



for Local Authorities

# The Local Authorities' Property Fund

**Report and Accounts**  
**Half Year ended 30 September 2011**

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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 2011

### 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 unit holders.

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 and property pooled funds 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

# Structure of the Fund

## for the half year ended 30 September 2011

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 may be provided for suitable property developments.

### **Benchmark**

The performance benchmark for the Fund is the Balanced Property Unit Trust Index AREF/IPD calculated on a net asset value basis, after all expenses.

The benchmark covers the investment performance of 19 property funds valued at £9.36bn as at 30 September 2011, ranging in size from £54.9m to £2.12bn.

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 unit holders 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 2011

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

### **Responsibilities of the Trustee**

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.

The Trustee meet three times in each calendar year to undertake the responsibilities detailed above. In addition the Fund's Property Sub Committee meets quarterly with the property manager to review the Fund's property portfolio, transactions and policies.

### **Controls and risk management**

CCLA has a risk management framework which provides a methodology for the assessment, mitigation and reporting of risk, ensuring a high quality of risk management and control is maintained for all funds under the Manager's control. The effectiveness of risks and controls is assessed by the directors and senior management of the Manager, with the help of the Operational Risk Manager, on a continuing basis. On an annual basis, the Trustee receives and considers an operational risk report from the Operational Risk Manager.

During the period, the Board reviewed the annual operational risk report, which records any residual risks outside the risk appetite set by the Manager, and the actions being taken to mitigate those risks.

### **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.

T Salmon  
Chairman of The Local Authorities' Mutual  
Investment Trust  
23 November 2011

# Report of the Property Manager for the half year ended 30 September 2011

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

## Performance

During the half year to 30 September 2011, the Fund provided unit holders with a net total return of +3.7%. This compares with a return of +3.5% from the benchmark. The performance results for the Fund over longer periods are noted in the table below.

The price of a unit rose from 231.21p to 233.59p. Gross distribution after management expenses totalled 6.3167p per unit equating to an income return for the half year of 2.7%. The income distributed over the last twelve months equates to an annual income yield of 6.0%.

This has been a challenging period for the Fund because of the number of properties in the portfolio with relatively short leases; in periods of greater uncertainty the valuations of assets with shorter income streams can be more vulnerable to a write down. This quarter transactions and management activities have protected capital value despite the expenses associated with active management and the effect of the temporary increase in the cash holding. Although the Fund has an overweight exposure to the City of London office sector, the best performing sub-sector, it has no exposure to the West End, which has also performed well. The Fund has a strong long-term record, outperforming its benchmark over the 3,5 and 10 year periods.

## Market Review

Global financial and economic uncertainty coincided with the traditionally quiet summer trading period; as a result property market activity remains generally weak and low. Falling transaction volumes create uncertainty for valuations by reducing the evidence on which valuers can base their assessments. Valuations, in particular for secondary stock, are continuing to be marked lower. In contrast, Central London

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

	Six months %	1Year %	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.
<b>The Local Authorities' Property Fund</b>	<b>+3.72</b>	<b>+6.23</b>	<b>-0.51</b>	<b>-2.78</b>	<b>+5.73</b>
IPD Balanced PUT Index	+3.51	+7.62	-0.74	-3.65	+5.09

Source: The Manager/IPD.

# Report of the Property Manager for the half year ended 30 September 2011

markets have performed well where high demand and yield compression has been coupled with some rental growth. Overall, the result has been a marginal improvement in capital valuations. The IPD Monthly Index registered capital growth for all property of 0.6% for the six month period to the end of September 2011.

Due mainly to the strength of Central London markets, offices are the sub-sector currently producing most growth, with the City of London strongest of all. Investments with less secure income saw prices continue to weaken. The slowdown in market activity, however, is not only a result of negative influences; supply has also been low. This has resulted in a situation where competition for good quality stock has supported prices whilst in contrast, values for lower grade investments have been driven down by distress selling and a scarcity of buyers willing to accept greater risk.

Occupier markets remain fragile. The retail sector has suffered a number of tenant failures and concerns about this part of the market have increased. Vacancy levels remain stubbornly high at around 10% and void rates have started to rise again in the office and industrial sectors.

## Activity

The Fund's largest property holding, the Ashford Retail Park, was sold during the period. This transaction captured the increased valuation achieved by managing the site's redevelopment potential, whilst protecting the portfolio from a low yielding development project that would entail significant risk to capital and income. The proceeds of the sale were £10m cash and £4.25m in units in the Henderson UK Retail Warehouse Fund, the purchaser. This holding will give the Fund an exposure to a diversified

portfolio of high quality retail warehouse assets. We acquired a prime shop on Gentleman's Walk in Norwich, yielding 6.5%, and an industrial/warehouse unit on the highly regarded Magna Park at Lutterworth in Leicestershire, yielding 9%. The combined investment amounted to £14.2m. The relatively short expiry profiles of the assets acquired provided the Fund with the opportunity to invest in fundamentally prime quality properties, with active management potential, at a discount to long term value. The amount drawn down from the Fund's loan facility has been reduced over the half year to £13.3m.

A previously reported, void industrial warehouse unit at Norwich (RAC Auto Windscreens), has now been formally confirmed with the lease disclaimer by the administrators. Protracted negotiations for a new letting of the shop in Leicester failed to complete and the industrial/warehouse unit on the Meridian Business Park has fallen vacant due to a lease expiry. More positively, following the demise of Focus DIY, Wickes are in line to take the lease of the retail warehouse in Bishop's Stortford, securing the income stream. Negotiations are also in hand for a new long lease. The void rate in the portfolio has risen to 10.4% from 9.3% at the start of the year. Despite this, the amount of income generated by the portfolio has increased.

# Report of the Property Manager for the half year ended 30 September 2011

## Strategy

A focus on the individual assets held and active management of the portfolio is the core of our approach. In our view this approach is appropriate for the size of the Fund and current market conditions. The Fund provides a spread of investment risk with allocations across the main sectors and geographical regions of the UK although weightings are dynamic and can be changed to reflect sector level performance influences.

Looking forward, we expect that the yield margin between prime and secondary graded investments will be a source of potential returns, whilst void management will be the principal source of improved income security and growth. Carefully controlled levels of cash and debt will also be an important contribution to performance in the period ahead. One point of concern is the possibility of a more subjective stance to valuations. The shortage of transactional data and valuer caution could see shorter lease properties being marked down.

## Outlook

The case for prime property as an asset class is supported by an attractive income yield and a shortage of supply. Investors, however, are cautious, creating valuation issues for some assets, in particular secondary stock with less secure income streams. Low transactional activity can increase the influence of sentiment on valuations creating the possibility of inconsistency between valuers.

It is likely that income will remain the dominant source of return into and possibly throughout 2012, with some risk of capital erosion. Beyond that, stronger economic prospects, together with the supply constraints of the last four years, should provide a base for improving returns. Active management at the asset level will also be an important source of out performance.

P Hannam  
Head of Property  
CCLA Investment Management Limited  
23 November 2011

# Report of the Property Manager for the half year ended 30 September 2011

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## **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 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 ("the Fund") for the period ended 30 September 2011 which comprise the Statement of Total Return, Statement of Change in Net Assets Attributable to Unitholders, Balance Sheet, Cash Flow Statement, the related notes 1 to 18 and the Distribution Table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 Fund's unitholders 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 unitholders of the Fund, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Trustee and Auditor

As explained more fully in the Statement of Trustee's Responsibilities set out on page 5, the Trustee is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustee; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# Report of the Independent Auditor to the unitholders of The Local Authorities' Property Fund

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Fund as at 30 September 2011 and of the net revenue and the net gains on the scheme property of the Fund for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Trust Deed.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Trust Deed requires us to report to you if, in our opinion:

- the information given in the Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP  
Statutory Auditor  
London

23 November 2011

# Report of the Valuer

Dear Sirs,

## **The Local Authorities' Property Fund valuation as at 30 September 2011**

In accordance with your instructions, we have valued all the property investments owned by The Local Authorities' Property Fund as at 30 September 2011. 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 2011 was:

£87,725,000

(Eighty seven million, seven hundred and twenty 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 30 September 2011.

Yours faithfully,

BNP Paribas Real Estate  
5 Aldermanbury Square  
London EC2V 7BP

30 September 2011

# 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>
2009	69,339	197.30	35,144,392
2010	70,456	219.40	32,113,329
2011	76,263	231.21	32,943,101
At 30 September 2011	78,911	233.61	33,779,012

## Unit price range

<i>Year to 31 March</i>	<i>Highest offer pence per unit</i>	<i>Lowest bid pence per unit</i>
2007	379.17	320.77
2008	388.74	315.81
2009	330.38	194.24
2010	226.75	183.59
2011	241.03	215.94
Six months to 30 September 2011	241.42	225.96

## Net distribution

<i>Year to 31 March</i>	<i>Distribution pence per unit<sup>1</sup></i>	<i>Yield on unit held for the period %<sup>2</sup></i>
2007	14.3770	3.79
2008	12.6373	3.81
2009	16.0462	7.87
2010	12.7309	5.61
2011	14.3310	6.00
Six months to 30 September 2011	6.3167	2.70

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 2011

	<i>Bid price pence per unit</i>	<i>Offer price pence per unit</i>
Income units	229.97	241.42

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](http://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

	<i>30.9.2011</i>	<i>30.9.2010</i>
Total expense ratio	0.75%	0.76%
Property expense ratio	0.43%	0.47%

The total expense ratio is the ratio of the Fund's total operating costs to its average net assets calculated over the year. 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 year. These expenses are detailed in note 4.

# Portfolio analysis

## at 30 September 2011

### Tenure

	30.9.2011		31.3.2011	
	£'000	%	£'000	%
Freehold	61,500	70.11	69,650	80.45
Leasehold	14,790	16.86	4,975	5.75
Heritable	11,435	13.03	11,950	13.80
	<u>87,725</u>	<u>100.00</u>	<u>86,575</u>	<u>100.00</u>

### Tenants' unexpired lease terms

	30.9.2011	31.3.2011
<i>Unexpired term</i>	%*	%*
Over 10 years	13.01	13.83
5-10 years	21.38	22.83
Under 5 years	55.18	54.01
Void	10.43	9.33
	<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.

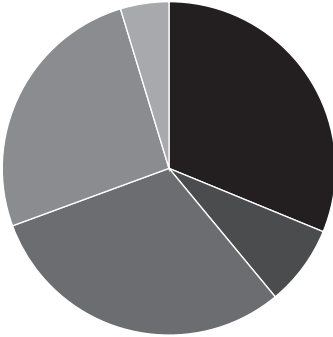
### Use of capital

	30.9.2011		31.3.2011	
	£'000	%	£'000	%
Completed properties	87,725	111.17	86,575	113.57
Indirect Investments	4,337	5.50	-	-
Net other liabilities	(13,151)	(16.67)	(10,345)	(13.57)
	<u>78,911</u>	<u>100.00</u>	<u>76,230</u>	<u>100.00</u>

# Portfolio analysis

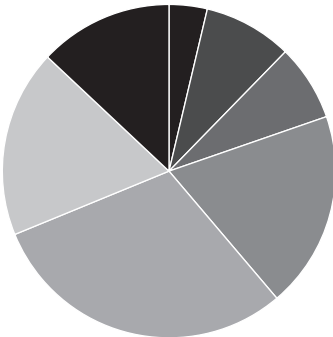
at 30 September 2011

## Asset by type



- Warehouse/Industrial 31.2%
- Retail/Warehouses 7.8%
- Shops 30.4%
- Offices 25.9%
- Other 4.7%

## Geographical distribution



- South West 3.7%
- Eastern 8.6%
- West Midlands 7.4%
- East Midlands 19.1%
- South East 30.0%
- City of London 18.2%
- Scotland 13.0%

## Portfolio statement at 30 September 2011

	£'000	% of Fund
<b>Properties</b>		
Valued between £0 and £5m		
10 properties	28,110	35.62
Valued between £5m and £10m		
7 properties	49,265	62.43
Valued between £10m and £15m		
1 property	10,350	13.12
	<u>87,725</u>	<u>111.17</u>
Indirect Investments	4,337	5.50
Net other liabilities	(13,151)	(16.67)
<b>Net assets</b>	<u><u>78,911</u></u>	<u><u>100.00</u></u>

## Ownership of the Fund at 30 September 2011

Ownership band at 30 September 2011	Number of investors	Number of units in issue '000	% of units in issue
Less than 1%	5	168	0.50
1% or greater but less than 2%	2	993	2.94
2% or greater but less than 4%	2	1,665	4.93
4% or greater but less than 8%	6	9,982	29.55
Greater than 8% *	2	20,971	62.08
	17	<u><u>33,779</u></u>	<u><u>100.00</u></u>

\* Percentage held by largest unitholder is 31.29%

## Property portfolio – standard retail at 30 September 2011

<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 25.08.94	5 yrs	2014	99,000	5 - 10
	Waterstones Booksellers Ltd	20 yrs 24.06.95	5 yrs	2015	340,000	
22 & 23 Gentlemans Walk NORWICH	DSG Retail Ltd	15 yrs 25.3.98	5 yrs	-	294,000	0 - 5

## Property portfolio – offices/shops at 30 September 2011

<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	5 - 10		
	Rait Securities (UK) Ltd	5 yrs 12.4.07	-	2012	69,360			
	PML (Programme Management) Ltd	10 yrs 16.6.06	5 yrs	2011*	58,485			
	Mariana Capital Markets Ltd	5 yrs 23.11.09	-	2014	37,000			
	Professional Assured Financial Services	10 yrs 26.11.10	5 yrs	2015	30,680			
	Messrs Michael A Perry and Stuart M Hope	5 yrs 29.9.07	-	2012	41,325			
	157-159 Fenchurch Street LONDON, EC3	TM Lewin and Sons Ltd	15 yrs 20.2.07	5 yrs	2012		325,000	10 - 15
	O2 (UK) Ltd	10 yrs 17.7.06	5 yrs	2011*	3,250			
Orange Personal Communication Services	10 yrs 17.7.06	5 yrs	2011*	3,500				
Central Bank of the Republic of Turkey	10 yrs 10.8.10	5 yrs	2015	73,161				
Bircroft Insurance Services Ltd	10 yrs 25.3.10	5 yrs	2015	69,469				
IF P & C Insurance Ltd	5 yrs 24.8.09	-	2014	66,600				
Mapfre Re Compania De Reaseguros	5 yrs 1.10.09	-	2014	64,467				
Mapfre Asistencia Compania Internac	5 yrs 1.10.09	-	2014	55,535				

\* Outstanding rent review or lease renewal as at 30 September 2011.

## Property portfolio – offices at 30 September 2011

<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	2014	269,250	0 - 5
	Vacant	-	-	-	-	
292 St Vincent Street GLASGOW	McClure Naismith Anderson & Gardener	28 yrs 1.11.85	-	2013	300,000	0 - 5
2-4 Blythswood Square GLASGOW	Brodies LLP	25 yrs 29.9.88	5 yrs	2013	430,000	5 - 10
202-216 Silbury Boulevard MILTON KEYNES	Grant Thornton Nominees	25 yrs 15.12.89	5 yrs	2014	252,000	0 - 5
1a Stoke Road SLOUGH	Vacant	-	-	-	-	0 - 5

# Property portfolio –warehouses/industrial

## at 30 September 2011

<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	2015	500,000	5 - 10
	BSS Group plc	13 yrs 15.8.07	-	2020	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	Vacant	-	-	-	-	0 - 5
Units 7-11 Marriot Close NORWICH	Edmundson Electrical Ltd	10 yrs 29.9.08	5 yrs	2013	21,850	0 - 5
	Toolstation Ltd	10 yrs 11.5.09	5 yrs	2014	41,866	
	Miller West Ltd	15 yrs 23.11.04	5 yrs	2014	28,900	
	Kent Blaxill	15 yrs 5.3.04	5 yrs	2014	28,000	
	Holden & Holden Ltd	15 yrs 29.9.04	5 yrs	2014	29,298	
	Vacant	-	-	-	-	
	Vacant	-	-	-	-	
	Unipart Automotive Ltd	15 yrs 13.6.03	5 yrs	2013	21,000	
	Vacant	-	-	-	-	
	Robinsons Autoservices Ltd	15 yrs 1.9.02	5 yrs	2012	3,329	
	R Robinson & Co (Motor Spares) Ltd	5 yrs 23.2.05	-	2015	8,000	
Alexandra Way TEWKESBURY	Moog Controls Ltd	15 yrs 25.12.78	5 yrs	2013	270,000	0 - 5

## Property portfolio – warehouses/industrial at 30 September 2011

<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>
3310 Hunter Boulevard Magna Park LUTTERWORTH	DHL Freight & Logistics (UK) Ltd	15 yrs 16.1.99	5 yrs	-	867,000	5 - 10
Goodliffe Park BISHOPS STORTFORD	Payless DIY Ltd#	35 yrs 29.9.89	5 yrs	2014	398,880	5 - 10
Property Pooled Funds	Henderson UK Retail Warehouse Fund	-	-	-	-	0 - 5

# In administration.

# Statement of total return

## for the half year ended 30 September 2011

	Notes	30.9.2011		30.9.2010	
		£'000	£'000	£'000	£'000
<b>Income</b>					
Net capital gains	2		<b>681</b>		4,383
Revenue	3	<b>2,895</b>		2,859	
Expenses	4	<b>(204)</b>		(205)	
Finance costs: interest	6	<b>(297)</b>		(235)	
Net revenue before taxation		<b>2,394</b>		2,419	
Taxation	5	<b>(471)</b>		(488)	
Net revenue after taxation		<b>1,923</b>		1,931	
Management expenses	4	<b>(274)</b>		(252)	
Net revenue after taxation and expenses			<b>1,649</b>		1,679
<b>Total return before distributions</b>			<b>2,330</b>		6,062
Finance costs: distributions	6		<b>(1,649)</b>		(1,679)
<b>Change in net assets attributable to unitholders from investment activities</b>			<b>681</b>		4,383

The notes on pages 27 to 36 form part of these accounts.

# Statement of change in net assets attributable to unitholders

## for the half year ended 30 September 2011

	30.9.2011		30.9.2010	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		<b>76,230</b>		70,453
Amounts receivable on issue of units	<u>2,000</u>	<b>2,000</b>	<u>-</u>	-
Change in net assets attributable to unitholders from investment activities		<u>681</u>		<u>4,383</u>
<b>Closing net assets attributable to unitholders</b>		<b><u>78,911</u></b>		<b><u>74,836</u></b>

The above statement shows the comparative closing net assets at 30 September 2010 where as the opening net assets for the current accounting period commenced on 1 April 2011.

The notes on pages 27 to 36 form part of these accounts.

# Balance sheet

## at 30 September 2011

	Notes	30.9.2011		31.3.2011	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
Investment assets	7		<b>92,062</b>		86,575
Debtors	8	<b>1,146</b>		1,484	
Loan due from LAMIT	9	<b>200</b>		200	
Cash and bank balances		<u><b>1,525</b></u>		<u>5,584</u>	
Total other assets			<u><b>2,871</b></u>		<u>7,268</u>
<b>Total assets</b>			<b>94,933</b>		93,843
<b>LIABILITIES</b>					
Creditors	10	<b>1,831</b>		2,082	
Distribution payable on income units		<b>886</b>		1,056	
Short term loans	11	<u><b>13,305</b></u>		<u>14,475</u>	
<b>Total liabilities</b>			<u><b>16,022</b></u>		<u>17,613</u>
<b>Net assets attributable to unitholders</b>			<u><b>78,911</b></u>		<u>76,230</u>
Approved on behalf of the Trustee 23 November 2011				T Salmon, Chairman	

The notes on pages 27 to 36 form part of these accounts.

# Cash flow statement

## for the half year ended 30 September 2011

	Notes	30.9.2011		31.3.2011	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from operating activities</b>	17		<b>1,736</b>		3,585
<b>Net cash outflow from financing activities</b>					
Issue of units		<b>2,000</b>		2,000	
Cancellation of units		-		-	
Distributions paid		<b>(1,819)</b>		(3,175)	
Repayment of loan		<b><u>(1,170)</u></b>		<u>(650)</u>	
			<b>(989)</b>		(1,825)
<b>Net cash (outflow)/inflow from investing activities</b>					
Payments to acquire investments	7	<b>(17,623)</b>		-	
Capital expenses		<b>(1,433)</b>		(248)	
Proceeds on disposal of investments	7	<b><u>14,250</u></b>		<u>2,100</u>	
			<b>(4,806)</b>		1,852
<b>(Decrease)/increase in cash</b>	18		<b><u>(4,059)</u></b>		<u>3,612</u>

The notes on pages 27 to 36 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 development loans, and bank deposits are accrued on a daily basis. Dividends on unit trusts are accrued to revenue on the dates when the investments are first quoted ex-dividend.

### (c) Expenses

During the year, 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 28 Notes to the accounts (The Red Book) as advised by BNP Paribas Real Estate, Chartered Surveyors. In addition, the Manager reviews these values at each intervening month end. Additions to the portfolio are valued externally after acquisition. The Henderson UK Retail warehouse Fund is valued monthly as advised by Henderson Global Investors.

# Notes to the accounts

## (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.

<b>2. Net capital gains</b>	<b>30.9.2011</b>	30.9.2010
	<b>£'000</b>	£'000
The net capital gains on investments during the year comprise:		
Non-derivative securities	<b>681</b>	4,383
	<u><u>        </u></u>	<u><u>        </u></u>
<b>3. Revenue</b>	<b>30.9.2011</b>	30.9.2010
	<b>£'000</b>	£'000
Rental revenue	<b>2,832</b>	2,854
UK Dividends	<b>37</b>	-
Bank interest	<b>21</b>	3
Other revenue	<b>5</b>	2
	<u><u>2,895</u></u>	<u><u>2,859</u></u>

# Notes to the accounts

<b>4. Expenses</b>	<b>30.9.2011 £'000</b>	30.9.2010 £'000
i) Property expenses:		
Loan finance cost	<b>20</b>	14
Property repairs and maintenance	-	2
Property empty rates	<b>85</b>	96
Property legal and professional fees	<b>22</b>	38
Property services	<b>58</b>	33
Property valuation fees	<b>19</b>	21
Other property outgoings	-	1
	<u><b>204</b></u>	<u>205</u>
ii) Management expenses:		
Payable to The Local Authorities' Mutual Investment Trust:		
Manager's periodic charge	<b>252</b>	234
Investment Property Databank	<b>9</b>	3
Trustee liability insurance	-	5
Audit fee	<b>12</b>	9
Travelling expenses	<b>1</b>	1
Total expenses	<u><b>274</b></u>	<u>252</u>
The above expenses include irrecoverable VAT where applicable.		

# 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.

	<b>30.9.2011</b>	30.9.2010
	<b>£'000</b>	£'000
Income tax	<u><b>471</b></u>	<u>488</u>
Income tax is calculated as follows:		
Net revenue before taxation at 20%	<b>467</b>	484
Items not allowable for income tax purposes:		
Revaluation fee at 20%	<b>4</b>	4
Income tax	<u><b>471</b></u>	<u>488</u>

## 6. Finance costs

### Distributions

Distributions paid and payable during the period comprise:

	<b>30.9.2011</b>	30.9.2010
	<b>£'000</b>	£'000
30 June – interim distribution (paid)	<b>763</b>	945
30 September – interim distribution (payable)	<b>886</b>	734
Net distribution for the year	<u><b>1,649</b></u>	<u>1,679</u>
Interest		
Net interest for the year	<u><b>297</b></u>	235
Total finance costs	<u><b>1,946</b></u>	<u>1,914</u>

Details of the distribution per share are set out in the distribution table on page 37.

# Notes to the accounts

<b>7. Investment Assets</b>	<b>30.9.2011</b>	31.3.2011
	<b>£'000</b>	£'000
Market value at the start of the year	<b>86,575</b>	84,650
Acquisitions at cost:		
- Property	<b>13,388</b>	-
- Indirect investments	<b>4,235</b>	-
Capitalised expenses	<b>1,251</b>	248
Sales proceeds from disposals	<b>(14,250)</b>	(2,100)
Realised gains/(losses) on disposal	<b>6,989</b>	(2,705)
Unrealised (losses)/gains on revaluation	<b>(6,126)</b>	6,482
Market value at the end of the year	<b><u>92,062</u></b>	<u>86,575</u>
Historical cost at the end of the year	<b><u>106,803</u></b>	<u>95,190</u>
<b>8. Debtors</b>	<b>30.9.2011</b>	31.3.2011
	<b>£'000</b>	£'000
Rent due	<b>1,004</b>	1,028
Accrued revenue	<b>3</b>	10
Property payments recoverable	<b>139</b>	421
Prepayments	<b>-</b>	25
	<b><u>1,146</u></b>	<u>1,484</u>
<b>9. Loan receivable</b>	<b>30.9.2011</b>	31.3.2011
	<b>£'000</b>	£'000
Loan due from The Local Authorities' Mutual Investment Trust (see Note 16)	<b><u>200</u></b>	<u>200</u>

# Notes to the accounts

<b>10. Creditors</b>	<b>30.9.2011</b>	31.3.2011
	<b>£'000</b>	£'000
Rent received in advance	<b>688</b>	1,034
Management expenses payable to The Local Authorities' Mutual Investment Trust	<b>252</b>	150
Taxation payable	<b>577</b>	523
Property deposits	-	1
VAT payable	<b>234</b>	250
Other creditors	<b>80</b>	124
	<b><u>1,831</u></b>	<b><u>2,082</u></b>

<b>11. Loan payable</b>	<b>30.9.2011</b>	31.3.2011
	<b>£'000</b>	£'000
Bank loan	<b><u>13,305</u></b>	<b><u>14,475</u></b>

## 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 year and the comparative year.

### 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 year, 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 and is payable quarterly in arrears. The loan can be drawn in tranches and repaid at any time. As at 30 September 2011 the loan outstanding was £13,305,000 (31.3.2011, £14,475,000).

# Notes to the accounts

## 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 2011 was as set out below:

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
<b>Sterling</b>	<b>1,525</b>	<b>-</b>	<b>93,408</b>	<b>94,933</b>

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
<b>Sterling</b>	<b>13,305</b>	<b>-</b>	<b>2,717</b>	<b>16,022</b>

# Notes to the accounts

31 March 2011

<i>Currency</i>	<i>Floating rate financial assets* £'000</i>	<i>Fixed rate financial assets £'000</i>	<i>Financial assets not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	5,584	-	88,259	93,843

<i>Currency</i>	<i>Floating rate financial liabilities £'000</i>	<i>Fixed rate financial liabilities £'000</i>	<i>Financial liabilities not carrying interest £'000</i>	<i>Total £'000</i>
Sterling	14,475	-	3,138	17,613

\* 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 2011 (31.3.2011, £nil).

## 13. Contingent liabilities

There were no contingent liabilities as at 30 September 2011 (31.3.2011, £nil). At 30 September 2011 there were no redemption notices outstanding (31.3.2011, nil units).

## 14. Turnover of units

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

<b>30.9.2011</b>	<b>Number of units</b>	<b>Value £</b>	<b>% of NAV at 30.9.2011</b>
<b>Units created</b>	<b>835,911</b>	<b>2,000,000</b>	<b>3</b>
<b>Units cancelled</b>	<b>-</b>	<b>-</b>	<b>-</b>

<i>31.3.2011</i>	<i>Number of units</i>	<i>Value £</i>	<i>% of NAV at 31.3.2011</i>
Units created	829,772	2,000,000	2
Units cancelled	-	-	-

# 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, prior to that, Mr J Galbraith was a Director of the Manager. During the half year both received remuneration from the Manager for the duration of their directorships, 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 2011 of £252,089 (31.3.2011, £217,859). There were loans outstanding from the Trustee at 30 September 2011 of £200,000 (31.3.2011, £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 31.29% and 30.79% 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.

# Notes to the accounts

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

	<b>30.9.2011</b>	31.3.2011
	<b>£'000</b>	£'000
Revenue after taxation and expenses	<b>1,649</b>	3,612
Decrease/(increase) in accrued revenue	<b>24</b>	(400)
Decrease in debtors	<b>314</b>	26
Decrease in creditors	<b>(251)</b>	347
Net cash inflow from operating activities	<u><b>1,736</b></u>	<u><b>3,585</b></u>

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

	<b>30.9.2011</b>	31.3.2011
	<b>£'000</b>	£'000
Net cash and cash equivalents at the start of the period	<b>5,584</b>	1,972
Movement in cash and cash equivalents during the period	<b>(4,059)</b>	3,612
Net cash and cash equivalent at the end of the period	<u><b>1,525</b></u>	<u><b>5,584</b></u>

# Distribution table

## for the half year ended 30 September 2011

<b>2011</b>	<i>Pence per unit</i>	
	<b>30.9.2011</b>	<b>30.6.2011</b>
Net revenue before taxation	<b>3.7500</b>	<b>3.3160</b>
Income tax at 20%	<b>0.7500</b>	<b>0.6632</b>
	<b>3.0000</b>	<b>2.6528</b>
Management expenses	<b>0.3776</b>	<b>0.3717</b>
Distribution payable	<b>2.6224</b>	<b>2.2811</b>
Gross distribution after management expenses	<b>3.3724</b>	<b>2.9443</b>

<i>2010</i>	<i>Pence per unit</i>	
	<i>30.9.2010</i>	<i>30.6.2010</i>
Net revenue before taxation	3.3620	4.1708
Income tax at 20%	0.6724	0.8342
	2.6896	3.3366
Management expenses	0.3981	0.3879
Distribution payable	2.2915	2.9487
Gross distribution after management expenses	2.9639	3.7829

# 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

T Salmon

### Secretary

J Fox

### Local Government Association

P Clokie

T Eckersley (retired 21.09.2011)

A Galloway

I Greenwood

A Hardman (appointed 21.09.2011)

R Kemp

### Northern Ireland Local Government Officers' Superannuation Committee

T Salmon

### Unitholder Member

S Edwards (City of Bradford Metropolitan District Council)

## Property Manager, Administrator and Registrar

### CCLA Investment Management Limited

*Authorised and regulated by  
the Financial Services Authority*

80 Cheapside

London EC2V 6DZ

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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

5 Albermarbury Square,

London EC2V 7BP

### Banker

The Royal Bank of Scotland plc

62/63 Threadneedle Street,

London EC2R 8LA

### Solicitors

Hogan Lovells LLP

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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EC2V 6DZ) is authorised and regulated  
by the Financial Services Authority.