned 24.07.07)

Simon Edwards (City of Bradford Metropolitan
District Council) (appointed 24.07.07)

Property Manager, Administrator and Registrar

CCLA Investment Management Limited

Authorised and regulated by the Financial Services Authority

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Property Dept: F: 0844 561 5127

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Director responsible for The Local Authorities' Property Fund

Michael Quicke

Property Manager and Head of Property

Paul Hannam

Director Market Development

Andrew Robinson

External Valuers

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Chartered Surveyors and International
Real Estate Consultants
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London SW1Y 4JR

Bankers

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Solicitors

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CCLA Investment Management Limited (Registered in England No. 2183088 at the above office) is authorised and regulated by the Financial Services Authority.

D4/Oct 2007