

The Local Authorities' Property Fund

Report and Accounts
Half Year to 30 September 2008

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Details of Trustee and Manager

(inside back cover)

Disability Discrimination Act 1995

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are available in large print and audio formats.

The Local Authorities' Property Fund

Structure of the Fund

for the six months ended 30 September 2008

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.

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.

The Local Authorities' Property Fund

Structure of the Fund

for the six months ended 30 September 2008

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 valued at £9.35bn as at 30 September 2008, ranging in size from £33m to £1.84bn.

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 not exceeding six months from the subsequent valuation point as it may think fit, to allow time for the sale of properties, 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 10) 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.

The Local Authorities' Property Fund

Report of the Trustee

for the six months ended 30 September 2008

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 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.

J Galbraith
Chairman of The Local Authorities' Mutual
Investment Trust

5 November 2008

The Local Authorities' Property Fund

Report of the Property Manager

for the six months ended 30 September 2008

- A property fund suitable for long term capital
- An actively managed and diverse property portfolio
- Good performance record in comparison to the benchmark
- Rising income

Performance

In the six month period to 30 September 2008, the Local Authorities' Property Fund produced a negative total return after all expenses of -8.2%. The Fund's performance benchmark is the IPD Balanced PUT Index which is published on a calendar quarter basis. The performance of the Fund compared to the benchmark during the half year period to 30 September 2008, is recorded in the table below.

Total return against benchmark to 30 September 2008 (after expenses)

	6 mths %	1 yr %	3 yrs %	5 yrs %
The Local Authorities' Property Fund	-8.2	-19.4	+2.4	+8.7
IPD Balanced PUT Index	-10.2	-20.9	+1.3	+7.2

Source: The Manager/IPD

Valuations of commercial property investments in the UK have been reduced further during the half year to continue a process of price correction that commenced mid-way through 2007. This current period of property investment market weakness and investment re-pricing has now prevailed throughout the first nine months of 2008 as valuers have attempted to close the gap between valuations and the harsher reality of investment market conditions. The Fund has not been immune from this and, reflecting the reductions being applied to the valuation of the property portfolio, the value of the Fund's units

has fallen during the period under review to a price of 287.04p as at the 30 September 2008. This compares with a price of 320.78p on the 31 March 2008 representing a capital decline for the six months of -10.5%, whilst the fall over the last twelve months since September 2007 now amounts to -23.1%. It is nevertheless positive that the amount of income distributed to unitholders has been increased during the half year, rising to 7.6303p per unit. As a result, income distributed to unitholders over a twelve month period has increased from 12.6373p in March 2008 to 14.4243p by the end of September 2008 and the dividend yield rose from 3.9% to 5.0%.

Market review

Property markets remain weak, characterised by difficult funding conditions, liquidity problems, fragile investor sentiment and low transactions volumes. Whilst these conditions persist, it has been necessary for yields to rise and valuations are continuing to fall, gravitating towards the harsher reality of real property market conditions. This has created valuation performance uncertainty and an uncomfortable period for UK property investors with the ultimate duration and severity of those problems unclear. To compound matters the potential impact of the financial crisis on the real economy is becoming clearer, raising fears of economic recession in the UK and globally. As a result total return performance recorded by IPD has deteriorated during the half year as the rate of capital decline accelerated given the potential impact of the bleak economic outlook on future rates of rental value growth. Negative rates of rental growth were reported for the first time in five years and retail rents fell for the first time since 1995, as the feared double dip in property sector performance commenced. In the six month period to end of September 2008, the IPD Monthly Index recorded a capital decline for All Property of -10.0%, and a negative total return of -7.3%. Over twelve months, capital valuations have now fallen by -22.6%.

Report of the Property Manager

for the six months ended 30 September 2008

All types and grades of property assets are subject to valuation markdowns. Whilst a convergence in performance can be identified over the entire course of the downturn, the marked further deterioration in performance during the last six months was again led by the retail sector and shopping centre investments. Office property has also experienced weakness in 2008 as the process of price correction caught up with Central London property. The support to this sub-sector previously provided by a more positive outlook for rental value growth has fallen away leaving more aggressive valuation profiles exposed to a particularly weak outlook. The pace of industrial property valuation markdowns has been steadier, and combined with the support provided by a higher income yield has produced more resilient performance.

Activity

Current investment market conditions are not conducive to high levels of transactional activity, and no purchases or sales have been completed during the period under review. Attention is now focused upon management activity aimed at protecting value and achieving growth in income by realising the Funds reversionary potential.

Rent reviews and letting activity involving a number of the Funds property holdings across the portfolio has resulted in a significant increase in rental income during the six month period under review. The Fund's void rate has been reduced from 13.4% as at 31 March 2008 and currently stands at 8.5%, lower than the average level of voids recorded by IPD in September 2008 of 9.3%. Despite the successful realisation of a significant proportion of the Fund's reversion, the total reversionary potential remaining is high at 19.3% and compares with the reversion recorded by IPD of 15%.

Strategy

The Fund offers a reasonably well-balanced exposure across the main sub-sectors of the UK property market, but with higher weightings to the office and retail warehouse sectors. This allocation has been a factor in the Fund's relatively good performance record of recent years, although the valuations of retail warehouse assets and some Central London offices have been scaled back sharply during this period of downturn. A convergence in sub-sector performance and the uncertain performance outlook is not offering any material guidance in terms of the future allocation policy. However, yield profiles for industrial property indicate this sector is looking over-priced in the current climate and may be set for further performance weakness. The underweight position is therefore likely to be maintained in the short term.

Greater focus is therefore being applied to assessing and carefully selecting individual property assets, with the emphasis on income growth potential and the prospects for adding value from management activity a key feature of our strategy. Success with the investment policy in the past had produced a high reversion for the Fund's property portfolio. A current focus on the early realisation of this attractive level of inherent income growth is helping to raise the portfolio yield and providing capacity for dividend growth. Such activity will support performance during this period of pricing uncertainty and attempt to protect reversions under threat from erosion given the weak economic outlook. A reduction in the amount of borrowing is also a target and a number of assets have been made available for disposal. However, prevailing difficult market conditions and a gloomy outlook does render the achievement of this an uncertain course.

Report of the Property Manager

for the six months ended 30 September 2008

Unit redemptions

The in-direct property investment sector in the UK continues to experience a significant volume of investor redemption pressures. This was an anticipated outcome bearing in mind the severity of the market downturn and the weak performance outlook for the sector. No units in the Fund have been redeemed during the half year, however, as at the 30 September 2008, redemption notices from two investing authorities were outstanding, amounting to 3,859,792 units.

Outlook

The performance outlook for the UK property investment sector has been transformed by the events and financial turmoil experienced since the summer of 2007, replacing investor confidence and expectation with nervousness and uncertainty. In the period of inactivity that has ensued, and still prevails, property valuations will continue to fall at a steady rate well into 2009.

Property investment now appears to offer better value as an asset class, more attractive yields and interesting investment opportunities exist for buyers. Nevertheless, market activity needs to pick up, and more transactional evidence produced, to halt the valuation slide. Although a prolonged period of falling valuations is now expected, particularly as rates of rental value

growth continue to soften and recessionary fears persist, it should be borne in mind that rental growth experienced in occupier markets during the bull run of the last five years remained modest at best, with the exception of Central London Office rents. Therefore, fears of significant falls in rents may be over done, but whilst the gloom and downside risks connected to financial market difficulties remain, negative assessments of real economy impacts can only deepen to inflict further damage on confidence and the performance outlook.

Therefore, the Fund's focus upon the fundamental drivers of long term performance and property management to secure increased rentals and achieve rising income, appears particularly appropriate in this period characterised by valuation yield volatility and much lower rates of capital growth compared to the last cycle. The level and quality of income streams will be more influential in the generation of competitive performance for unitholders during these more challenging times.

P Hannam
Head of Property
CCLA Investment Management Limited

5 November 2008

Risk warning

The Fund's units and the income 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 income 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 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 up to six months may be imposed for redemption of shares depending on Fund liquidity.

The Fund has the facility to borrow up to 25% of the Fund which may increase the volatility within the Fund.

Report of the Independent Auditor

for the six months ended 30 September 2008

We have audited the financial statements of The Local Authorities' Property Fund for the six months ended 30 September 2008 which comprise the statement of total return, the statement of change in unitholders' net assets, the property portfolio, 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 half year 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 half year 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 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 Auditor

for the six months ended 30 September 2008

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 2008 and of the net income and the net losses on the scheme property of the Fund for the half year then ended; and
- have been properly prepared in accordance with United Kingdom generally accepted accounting practice, and the Trust Deed.

Ernst & Young LLP
Registered Auditor
London

5 November 2008

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 out by the auditors of The Local Authorities' Property Fund does not involve consideration of 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.

The Local Authorities' Property Fund

Report of the Valuer

Dear Sirs,

The Local Authorities' Property Fund valuation as at 30 September 2008

In accordance with your instructions, we have valued all the property investments owned by The Local Authorities' Property Fund as at 30 September 2008. 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 2008 was:

£121,975,000

(One hundred and twenty one million, nine hundred and seventy five 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 1 October 2008.

Yours faithfully,

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

1 October 2008

The Local Authorities' Property Fund

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

Net asset value

At 31 March	Net asset value £'000	Net asset value pence per unit	Number of units in issue
2006	117,614	326.85	35,984,920
2007	135,707	366.88	36,990,016
2008	112,733	320.78	35,144,392
Six months to 30 September 2008	100,876	287.04	35,144,392

Unit price range

Year to 31 March	Highest offer pence per unit	Lowest bid pence per unit
2004	265.17	232.05
2005	303.08	246.91
2006	337.80	282.16
2007	379.17	320.77
2008	388.74	315.81
Six months to 30 September 2008	330.38	282.59

Net distributions

Year to 31 March	Distribution pence per unit¹	Yield on unit held for the period %²
2004	14.1002	5.32
2005	13.1914	4.35
2006	13.2106	3.91
2007	14.3770	3.79
2008	12.6373	3.81
Six months to 30 September 2008	7.6303	2.57

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.

The Local Authorities' Property Fund

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

Unit prices at 30 September 2008

	<i>Bid price pence per unit</i>	<i>Offer price pence per unit</i>
Income units	282.59	296.66

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 (prior to 31 August 2005: 5.75% surcharge) respectively.

Expense ratios

	<i>30.9.2008</i>	<i>30.9.2007</i>
Total expense ratio (annualised)	0.73%	0.74%
Property expense ratio (annualised)	0.26%	0.14%

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.

The Local Authorities' Property Fund

Portfolio analysis

at 30 September 2008

Tenure

	30.9.2008		31.3.2008	
	£'000	%	£'000	%
Freehold	88,975	72.95	102,425	76.99
Leasehold	18,950	15.53	19,950	15.00
Heritable	14,050	11.52	10,650	8.01
	<u>121,975</u>	<u>100.00</u>	<u>133,025</u>	<u>100.00</u>

Rent review frequency

Review period	Annual rents as at 30.9.2008		Annual rents as at 31.3.2008	
	£	%	£	%
1 to 4 years	186,000	2.52	3,250	0.05
5 years	7,203,421	97.48	6,644,712	99.95
	<u>7,389,421</u>	<u>100.00</u>	<u>6,647,962</u>	<u>100.00</u>

Tenants' unexpired lease terms

Unexpired term	30.9.2008	31.3.2008
	%*	%*
Over 10 years	24.79	23.90
5 - 10 years	15.18	16.11
Under 5 years	51.54	46.57
Void	8.49	7.80
Development	-	5.62
	<u>100.00</u>	<u>100.00</u>

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

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

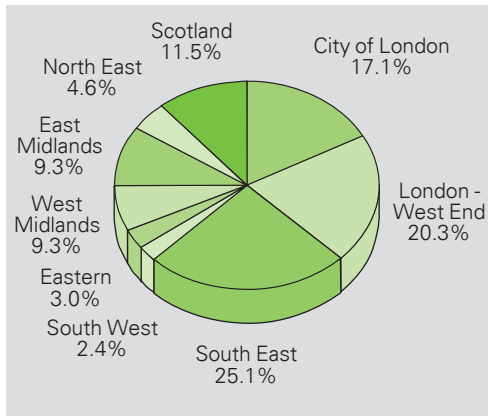
Portfolio analysis

at 30 September 2008

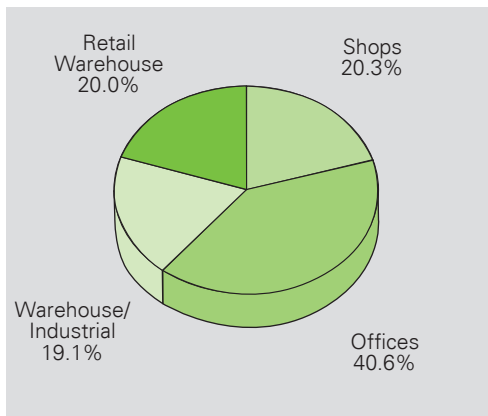
Use of capital at 30 September 2008

	30.9.2008		31.3.2008	
	£'000	%	£'000	%
Completed properties	121,975	120.92	126,125	111.88
Properties under development	-	-	6,900	6.12
Net other liabilities	(21,099)	(20.92)	(20,292)	(18.00)
	<u>100,876</u>	<u>100.00</u>	<u>112,733</u>	<u>100.00</u>

Geographical distribution



Asset by type



The Local Authorities' Property Fund

Portfolio statement

at 30 September 2008

	£'000	% of Fund
<i>Properties</i>		
Valued between £0 and £5m		
9 properties	29,075	28.82
Valued between £5 and £10m		
7 properties	44,100	43.72
Valued between £10 and £15m		
4 properties	<u>48,800</u>	<u>48.38</u>
	121,975	120.92
<i>Net other liabilities</i>	(21,099)	(20.92)
<i>Net assets</i>	<u><u>100,876</u></u>	<u><u>100.00</u></u>

Ownership of the Fund

at 30 September 2008

Ownership band at 30 September 2008	<i>Number of investors</i>	<i>Number of units in issue '000</i>	<i>% of units in issue</i>
Less than 1%	5	167	0.48
1% or greater but less than 2%	2	993	2.82
2% or greater but less than 4%	3	3,402	9.68
4% or greater but less than 8%	5	9,611	27.35
Greater than 8%*	<u>2</u>	<u>20,971</u>	<u>59.67</u>
	<u><u>17</u></u>	<u><u>35,144</u></u>	<u><u>100.00</u></u>

* Percentage held by largest unitholder is 30.08%

The Local Authorities' Property Fund
Statement of total return
for the six months 30 September 2008

	Notes	30.9.2008		30.9.2007	
		£'000	£'000	£'000	£'000
Net (losses)/gains on investments during the period	2		(11,857)		2,325
Gross income	3	3,790		3,059	
Property expenses	4	(154)		(133)	
Finance costs: interest	6	(582)		(310)	
Net income before taxation		3,054		2,616	
Income tax	5	(614)		(583)	
Net income after taxation		2,440		2,033	
Management expenses	4	(372)		(467)	
Net income after taxation and expenses			2,068		1,566
Total return for the period			(9,789)		3,891
Finance costs: distributions	6		(2,068)		(1,566)
Change in net assets attributable to unitholders			(11,857)		2,325

Statement of change in unitholders' net assets

for the six months 30 September 2008

	30.9.2008		30.9.2007	
	£'000	£'000	£'000	£'000
Net assets at start of period		112,733		135,707
Movement due to creations and cancellations of units				
Amounts receivable on creation of units	-		-	
Less: amounts payable on cancellation of units		-	(3,717)	
Change in net assets attributable to unitholders (see page 15)		(11,857)		<u>2,325</u>
Net assets at end of period		<u>100,876</u>		<u>134,315</u>

The above statement shows the comparative net assets at 30 September 2007 whereas the current accounting period commenced on 1 April 2008.

The notes on pages 25 to 30 form part of these accounts.

The Local Authorities' Property Fund

Property portfolio - offices

at 30 September 2008

<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	2009	225,000	0 - 5
	Scottish Children's Reporter Administration	10 yrs 7.12.00	5 yrs	-	45,500	
	Vacant	-	-	-	-	
292 St Vincent Street GLASGOW	McClure Naismith Anderson & Gardener	25 yrs 1.11.85	-	-	260,000	0 - 5
2-4 Blythswood Square GLASGOW	Brodies LLP	25 yrs 29.9.88	5 yrs	2008	415,000*	5 - 10
13 Austin Friars LONDON, EC2	Devonshire Business Services Ltd	20 yrs 10.10.97	5 yrs	2007	270,000*	0 - 5
202-216 Silbury Boulevard MILTON KEYNES	Grant Thornton Nominees	25 yrs 15.12.89	5 yrs	2009	252,000	0 - 5
1a Stoke Road SLOUGH	Inkfish Call Centres Ltd	10 yrs 18.6.99	5 yrs	-	170,000	0 - 5

* Outstanding rent review or lease renewal as at 30 September 2008.

The Local Authorities' Property Fund

Property portfolio - offices/shops

at 30 September 2008

<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>
101/102 Jermyn Street LONDON, SW1	DAKS Simpson Group plc	11 yrs 1.9.08	5 yrs	2014	185,000	10 - 15
	BM Investments LLP	5 yrs 4.3.05	-	-	92,250	
	Kessler Financial Services International LLC	5 yrs 13.9.04	-	-	74,132	
	Material Entertainment	5 yrs 8.4.05	-	-	54,900	
	Quadrant Holdings Ltd	10 yrs 24.3.03	5 yrs	2008	87,500*	
	Quadrant Holdings Ltd	10 yrs 24.3.03	5 yrs	2008	-*	
34 Threadneedle Street LONDON, EC2	Replete Ltd	15 yrs 29.9.07	5 yrs	2012	160,000	5 - 10
	Taberna 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	
	Vacant	-	-	-	-	
	Vacant	-	-	-	-	

* Outstanding rent review or lease renewal as at 30 September 2008.

The Local Authorities' Property Fund

Property portfolio - offices/shops

at 30 September 2008

<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>
157-159 Fenchurch Street LONDON, EC3	TM Lewin and Sons Ltd	15 yrs 20.2.07	5 yrs	2012	300,000	10 - 15
	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	
	Vacant	-	-	-	-	
12-13 Conduit Street LONDON, W1	Belstaff International Ltd	15 yrs 17.3.98	5 yrs	-	325,000	10 - 15
	Hartnells Ltd	15 yrs 13.8.98	5 yrs	-	390,000	

Property portfolio - shops

at 30 September 2008

<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	Hutchinson 3G UK Ltd	3 yrs 4.7.06	-	-	186,000	0 - 5

Property portfolio - retail warehouses

at 30 September 2008

<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	10 - 15
	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	-	-	2,000	
	NBC Apparel	5 yrs 17.3.06	-	-	2,000	
Goodliffe Park BISHOPS STORTFORD	Payless DIY Ltd	35 yrs 29.9.89	5 yrs	2009	398,880	5 - 10
Wessington Way SUNDERLAND	Wickes Building Supplies Ltd	25 yrs 29.9.94	5 yrs	2009	248,966	5 - 10
	Wickes Building Supplies Ltd	25 yrs 29.9.94	5 yrs	2007	100,000*	
	McDonalds Property Co Ltd	25 yrs 29.9.94	5 yrs	2009	53,000	

* Outstanding rent review or lease renewal as at 30 September 2008.

The Local Authorities' Property Fund

Property portfolio - retail warehouse and industrial

at 30 September 2008

<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	450,000	5 - 10
	Additional Income	3 yrs 10.2.06	-	-	50,000	
	BSS Group plc	13 yrs 15.8.07	-	-	30,000	
Interlink Park COALVILLE	Copper Cable Company Ltd	25 yrs 20.3.95	5 yrs	-	394,000	5 - 10
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 24.8.98	5 yrs	2013	21,850	0 - 5
	Miller West Ltd	15 yrs 23.11.04	5 yrs	2009	24,000	
	Kent Blaxill and Co Ltd	15 yrs 5.3.04	5 yrs	2009	23,720	
	Holden & Holden Ltd	15 yrs 29.9.04	5 yrs	2009	24,150	
	Sunfen Ltd	15 yrs 5.3.04	5 yrs	2009	52,050	
	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	2008	18,000*	
	RAC Auto Windscreens Ltd	10 yrs 22.6.04	5 yrs	2009	17,774	

* Outstanding rent review or lease renewal as at 30 September 2008.

Property portfolio - retail warehouse and industrial

at 30 September 2008

<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>
Units 7-11 Marriot Close NORWICH	Robinsons Autoservices Ltd	15 yrs 1.9.02	5 yrs	2012	3,329	
	R Robinson & Co (Motor Spares) Ltd	5 yrs 23.2.05	-	-	7,700	
	Vacant	-	-	-	-	
Alexandra Way TEWKESBURY	Moog Controls Ltd	30 yrs 25.12.78	5 yrs	-	126,600	0 - 5
	Moog Controls Ltd	25 yrs 25.12.83	5 yrs	-	138,400	

The Local Authorities' Property Fund

Balance sheet

at 30 September 2008

	Notes	30.9.2008		31.3.2008	
		£'000	£'000	£'000	£'000
ASSETS					
Portfolio of investments	7		121,975		133,025
Debtors	8	902		1,059	
Cash and bank balances		2,542		1,316	
Total other assets			3,444		2,375
Total assets			125,419		135,400
LIABILITIES					
Portfolio of investments	9	3,626		3,069	
Distribution payable on income units		1,117		1,098	
Short term loans		19,800		18,500	
Total liabilities			24,543		22,667
Net assets attributable to unitholders			100,876		112,733
Approved on behalf of the Trustee 5 November 2008				J Galbraith, <i>Chairman</i> S Lourie, <i>Vice-Chairman</i>	

The notes on pages 25 to 30 form part of these accounts.

Cash flow statement

for the six months ended 30 September 2008

	Notes	30.9.2008		31.3.2008	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	14		2,782		3,065
Net cash outflow from financing activities					
Creation of units		-		-	
Cancellation of units		-		(6,517)	(6,517)
Net cash outflow from investing activities					
Creation of units	7	-		(7,100)	
Cancellation of units	7	(807)		(3,577)	
Proceeds on disposal of investments	7	-		3,605	
			(807)		(7,072)
Net cash outflow from distributions paid			(2,049)		<u>(3,338)</u>
Decrease in cash	15		<u>(74)</u>		<u><u>(13,862)</u></u>

The notes on pages 25 to 30 form part of these accounts.

The Local Authorities' Property Fund

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 December 2005, with the exception of the omission of the Statement of Material Portfolio Changes.

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) Income recognition

Rental income, interest on development 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 income 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 income of the Fund before distribution.

(d) Distributions

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 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 Atisreal Limited, are deducted from income.

(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 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 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 0.95% per annum above the bank's base rate.

The Local Authorities' Property Fund

Notes to the accounts

2. Net (losses)/gains on investments	30.9.2008	30.9.2007
	£'000	£'000
The net (losses)/gains on investments during the period comprise:		
Non-derivative securities	<u>(11,857)</u>	<u>2,325</u>
3. Income	30.9.2008	30.9.2007
	£'000	£'000
Rental income	3,709	3,000
Bank interest	17	45
Other interest	-	4
Other income	64	10
	<u>3,790</u>	<u>3,059</u>
4. Expenses	30.9.2008	30.9.2007
	£'000	£'000
i) Property expenses:		
Loan finance fee	-	4
Investment Property Databank	-	4
Property empty rates	20	(1)
Travelling expenses	-	1
Property legal and professional fees	73	35
Property service charges	45	55
Property revaluation fees	16	35
	<u>154</u>	<u>133</u>
ii) Management expenses:		
Payable to The Local Authorities' Mutual Investment Trust:		
Manager's periodic charge	359	456
Investment Property Databank	5	5
Trustee liability insurance	3	4
Audit fee	9	9
Travelling expenses	1	1
Public liability insurance	-	(4)
Less: bank interest received	<u>(5)</u>	<u>(4)</u>
	<u>372</u>	<u>467</u>

The above expenses include irrecoverable VAT where applicable.

The Members of the Council receive no remuneration from the Fund. The Chairman of the Council, or his representative, received a fee as a Director of the Manager.

The Local Authorities' Property Fund

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.

	30.9.2008	<i>30.9.2007</i>
	£'000	<i>£'000</i>
Income tax	<u>614</u>	<u>583</u>
Income tax is calculated as follows:		
Net income before taxation at 20% (prior to 31.3.2008 at 22%)	611	575
Items not allowable for income tax purposes:		
Revaluation fee at 20%	<u>3</u>	<u>8</u>
Income tax	<u>614</u>	<u>583</u>

6. Finance costs

Distributions

Distributions paid and payable during the period comprise:

	30.9.2008	<i>30.9.2007</i>
	£'000	<i>£'000</i>
30 June – interim distribution (paid)	950	762
30 September – interim distribution (payable)	<u>1,118</u>	<u>804</u>
Net distribution for the period	<u>2,068</u>	<u>1,566</u>
Interest		
Net interest for the period	<u>582</u>	<u>310</u>
Total finance costs	<u>2,650</u>	<u>1,876</u>

Details of the distribution pence per unit are set out in the distribution table on page 31.

7. Property investments

	30.9.2008	<i>31.3.2008</i>
	£'000	<i>£'000</i>
Market value at the start of the period	133,025	142,410
Acquisitions at cost	-	7,100
Capitalised expenses	807	3,577
Sales proceeds from disposals	-	(3,605)
Realised gains on disposals	-	1,917
Unrealised losses on revaluation	<u>(11,857)</u>	<u>(18,374)</u>
Market value at the end of the period	<u>121,975</u>	<u>133,025</u>
Historical cost at the end of the period	<u>115,576</u>	<u>114,769</u>

The Local Authorities' Property Fund

Notes to the accounts

8. Debtors	30.9.2008	31.3.2008
	£'000	£'000
Loan to The Local Authorities'		
Mutual Investment Trust	200	150
Rent due	603	737
Accrued income	1	1
Property payments recoverable	98	168
Prepayment of expenses	-	3
	<u>902</u>	<u>1,059</u>
9. Creditors	30.9.2008	31.3.2008
	£'000	£'000
Rent received in advance	1,252	1,432
Management expenses payable to The Local Authorities' Mutual Investment Trust	212	167
Taxation payable	1,761	1,178
Property expenses payable	-	42
VAT payable	358	179
Other creditors	43	71
	<u>3,626</u>	<u>3,069</u>

10. Financial instruments

The main risks arising from the Fund's financial instruments and 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 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.

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.

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.

The Local Authorities' Property Fund

Notes to the accounts

Financial liabilities

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 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. As at 30 September 2008 the loan outstanding was £19,800,000 (31.3.2008, £18,500,000).

There were no other financial liabilities that pay either floating rate or fixed rate interest at 30 September 2008 (31.3.2008, £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 of up to six months 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, income and short-term debtors and creditors are denominated in Sterling.

There were no derivatives held by the Fund as at 30 September 2008 (31.3.2008, £nil).

11. Contingent liabilities

There were no contingent liabilities as at 30 September 2008 (31.3.2008, £nil). At 30 September 2008 there were three redemption notices outstanding from two local authorities totalling 3,859,792 units (31.3.2008, nil).

12. 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:

30.9.2008	Number of units	Value £	% of NAV at 30.9.2008
Units created	-	-	-
Units cancelled	-	-	-

31.3.2008	Number of units	Value £	% of NAV at 31.3.2008
Units created	-	-	-
Units cancelled	1,845,624	6,517,151	5.78

The Local Authorities' Property Fund

Notes to the accounts

13. 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 2008 of £211,992 (31.3.2008, £167,147). There were loans outstanding from the Trustee at 30 September 2008 of £200,000 (31.3.2008, £150,000). 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 other 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 30.08% and 29.59% 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

	30.9.2008	<i>31.3.2008</i>
	£'000	<i>£'000</i>
Revenue after taxation and expenses	2,068	3,366
Decrease/(increase) in accrued income	134	(440)
Increase in debtors	23	(6)
Increase in creditors	557	145
Net cash inflow from operating activities	<u>2,782</u>	<u>3,065</u>

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

	30.9.2008	<i>31.3.2008</i>
	£'000	<i>£'000</i>
Net cash at beginning of the period	(17,184)	(3,322)
Movement in cash during the period	(74)	(13,862)
Net cash at the end of the period	<u>(17,258)</u>	<u>(17,184)</u>

The Local Authorities' Property Fund

Distribution table

for the six months 30 September 2008

<i>2008</i>	<i>Pence per unit</i>	
	<i>30.9.2008</i>	<i>30.6.2008</i>
Net income before taxation	4.6204	4.0690
Income tax at 20%	0.9241	0.8138
	3.6963	3.2552
Management expenses	0.5074	0.5517
Distribution payable	3.1889	2.7035
Gross distribution after management expenses	4.1130	3.5173

<i>2007</i>	<i>Pence per unit</i>	
	<i>30.9.2007</i>	<i>30.6.2007</i>
Net income before taxation	3.5436	3.5631
Income tax at 22%	0.7796	0.7839
	2.7640	2.7792
Management expenses	0.5487	0.7147
Distribution payable	2.2153	2.0645
Gross distribution after management expenses	2.9949	2.8484

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 December 2005;
- 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

Members of the Council and the Trust

Chairman

J Galbraith (appointed 7.5.08)

R Wilson (resigned 7.5.08)

S Lourie (appointed 7.5.08)

J Fox

Vice-Chairman

Secretary

Local Government Association

S Lourie

R Wilson (resigned 7.5.08)

T Eckersley

S Fraser (resigned 30.7.08)

P Clokie

P Hardy

I Greenwood (appointed 7.5.08)

Northern Ireland Local Government Officers' Superannuation Committee

J Galbraith

Unitholder Member

S Edwards (City of Bradford Metropolitan District Council)

Property Manager, Administrator, and Registrar

CCLA Investment Management Limited

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Directors responsible for 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

Atisreal Limited

Norfolk House,

31 St James's Square, London, SW1Y 4JR

Banker

The Royal Bank of Scotland plc

62/63 Threadneedle Street,

London, EC2R 8LA

Solicitors

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Atlantic House, Holborn Viaduct,

London, EC1A 2FG

Farrer & Co LLP

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

Independent Auditor

Ernst & Young LLP

1 More London Place, London, SE1 2AF



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CCLA Investment Management Limited (registered in England No. 2183088 - registered office 80 Cheapside, London, EC2V 6DZ) is authorised and regulated by the Financial Services Authority.

CCLA Investment Management Limited is committed to making a positive contribution to environmental protection. Where possible we seek to ensure our suppliers are using environmentally friendly production processes and our paper and board contain 50% recovered waste and 50% virgin fibre, and is certified as a Forest Stewardship Council (FSC) mixed source product.