



for Local Authorities

The Local Authorities' Property Fund

Report and Accounts

Half year ended 30 September 2010

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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

for the half year ended 30 September 2010

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 (the Trustee) is a company incorporated under the Companies Act 1948, and limited by guarantee. It does not have share capital and acts as the Trustee and Operator 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.

The Trustee is controlled by Members of the Council under the provisions of the Memorandum and Articles of Association of the Trustee.

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.

The Trustee has delegated to CCLA Investment Management Limited (the Manager), 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. The Trustee owns 15% of the share capital of the Manager.

Under the provisions of the Financial Services and Markets Act 2000 (FSMA), the Trustee, as Trustee of the Fund is not considered to be operating the Fund by way of a business. In consequence, the Trustee is not required to be authorised and regulated by the FSA and the members of the Trustee are not required to be authorised by the FSA for this purpose. This extends to the Manager 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 a satisfactory total capital and income return over the long term.

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. However, it is the present policy to confine investment to commercial and industrial properties within the United Kingdom.

Structure of the Fund

for the half year ended 30 September 2010

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. 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. Finance is also provided for suitable property developments.

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 18 property funds valued at £8.52bn as at 30 September 2010, ranging in size from £43.1m to £1.94bn.

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 the Manager.

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 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 a period as it may think fit, to allow time for the sale of properties to meet the withdrawals or to protect the interest of the unitholders in the Fund, if required.

Borrowing powers

The Trustee believes that the management of a property portfolio is facilitated by the exercise of a limited power to borrow. The Fund has in place a borrowing facility (see note 12) as allowed under Clause 14 of the Scheme to permit the Manager to borrow up to 25% of the value of the Fund. The facility can be used to accommodate timing differences between the availability of funds for investment and the making of suitable property purchases.

Report of the Trustee

for the half year ended 30 September 2010

We have pleasure in presenting our half year report of The Local Authorities' Property Fund (the Fund) to the unitholders in the Fund.

Responsibilities of the Trustee

We have met quarterly to carry out our responsibility for the approval of the property investment strategy, to monitor diversification, suitability and risk, to review the performance of the Fund and to approve its distribution 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 quarterly with the Property Manager to review the Fund's property portfolio, transactions and policies. In addition, the Fund'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. Ad hoc reports and information are supplied to the Trustee 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.

During the period, the Trustee, assisted by the Manager, reviewed the Fund's system of internal control. At each of its meetings the Trustee receives and reviews a formal risk management report from the Manager. This sets out the main risks facing the Fund, the controls in place to mitigate those risks and the assessment of each risk in terms of both gross 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 the Manager, 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.

S Lourie
Chairman of The Local Authorities' Mutual
Investment Trust

16 November 2010

Report of the Property Manager

for the half year ended 30 September 2010

- A property fund suitable for long term capital
- An actively managed and diverse property portfolio
- Good performance record

Performance

Over the six month period to 30 September 2010, the Local Authorities' Property Fund (LAPF) has produced a total return, after all expenses, of +9.8%, over the last twelve months the total return is +29.8%. The comparative returns on the Fund's benchmark, the IPD Balanced PUT Index, are +4.9% and +18.9%. Longer term returns are noted below.

The price of an LAPF Unit rose from 219.40p on the 31 March 2010 to 233.19p on 30 September 2010, a capital return of 6.3%. Income payments totalled 6.7468p per unit, equating to an income return for the half year of 3.1%. The amount of income distributed over the last twelve months has provided unitholders with an income return of 6.5%.

Within the Fund's portfolio, downward pressure on rents appears to have eased sooner than in the broad market whilst active management has delivered some significant added value. The returns at the asset level have been

supplemented by the positive effects of the use of the Fund's debt facility and the low cash holding. Recent results have supported the longer term performance track record.

Market review

Property investment markets recovered strongly in the six months to the end of March. This improvement continued in the period under review, although the pace moderated as transaction volumes reduced. This was not a surprise given the scale of the improvement already achieved, the uncertain outlook, and the normal reduction in volumes over the summer period. Of more concern however has been a weakening of sentiment with investors struggling to interpret mixed economic and investment market news. This added a more pessimistic tone to the period, leading some nervous buyers to hold off from the market and caused others to reassess prospects for the sector for the months ahead.

All sectors of the market had benefited from the recovery with Central London offices experiencing the strongest growth, helped by the interest from overseas investors and also boosted by some improvement in rents. Occupational markets in the main have

Total return against benchmark to 30 September 2010 (after expenses)

	Six months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.
The Local Authorities' Property Fund	+9.76	+29.76	-9.20	-0.04	+5.64
IPD Balanced PUT Index	+4.86	+18.91	-10.41	-1.11	+5.06

Source: The Manager/IPD

Report of the Property Manager

for the half year ended 30 September 2010

remained difficult, with rental levels edging lower and void rates reduced, but still high. Although trading volumes have been lower, price movements have remained positive. There was however a clear divergence between prime and more secondary (less secure income) investments, which started to display weakness, and also between some sectors and geographical regions. More positively, the early indications from the autumn trading period are that market supply has picked up, with competition still for a limited supply of good quality stock. The returns from the IPD in fact have improved in September with capital growth of 2.4%, to give a total return of 5.9% over the last six months and 11.6% over the past twelve months. Occupier markets continue to stabilise although tenant demand remains fragile and there is a threat of further administrations to come. Void levels are stable but still uncomfortably high at around 10%, rental trends are mixed, rising in London but weaker elsewhere and edging lower in retail and industrial markets. The rate of overall change in rental values recorded by IPD was -0.5% for the period.

Activity

This has been a relatively quiet period for the Fund. No new investments have been acquired and just one has been sold, a small office property in the City of London at Austin Friars. Also within the City of London, the last remaining accommodation at the refurbished Fenchurch Street building has been let. Reflective an improving City office market, the lease terms achieved have steadily improved with each subsequent letting. Two

rent reviews and a lease renewal have also been successfully completed on industrial warehouse units at the City Trading Estate in Norwich, producing a small increase in income. Although the Fund has suffered another vacancy due to a tenant on the same estate going into administration, management activity in this half year has kept the void rate at 9.9%, roughly in line with the average recorded by IPD. We expect the letting of vacant accommodation to remain the principal source of income growth in the period ahead.

Strategy

The Fund seeks to provide unitholders with a spread of investment risk from a diversified portfolio of property assets, allocated across the main sectors and geographical regions of the UK. However, also central to the Fund's objective of achieving attractive total returns is a dynamic weightings policy and a focus on active management. Such an approach is well matched both to the Fund, bearing in mind the size of the portfolio, and prevailing market conditions.

This approach requires a clear focus on individual assets to realise returns above those obtainable from a more passive approach. In the period ahead we expect returns to be dominated by income flows with opportunities to add value from market positioning less significant. In this environment we will seek to capitalise on the current yield margin between prime and more secondary graded investments, whilst void management will be the principal source of providing income growth. Careful control of the cash and debt positions will also be influential in the period ahead.

Report of the Property Manager

for the half year ended 30 September 2010

Unit redemptions

As at the 30 September 2010 no unitholder redemption requests were outstanding.

Outlook

Current confidence levels are low reflecting the difficult economic environment and the supply threat posed by bank controlled property investment stock; the severity of the recent downturn is still fresh in the minds of property investors. Another negative factor is the tone of media reporting, which has been instrumental in pushing return forecasts lower, as reflected in the pricing of sector derivatives.

We believe the current level of caution to be excessive, the true test however will come in the final quarter as markets normalise after the quiet summer period. The early signs are reasonably positive with competition existing for a limited supply of attractive investment opportunities. In addition, falling rents have shown some signs of stabilising, albeit mostly in prime areas. Looking beyond 2010 we see a relatively flat outlook for capital returns which places more emphasis on income and justifies a prudent approach to management.

P Hannam
Head of Property
CCLA Investment Management Limited
16 November 2010

Risk warning

The Fund's units and the revenue from them can fall as well as rise and an investor may not get back the amount originally invested. Past performance is no guarantee of future returns.

Property and property related assets are inherently difficult to value because of the individual nature of each property. As a result, valuations are open to substantial subjectivity. There is no assurance that the valuations of the properties will reflect the sale price achieved even where such sale occurs shortly after the valuation point.

The performance of the Fund could adversely be affected by a downturn in the property market in terms of capital value or a weakening of rental yields. The revenue received by the Fund is dependent to a large extent upon the occupancy levels of any property owned by the Fund and the rents paid by these tenants. Rental revenues and property values are affected by changes in general economic climate and local conditions.

Property values are dependent in particular on current rental values, prospective rental growth, lease lengths, tenant credit worthiness

Report of the Property Manager

for the half year ended 30 September 2010

and the valuation yield (which is itself related to interest rates, the market appetite for property investment in general and with reference to the specific property in question) together with the nature, location and physical condition of the property concerned.

The Fund's units are intended only for long-term investment and are not suitable for

money liable to be spent in the near future. They are realisable only on each monthly dealing day and a period of notice may be imposed for redemption of units depending on Fund liquidity.

The Fund is permitted to borrow up to 25% of the value of the Fund which may increase the volatility within the Fund.

Report of the Independent Auditor

to the unitholders of The Local Authorities' Property Fund

We have audited the financial statements of The Local Authorities' Property Fund for the half year ended 30 September 2010 which comprise the statement of total return, the statement of change in unitholders' net assets, the balance sheet, the cash flow statement, the 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 Auditor

The Trustee is responsible for the preparation of the annual report and financial statements in accordance with Accounting Standards (United Kingdom generally accepted accounting practice) as set out in the Statement of the Trustee and Manager responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements in accordance with United Kingdom legal and regulatory requirements and International Standards on Auditing (United Kingdom 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 United Kingdom generally accepted accounting practice, and 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 accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the report and consider whether it is consistent with the audited financial statements. This other information comprises only of the Report of the Property Manager and the other items set out on the contents page. 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 (United Kingdom 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

Report of the Independent Auditor

to the unitholders of The Local Authorities' Property Fund

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.

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 at 30 September 2010 and of the net revenue and the net gains on the scheme property of the Fund for the half year then ended; and
- have been properly prepared in accordance with the Trust Deed.

Ernst & Young LLP
Registered Auditor
London

16 November 2010

The maintenance and integrity of the CCLA Investment Management Limited website is the responsibility of the directors of CCLA Investment Management Limited; the work carried these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in other jurisdictions.

Report of the Valuer

Dear Sirs,

The Local Authorities' Property Fund valuation as at 30 September 2010

In accordance with your instructions, we have valued all the property investments owned by The Local Authorities' Property Fund as at 30 September 2010. 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 unit pricing and accounts purposes.

We are of the opinion that the aggregate market values of all the properties held by the Fund as at 30 September 2010 was:

£87,100,000

(Eighty seven million and one hundred 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 30 September 2010.

Yours faithfully,

BNP Paribas Real Estate
90 Chancery Lane,
London WC2A 1EU

30 September 2010

Net asset value, unit price range, net distribution, unit prices and expense ratios

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>
2008	112,733	320.78	35,144,392
2009	69,339	197.30	35,144,392
2010	70,456	219.40	32,113,329
At 30 September 2010	74,836	233.19	32,113,329

Unit price range

<i>Year to 31 March</i>	<i>Highest offer pence per unit</i>	<i>Lowest bid pence per unit</i>
2006	337.80	282.16
2007	379.17	320.77
2008	388.74	315.81
2009	330.38	194.24
2010	226.75	183.59
Six months to 30 September 2010	241.00	215.94

Net distributions

<i>Year to 31 March</i>	<i>Distribution pence per unit¹</i>	<i>Yield on unit held for the period %²</i>
2006	13.2106	3.91
2007	14.3770	3.79
2008	12.6373	3.81
2009	16.0462	7.87
2010	12.7309	5.61
Six months to 30 September 2010	6.7468	2.80

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

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

Net asset value, unit price range, net distribution, unit prices and expense ratios

Unit prices at 30 September 2010

	<i>Bid price pence per unit</i>	<i>Offer price pence per unit</i>
Income units	229.58	241.00

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

The monthly unit prices are published in the *Financial Times* and on the Manager's website at www.ccla.co.uk.

The bid and offer prices are calculated on the net asset value minus or plus a 1.55% deduction or 3.35% surcharge respectively.

Expense ratios

	30.9.2010	30.9.2009
Total expense ratio (annualised)	0.76%	0.77%
Property expense ratio (annualised)	0.47%	0.56%

The total expense ratio is the ratio of the Fund's total operating costs to its average net assets calculated over the period. The property expense ratio is the ratio of the Fund's direct costs incurred in managing and maintaining the individual properties to its average net assets calculated over the period. These expenses are detailed in note 4.

Portfolio analysis

at 30 September 2010

Tenure

	30.9.2010		31.3.2010	
	£'000	%	£'000	%
Freehold	70,250	80.66	67,825	80.12
Leasehold	4,600	5.28	4,550	5.38
Heritable	12,250	14.06	12,275	14.50
	<u>87,100</u>	<u>100.00</u>	<u>84,650</u>	<u>100.00</u>

Tenants' unexpired lease terms

<i>Unexpired term</i>	30.9.2010		31.3.2010	
		%*		%*
Over 10 years	13.76		13.30	
5-10 years	22.70		25.97	
Under 5 years	53.67		50.89	
Void	9.87		9.84	
	<u>100.00</u>		<u>100.00</u>	

Lease termination is calculated at first break clause, if any.

* Percentage of total revenue from contracted leases plus estimated rental values of unlet units/developments.

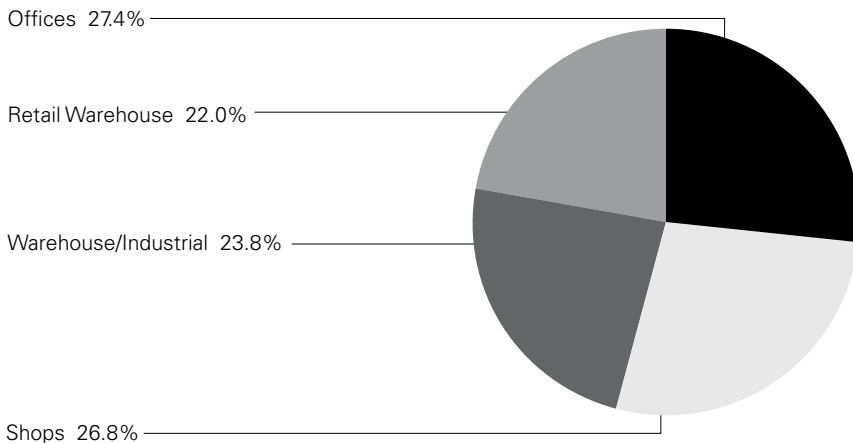
Use of capital at 30 September 2010

	30.9.2010		31.3.2010	
	£'000	%	£'000	%
Completed properties	87,100	116.32	84,650	120.15
Net other liabilities	<u>(12,264)</u>	<u>(16.32)</u>	<u>(14,197)</u>	<u>(20.15)</u>
	<u>74,836</u>	<u>100.00</u>	<u>70,453</u>	<u>100.00</u>

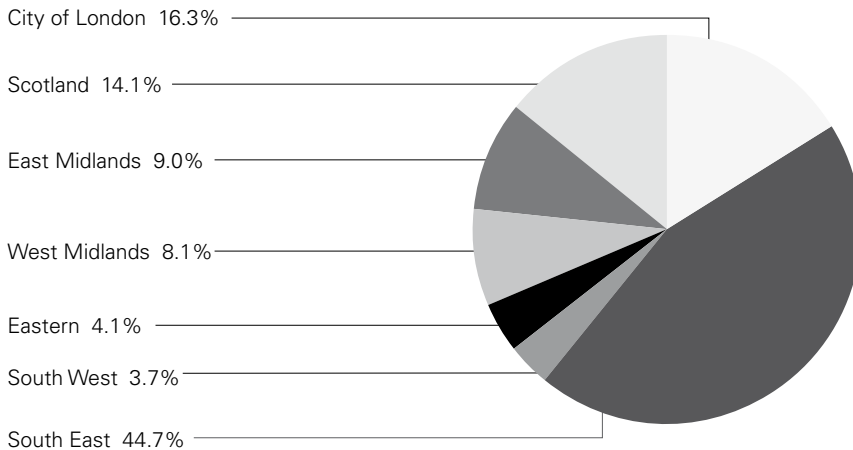
Portfolio analysis

at 30 September 2010

Asset by



Geographical distribution



Portfolio statement

at 30 September 2010

	£'000	% of Fund
Properties		
Valued between £0 and £5m		
10 properties	30,200	40.33
Valued between £5m and £10m		
7 properties	56,900	75.99
	<u>87,100</u>	<u>116.32</u>
Net other liabilities	(12,264)	(16.32)
Net assets	<u>74,836</u>	<u>100.00</u>

Ownership of the Fund

at 30 September 2010

Ownership band at 30 September 2010	<i>Number of investors</i>	<i>Number of units in issue '000</i>	<i>% of units in issue</i>
Less than 1%	5	167	0.52
1% or greater but less than 2%	2	993	3.09
2% or greater but less than 4%	-	-	-
4% or greater but less than 8%	6	9,982	31.08
Greater than 8% *	2	20,971	65.31
	<u>15</u>	<u>32,113</u>	<u>100.00</u>

* Percentage held by largest unitholder is 32.92%

Property portfolio – offices

at 30 September 2010

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
6-20 Bell Street GLASGOW	Scottish Children's Reporter Administration	20 yrs 11.2.94	5 yrs	-	269,250	0-5
	Scottish Children's Reporter Administration	10 yrs 7.12.00	5 yrs	-	45,500	
	Mrs Taylor	5 yrs 1.6.08	-	-	960	
	Vacant	-	-	-	-	
292 St Vincent Street GLASGOW	McClure Naismith Anderson & Gardener	28 yrs 1.11.85	-	-	260,000	0-5
2-4 Blythswood Square GLASGOW	Brodies LLP	25 yrs 29.9.88	5 yrs	-	430,000	5-10
202-216 Silbury Boulevard MILTON KEYNES	Grant Thornton Nominees	25 yrs 15.12.89	5 yrs	-	252,000	0-5
1a Stoke Road SLOUGH	Vacant	-	-	-	-	0-5

Property portfolio – offices/shops

at 30 September 2010

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>	
34 Threadneedle Street, LONDON, EC2	Replete Ltd	15 yrs 29.9.07	5 yrs	2012	160,000	0-5	
	Rait Securities (UK) Ltd	5 yrs 12.4.07	-	-	69,360		
	PML (Programme Management) Ltd	10 yrs 16.6.06	5 yrs	2011	58,485		
	Messrs Michael A Perry and Stuart M Hope	5 yrs 29.9.07	-	-	41,325		
	Mariana Capital Markets Ltd	5 yrs 23.11.09	-	-	37,000		
	Vacant	-	-	-	-		
	157-159 Fenchurch Street LONDON, EC3	TM Lewin and Sons Ltd	15 yrs 20.2.07	5 yrs	2012	325,000	5-10
O2 (UK) Ltd		10 yrs 17.7.06	1 yr	2011	3,250		
Orange Personal Communication Services Ltd		10 yrs 17.7.06	-	2011	3,500		
IF P & C Insurance Ltd		5 yrs 24.8.09	-	-	66,600		
Mapfre Re Compania De Reaseguros		5 yrs 1.10.09	-	-	64,467		
Mapfre Asistencia Compania Internac		5 yrs 1.10.09	-	-	55,535		
Bircroft Insurance Services Ltd		10 yrs 25.3.10	5 yrs	2015	69,469		
Central Bank of the Republic of Turkey		10 yrs 10.8.10	5 yrs	2015	73,161		

Property portfolio – shops

at 30 September 2010

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
84, 85 & 86 East Street CHICHESTER	Swarovski UK Ltd	10 yrs 14.4.08	5 yrs	2013	85,000	5-10
	River Island Clothing Co Ltd	10 yrs 10.3.08	5 yrs	2013	300,000	
15-17 Gallowtree Gate, LEICESTER	Vacant	-	-	-	-	0-5
89-89A Broad Street, READING	Monsoon Holdings Ltd	25 yrs 25.8.94	5 yrs	2014	99,000	5-10
	Waterstones Booksellers Ltd	20 yrs 24.6.95	5 yrs	2010	340,000*	

* Outstanding rent review or lease renewal as at 30 September 2010.

Property portfolio – retail warehouses

at 30 September 2010

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>
Barrey Road ASHFORD	Allied Carpets Properties Ltd	25 yrs 29.9.86	5 yrs	-	278,400 [#]	5-10
	Homebase Ltd	25 yrs 29.9.86	5 yrs	-	512,700	
	Comet Group plc	5 yrs 1.12.05	-	-	2,000	
		Boots The Chemists Ltd	5 yrs 1.12.05	-	-	
	NBC Apparel	5 yrs 17.3.06	-	-	2,000	
	Goodliffe Park BISHOPS STORTFORD	Payless DIY Ltd	35 yrs 29.9.89	5 yrs	2009	

[#] In administration.

* Outstanding rent review or lease renewal as at 30 September 2010.

Property portfolio – warehouse and industrial

at 30 September 2010

<i>Property</i>	<i>Tenant</i>	<i>Term/ from</i>	<i>Lease review period</i>	<i>Next review</i>	<i>Rent £</i>	<i>Market value range £m</i>		
Unit 16 Junction Six BIRMINGHAM	BSS Group plc	15 yrs 4.2.05	5 yrs	2010	500,000*	5-10		
	BSS Group plc	13 yrs 13.8.07	-	-	30,000			
Interlink Park COALVILLE	Copper Cable Company Ltd	10 yrs 24.6.09	5 yrs	2014	410,000	0-5		
Meridian Business Park, LEICESTER	Knauf Insulation Ltd	25 yrs 29.9.96	5 yrs	2011	300,565	0-5		
Units 7-11, Marriot Close, NORWICH	Edmundson Electrical Ltd	10 yrs 29.9.08	5 yrs	2013	21,850	0-5		
	Miller West Ltd	15 yrs 23.11.04	5 yrs	2014	28,900			
	Kent Blaxill and Co Ltd	15 yrs 5.3.04	5 yrs	2014	28,000			
	Holden & Holden Ltd	15 yrs 29.9.04	5 yrs	2014	29,298			
	Sunfen Ltd	15 yrs 5.3.04	5 yrs	2014	56,850#			
	Uniglaze 2 (East Anglia) Ltd	9 yrs 31.1.06	5 yrs	2010	56,135*			
	Unipart Automotive Ltd	15 yrs 13.6.03	5 yrs	2013	21,000			
	RAC Auto Windscreens Ltd	10 yrs 22.6.04	5 yrs	2009	17,774*			
	Robinsons Autoservices Ltd	15 yrs 1.9.02	5 yrs	2012	3,329			
	R Robinson & Co (Motor Spares) Ltd	5 yrs 23.2.05	-	-	8,000			
	Toolstation Ltd	10 yrs 11.5.09	5 yrs	2014	41,866			
	Alexandra Way TEWKESBURY	Moog Controls Ltd	15 yrs 25.12.78	5 yrs	2013		270,000	0-5

* Outstanding rent review or lease renewal as at 30 September 2010.

In administration

Statement of total return

for the half year ended 30 September 2010

		30.9.2010		30.9.2009	
	Notes	£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		4,383		(2,651)
Revenue	3	2,859		3,015	
Expenses	4	(205)		(209)	
Finance costs: interest	6	(235)		(81)	
Net revenue before taxation		2,419		2,725	
Taxation	5	(488)		(549)	
Net revenue after taxation		1,931		2,176	
Management expenses	4	(252)		(239)	
Net revenue after taxation and expenses			1,679		1,937
Total return before distributions			6,062		(714)
Finance costs: distributions	6		(1,679)		(1,937)
Change in net assets attributable to unitholders from investment activities			4,383		(2,651)

The notes on pages 27 to 35 form part of these accounts.

Statement of change in net assets attributable to unitholders

for the half year ended 30 September 2010

	30.9.2010		30.9.2009	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		70,453		69,408
Amounts receivable on issue of units	-		-	
Amounts payable on cancellation of units	<u>-</u>		<u>-</u>	
		-		-
Change in net assets attributable to unitholders from investment activities		<u>4,383</u>		<u>(2,651)</u>
Closing net assets attributable to unitholders		<u>74,836</u>		<u>66,757</u>

The above statement shows the comparative closing net assets at 30 September 2009 whereas the opening net assets for the current accounting period commenced on 1 April 2010.

The notes on pages 27 to 35 form part of these accounts.

Balance sheet

at 30 September 2010

		30.9.2010		31.3.2010	
	Notes	£'000	£'000	£'000	£'000
ASSETS					
Investment assets	7		87,100		84,650
Debtors	8	1,561		1,110	
Loan due from LAMIT	9	200		200	
Cash and bank balances		<u>3,436</u>		<u>1,972</u>	
Total other assets			<u>5,197</u>		<u>3,282</u>
Total assets			92,297		87,932
LIABILITIES					
Creditors	10	1,602		1,735	
Distribution payable on income units		734		619	
Loan payable	11	<u>15,125</u>		<u>15,125</u>	
Total liabilities			<u>17,461</u>		<u>17,479</u>
Net assets attributable to unitholders			<u>74,836</u>		<u>70,453</u>
Approved on behalf of the Trustee 16 November 2010				S Lourie, <i>Chairman</i>	

The notes on pages 27 to 35 form part of these accounts.

Cash flow statement

for the half year ended 30 September 2010

		30.9.2010		30.9.2009	
	Notes	£'000	£'000	£'000	£'000
Net cash inflow from operating activities	17		1,095		1,453
Net cash inflow from financing activities					
Distributions paid		<u>(1,566)</u>		<u>(2,279)</u>	
			(1,566)		(2,279)
Net cash inflow from investing activities					
Capital expenses	7	(165)		(251)	
Proceeds on disposal of investments	7	<u>2,100</u>		<u>11,625</u>	
			<u>1,935</u>		<u>11,374</u>
Increase in cash	18		<u>1,464</u>		<u>10,548</u>

The notes on pages 27 to 35 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 accounting policies set out below and the Statement of Recommended Practice for Authorised Funds issued by the Investment Management Association (IMA) in October 2010.

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

(b) Revenue recognition

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

(c) Expenses

During the period, the Manager's periodic charge, paid to the Manager, was charged to the revenue of the Fund before distribution. The fee 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 investment services and other expenses incurred by the Manager. The audit, insurance, property valuation fees and direct property fees are charged separately to the revenue of the Fund before distribution.

(d) Distributions

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

(e) Capitalised costs

All costs associated with buying, selling and development of properties are charged to capital. Other expenses, including the property valuation fees payable to BNP Paribas Real Estate, are deducted from revenue.

(f) Basis of valuation

Freehold and leasehold properties are valued at each quarter-end date on the basis of Market Value in accordance with the current RICS Appraisal and Valuation Standards (The Red Book) as advised by BNP Paribas Real Estate, Chartered Surveyors. In

Notes to the accounts

addition, the Manager reviews these values at each intervening month end. Additions to the portfolio are valued externally after acquisition.

(g) Borrowing

Interest on borrowings 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 2.5% per annum above LIBOR.

2. Net capital gains/(losses)	30.9.2010	30.9.2009
	£'000	£'000
The net capital gains/(losses) on investments during the period comprise:		
Non-derivative securities	4,383	(2,651)
3. Revenue	30.9.2010	30.9.2009
	£'000	£'000
Rental revenue	2,854	2,978
Bank interest	3	18
Other revenue	2	19
	<u>2,859</u>	<u>3,015</u>
4. Expenses	30.9.2010	30.9.2009
i) Property expenses:	£'000	£'000
Loan finance cost	14	16
Property repairs and maintenance	2	3
Property empty rates	96	(16)
Property legal and professional fees	38	104
Property services	33	83
Property valuation fees	21	19
Other property outgoings	1	-
	<u>205</u>	<u>209</u>

Notes to the accounts

ii) Management expenses:	30.9.2010	30.9.2009
Payable to The Local Authorities' Mutual Investment Trust:	£'000	£'000
Manager's periodic charge	234	220
Investment Property Databank	3	4
Trustee liability insurance	5	3
Audit fee	9	9
Legal fees	-	2
Travelling expenses	1	1
	<u>252</u>	<u>239</u>

The above expenses include irrecoverable VAT where applicable.

5. Taxation

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

	30.9.2010	30.9.2009
	£'000	£'000
Income tax	<u>488</u>	<u>549</u>

Income tax is calculated as follows:

Net revenue before taxation at 20%	484	545
Items not allowable for income tax purposes:		
Revaluation fee at 20%	4	4
Income tax	<u>488</u>	<u>549</u>

Notes to the accounts

6. Finance costs

Distributions

Distributions paid and payable during the period comprise:

	30.9.2010	<i>30.9.2009</i>
	£'000	<i>£'000</i>
30 June – interim distribution (paid)	945	1,131
30 September – interim distribution (payable)	734	806
Net distribution for the period	<u>1,679</u>	<u>1,937</u>

Interest

Net interest for the period	235	81
Total finance costs	<u>1,914</u>	<u>2,018</u>

Details of the distribution pence per unit are set out in the distribution table on page 35.

7. Property investments

	30.9.2010	<i>31.3.2010</i>
	£'000	<i>£'000</i>
Market value at the start of the period	84,650	81,150
Acquisitions at cost	-	7,500
Capitalised expenses	165	924
Sales proceeds from disposal	(2,100)	(11,625)
Realised losses on disposal	(2,642)	(875)
Unrealised gains/(losses) on revaluation	7,027	7,576
Market value at the end of the period	<u>87,100</u>	<u>84,650</u>
Historical cost at the end of the period	<u>95,170</u>	<u>99,747</u>

8. Debtors

	30.9.2010	<i>31.3.2010</i>
	£'000	<i>£'000</i>
Rent due	1,444	1,048
Prepayments and other receivables	52	36
Property payments recoverable	65	26
	<u>1,561</u>	<u>1,110</u>

9. Loan receivable

	30.9.2010	<i>31.3.2010</i>
	£'000	<i>£'000</i>
Loan due from The Local Authorities' Mutual Investment Trust (see Note 16)	<u>200</u>	<u>200</u>

Notes to the accounts

10. Creditors	30.9.2010	<i>31.3.2010</i>
	£'000	<i>£'000</i>
Rent received in advance	1,185	1,105
Management expenses payable to The Local Authorities'		
Mutual Investment Trust	142	70
Taxation payable	188	331
Property deposits	-	100
VAT payable	69	117
Other creditors	18	12
	<u>1,602</u>	<u>1,735</u>
11. Loan payable	30.9.2010	<i>31.3.2010</i>
	£'000	<i>£'000</i>
Bank loan	<u>15,125</u>	<u>15,125</u>

12. 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.

Market price risk

Whilst the value of direct property is independently valued on a quarterly basis, such valuations are a matter of the valuer's opinions and such values may or may not be achieved on disposal. The Fund seeks to minimise the impact of these risks by maintaining a well diversified property portfolio, both geographically and by sector.

Financial assets

All cash and bank balances earn interest at a floating rate based on either LIBOR or base rate. Debtors and creditors of the Fund do not pay or receive interest.

Financial liabilities

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.

During the period, the Manager utilised the Fund's power to borrow. The borrowing facility was provided by The Royal Bank of Scotland plc at a floating interest rate of 2.5% above LIBOR. Interest on amounts drawn down from the loan facility is calculated on a daily basis

Notes to the accounts

and is payable quarterly in arrears. The loan can be drawn in tranches and repaid at any time. As at 30 September 2010 the loan outstanding was £15,125,000 (31.3.2010, £15,125,000).

There were no other financial liabilities that pay either floating rate or fixed rate interest at 30 September 2010 (31.3.2010, £nil). All financial liabilities are due to be settled within one year or on demand.

Liquidity risk

By their very nature, direct properties are less liquid and therefore the investments may not be readily realisable. The Fund's liquidity may be affected by unexpected or high levels of redemptions. Under these circumstances, a period of notice may be imposed for the redemption of units. The units are realisable only on each monthly dealing day.

Currency risk

There is no exposure to foreign currency fluctuations as all investments, revenue and short-term debtors and creditors are denominated in Sterling.

Interest rate risk

The majority of the Fund's assets are direct 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 in so far as they affect rental levels generally.

The interest rate risk profile of the Fund's financial assets and liabilities at 30 September 2010 was as set out below:

Currency	<i>Floating rate financial assets*</i> £'000	<i>Fixed rate financial assets</i> £'000	<i>Financial assets not carrying interest</i> £'000	<i>Total</i> £'000
Sterling	3,436	-	88,861	92,297

Currency	<i>Floating rate financial liabilities</i> £'000	<i>Fixed rate financial liabilities</i> £'000	<i>Financial liabilities not carrying interest</i> £'000	<i>Total</i> £'000
Sterling	15,125	-	2,336	17,461

Notes to the accounts

31 March 2010

<i>Currency</i>	<i>Floating rate financial assets*</i> £'000	<i>Fixed rate financial assets</i> £'000	<i>Financial assets not carrying interest</i> £'000	<i>Total</i> £'000
Sterling	1,972	-	85,960	87,932

<i>Currency</i>	<i>Floating rate financial liabilities</i> £'000	<i>Fixed rate financial liabilities</i> £'000	<i>Financial liabilities not carrying interest</i> £'000	<i>Total</i> £'000
Sterling	15,125	-	2,354	17,479

* The floating rate financial assets of the Fund earn interest at rates based on either LIBOR or base rate.

All financial liabilities are due to be settled within one year, or on demand.

There were no derivatives held by the Fund as at 30 September 2010 (31.3.2010, £nil).

13. Contingent liabilities

There were no contingent liabilities as at 30 September 2010 (31.3.2010, £nil). At 30 September 2010 there were no redemption notices outstanding (31.3.2010, nil).

14. Turnover of units

The number and net asset value of units in The Local Authorities' Property Fund created and cancelled during the period were as follows:

30.9.2010	Number of units	Value £	% of NAV at 30.9.2010
Units created	-	-	-
Units cancelled	-	-	-

<i>31.3.2010</i>	<i>Number of units</i>	<i>Value £</i>	<i>% of NAV at 30.3.2010</i>
Units created	-	-	-
Units cancelled	3,031,063	5,656,569	8.0

Notes to the accounts

15. Trustee remuneration

The Trustee is controlled by the Members of the Council who receive no remuneration from the Fund. Mr S Lourie is a Director of the Manager and receives remuneration from the Manager which is disclosed in the Manager's accounts.

16. Related party transactions

Management expenses are payable to the Trustee, a related party to the Fund. The amounts paid in respect of management expenses are disclosed in note 4. There were outstanding balances due to the Trustee at 30 September 2010 of £141,890 (31.3.2010, £70,339). There were loans outstanding from the Trustee at 30 September 2010 of £200,000 (31.3.2010, £200,000). There were no other transactions entered into with the Trustee during the period.

The Manager of the Fund is a related party to the Fund. There were no transactions entered into with the Manager 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 32.92% and 32.39% respectively of the total Fund units in issue. In addition, Mr Trevor Salmon (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.

17. Reconciliation of net revenue after taxation to net cash inflow from operating activities

	30.9.2010	30.9.2009
	£'000	£'000
Revenue after taxation and expenses	1,679	1,937
Increase in debtors	(451)	(435)
Decrease in creditors	(133)	(49)
Net cash inflow from operating activities	<u>1,095</u>	<u>1,453</u>

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

	30.9.2010	30.9.2009
	£'000	£'000
Net cash and cash equivalents at the start of the period	1,972	1,332
Movement in cash and cash equivalents during the period	1,464	10,548
Net cash and cash equivalent at the end of the period	<u>3,436</u>	<u>11,880</u>

Distribution table

for the year ended 30 September 2010

2010	<i>Pence per unit</i>	
	30.9.2010	30.6.2010
Net revenue before taxation	3.3620	4.1708
Income tax at 20%	<u>0.6724</u>	<u>0.8342</u>
	2.6896	3.3366
Management expenses	<u>0.3981</u>	<u>0.3879</u>
Distribution payable	<u>2.2915</u>	<u>2.9487</u>
Gross distribution after management expenses	<u>2.9639</u>	<u>3.7829</u>
2009	<i>Pence per unit</i>	
	30.9.2009	30.6.2009
Net revenue before taxation	3.2873	4.4674
Income tax at 20%	<u>0.6575</u>	<u>0.8935</u>
	2.6298	3.5739
Management expenses	<u>0.3287</u>	<u>0.3523</u>
Distribution payable	<u><u>2.3011</u></u>	<u><u>3.2216</u></u>
Gross distribution after management expenses	<u>2.9586</u>	<u>4.1151</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;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (IMA) in October 2010;
- follow generally accepted accounting principles and applicable United Kingdom accounting standards;

- keep proper accounting records which enable the Manager to demonstrate that the accounts, as prepared, comply with the above requirements;
- make judgments and estimates that are reasonable and prudent; 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

S Lourie

Secretary

J Fox

Local Government Association

P Clokie

T Eckersley

A Galloway

I Greenwood

P Hardy (resigned 16.11.10)

S Lourie (resigned 16.11.10)

R Kemp (appointed 16.11.10)

Northern Ireland Local Government Officers' Superannuation Committee

T Salmon

Unitholder Member

S Edwards (City of Bradford Metropolitan District Council)

Property Manager, Administrator, and Registrar

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the Financial Services Authority*

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Directors responsible for the Fund

M Quicke (Chief Executive)

J Bevan (Chief Investment Officer)

S Curran (Chief Operating Officer)

C Peters (Investment Director)

A Robinson (Director Market Development)

Property Manager and Head of Property

P Hannam

Company Secretary

J Fox

Head of Operational Risk, Internal Audit and Compliance

A Kemp

External Property Valuer

BNP Paribas Real Estate

90 Chancery Lane, London, WC2A 1EU

Banker

The Royal Bank of Scotland plc

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66 Lincoln's Inn Fields, London, WC2A 3LH

Independent Auditor

Ernst & Young LLP

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CCLA INVESTMENT MANAGEMENT LIMITED

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D4/Nov10

Printed on 100% post consumer waste and is certified by the Forest Stewardship Council (FSC).