



The Local Authorities' Property Fund

Half Year Report & Accounts to 30 September 2006



CCLA INVESTMENT MANAGEMENT LIMITED

Contents

- 1 Structure of the Fund
- 3 Report of the Trustee
- 4 Report of the Property Manager
- 6 Report of the Independent Auditors
- 7 Report of the Valuers
- 8 Net asset value, unit price range, net distributions and total expense ratio
- 9 Portfolio analysis
- 9 Portfolio statement
- 10 Summary of investments and other assets
- 10 Distribution statement
- 11 Statement of total return
- 11 Statement of change in unitholders' net assets
- 12 Property portfolio
- 16 Balance sheet
- 17 Cash flow statement
- 18 Notes to the accounts
- 24 Statement of Trustee and Manager responsibilities

The Local Authorities' Property Fund

Structure of the Fund

Structure and Management

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

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

LAMIT, the Trustee and operator of The Local Authorities' Property Fund, is controlled by Members of the Council under the provisions of the Memorandum and Articles of Association of LAMIT.

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

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

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

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

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

Objective

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

Investment Policy

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

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

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

The Local Authorities' Property Fund

Structure of the Fund

Benchmark

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

The benchmark covers the investment performance of 21 property funds (30.9.2006) valued at £12.3bn, ranging in size from £45m to £2.3bn.

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

Monthly Subscription Dates

Investment in the Fund may be made by a local authority on any month-end dealing date.

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

Risk Warning

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

The Local Authorities' Property Fund

Report of the Trustee

for the six months ended 30 September 2006

We have pleasure in presenting our Half-Year Report to unitholders in The Local Authorities' Property Fund.

Responsibilities of the Trustee

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

Review of property management activities and policies of the Fund

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

Controls and Risk Management

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

The Trustee receives an annual report on the controls of the Manager (FRAG 21). The last report covered the year ended 31 December 2005 and included a report by CCLA's reporting accountants, PricewaterhouseCoopers LLP.

During the period, the Trustee, assisted by the Manager, reviewed the Fund's system of internal control. At each half-yearly meeting the Trustee receives from the Manager, and reviews, a formal risk management report setting out the main risks facing the Fund, the controls in place to mitigate the risks and the assessment of each risk in terms of both gross exposure and residual exposure after application of mitigating controls.

Compliance with Trust Deed and Management Agreement

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



Roy Wilson
Chairman of The Local Authorities' Mutual
Investment Trust

8 November 2006

The Local Authorities' Property Fund Report of the Property Manager for the six months ended 30 September 2006

Fund Size

The Local Authorities' Property Fund has continued to grow in the six-months to 30 September when it had reached £130.0m (31 March 2006 - £117.6m). Although this growth has been largely due to the revaluation of the property portfolio, new money has been received, demonstrating the attractions of the Fund and property, as an asset class. Twenty local authorities currently invest in property through the Fund in twenty-two accounts.

Unit Price Movement

During the half-year, the value of a Local Authorities' Property Fund Unit has increased from 326.85p to 353.31p per unit, a capital return for the six months of 8.1% (compared with 5.4% for the corresponding period to September 2005).

Income Distribution

Quarterly dividends, totalling 6.8177p per unit, have been paid this half-year. (Income distributed for the six months to 30 September 2005 was 6.4826p per unit.) The annual dividend yield has therefore remained attractive at 4.5%, particularly bearing in mind the strong levels of capital growth that have also been achieved. The current annual dividend yield on the current value of the Fund's units is 3.8%.

Performance

The increase in the Net Asset Value of the Fund's units together with income distributed, has produced a total return for the six months of 10.2%.

Total returns during the period have therefore comfortably continued the out-performance of the IPD indices and benchmarks established in the last twelve months. Performance has generally followed more widely seen trends where Central London offices have produced the highest total return. Here, (where the Fund has an above average exposure) good prospects for growth in office rents justify higher

valuations. It is also encouraging that activity in all sectors of the portfolio have contributed well to both capital and income performance. Active management is central to the investment policy being adopted including sales, development and refurbishment projects.

The Fund's performance benchmark, the Balanced Property Unit Trust Index, recorded a total return of 10.0% over the same period. This benchmark is independently calculated by IPD and published quarterly in the HSBC/AREF Pooled Funds Indices report. The strength of the Fund is being disguised in this comparison, given the benchmark is enhanced by high and varying degrees of gearing in participating Funds. This impact can be particularly significant in periods of strong capital growth such as we have recently seen. Although the Fund is able to borrow to manage liquidity, it is ungeared. We believe that the strength of the Fund will be evident as property moves into a period of lower growth increasing the risk in geared vehicles. The performance of The Local Authorities' Property Fund is indicative of the strength of its portfolio where well-balanced allocation is supported by good quality assets that are each, by and large, producing performance either above or in line with market averages. This has underpinned the attractive longer term performance of the Fund as noted in the table below.

Total Return Performance annualised to 30 September 2006

	3 yrs	5 yrs
	%p.a.	%p.a.
Local Authorities' Property Fund	19.7	15.0
Benchmark: Balanced PUT Index	18.6	14.6

Source : IPD Pooled Property Fund Indices
Published by HSBC/AREF

The Local Authorities' Property Fund

Report of the Property Manager

for the six months ended 30 September 2006

Activity

A key acquisition has been completed in the City of London. The new holding is a mixed retail and office property located in Fenchurch Street, London, EC3. The purchase price, at £10.75m, provides the Fund with an increased exposure to an improving area of the market where yields are still falling, occupier markets are strengthening, and rents are rising. The retail element of the investment is vacant, providing an immediate active management opportunity, whilst the multi-let nature of the office part will provide further opportunities to add value during the next twelve/eighteen months.

As part of the continuing improvement of our portfolio and also to crystallise capital gains achieved, sales activity has been significant. The Fund's shop in Ipswich, office in Romford and a retail warehouse, also in Romford, were sold during the half-year, raising approximately £22.4m. The purchase of an office in Glasgow for approximately £4.3m is expected to be completed shortly. Opportunities for further acquisitions are being pursued.

Property Management

Several properties are benefiting from active management and good progress has been made during the last six months. In addition to Fenchurch Street (referred to, above), these include the Fund's retail development property in Chichester and our largest holding, the retail warehouse park in Ashford. Such activity can, however, cause a temporary rise in the void rate. During the half year, the industrial warehouse in Banbury has also fallen vacant due to the expiry of the lease. Although this was partly counterbalanced by the sale of the Romford office holding, in which some vacancy existed, the overall level of voids in the portfolio has increased to 14.8%. Significant income growth opportunities consequently exist and the overall reversionary potential is in excess of 30%.

Rent reviews have been completed on the shop holding in Leicester, the office in Glasgow, the industrial warehouse in Coalville and the retail warehouse in Sunderland – all factors in the increased income distributions for the half-year.

Units Awaiting Redemption

As at 30 September 2006, no redemption notices were outstanding.

Outlook

Market data indicates that the current strong property cycle has reached a peak and total returns will commence a period of moderation. 2006 is, though, set to produce another good year for the sector. Demand for investment property remains high whilst good quality investment stock is in short supply.

With conditions in occupier markets and rental value growth increasing, property performance, whilst moderating, is likely to remain attractive through the remainder of 2006 and into 2007. Areas of opportunity will be counterbalanced by increased risk at asset level and in some specific sectors. A good quality portfolio in the right areas of the market and active management should enable the Fund to sustain its good record in what is expected to be a more challenging period ahead.



Paul A. Hannam
Head of Property
CCLA Investment Management Limited

8 November 2006

The Local Authorities' Property Fund Report of the Independent Auditors

to the unitholders of The Local Authorities' Property Fund

We have audited the accounts 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 distribution statement and the related notes.

Respective responsibilities of the Trustee and Auditors

The Trustee's responsibilities for preparing the half-year report and accounts in accordance with applicable United Kingdom law and accounting standards are set out in the Statement of Trustee and Manager Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the unitholders of the Fund as a body, in accordance with the Trust Deed and for no other purpose. We do not, in giving this opinion, accept or assume responsibility, for any other purpose, or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

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

Footnote to the Report of the Independent Auditors

The accounts are published on the www.ccla.co.uk website, which is a website maintained by CCLA. The maintenance and integrity of the website maintained by CCLA is, so far as it relates to the Fund, the responsibility of CCLA. The work we carry out as auditors does not involve consideration of the maintenance and integrity of this website and

our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the financial statements;

- give a true and fair view, of the financial position of the Fund at 30 September 2006, the net income and the net gains on the property of the Fund for the period then ended; and
- have been properly prepared in accordance with the Trust Deed.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

8 November 2006

accordingly we accept no responsibility for any changes that may occur to the accounts following their presentation on the website.

Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the accounts may differ from legislation in their jurisdiction.

The Local Authorities' Property Fund Report of the Valuers

Dear Sirs,

The Local Authorities' Property Fund Valuation as at 30 September 2006.

In accordance with your instructions, we have valued all the property investments owned by The Local Authorities' Property Fund as at 30 September 2006. The valuation has been prepared on the basis of Market Value in accordance with the current edition of the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors (RICS). We understand that our valuation is required for accounts and unit pricing purposes.

We are of the opinion that the aggregate Market Values of all the properties held by the Fund as at 30 September 2006 was:

£113,075,000

(One hundred and thirteen million, 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 2 October 2006.

Yours faithfully,

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

2 October 2006

The Local Authorities' Property Fund

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

Net Asset Value

At 31 March	Net Asset Value £'000	Net Asset Value Pence per Unit	Number of Units in Issue
2004	99,177	250.75	39,552,084
2005	103,139	286.60	35,984,920
2006	117,614	326.85	35,984,920
At 30 September 2006	129,961	353.31	36,784,210

Unit Price Range

Year to 31 March	Highest Offer Pence per Unit	Lowest Bid Pence per Unit
2002	247.86	225.55
2003	249.25	224.96
2004	265.17	232.05
2005	303.08	246.91
2006	337.80	282.16
To 30 September 2006	365.15	320.77

Net Distributions

Year to 31 March	Annual Distribution Pence per Unit ¹	Yield on Unit Held for One Year % ²
2002	15.1802	6.27
2003	12.6472	5.07
2004	14.1002	5.32
2005	13.1914	4.35
2006	13.2106	3.91
To 30 September 2006	6.9465	1.90

¹ Distributions are stated gross before taxation but after management expenses.
² Yield expressed as a percentage of the unit offer price at the end of the period.

Unit Prices at 30 September 2006

	Bid Price Pence per Unit	Offer Price Pence per Unit
Income units	347.83	365.15

The Fund's units were first issued on 18 April 1972 at a price of 100.00p.
The monthly unit values of The Local Authorities' Property Fund are published daily in the *Financial Times*.
The offer and bid prices are calculated on the net asset value plus or minus a 3.35% surcharge or 1.55% deduction respectively.

Total Expense Ratio

	30.09.2006	30.09.2005
Total expense ratio (annualised)	0.70%	0.64%

The total expense ratio is the ratio of the Fund's total operating costs to its average net assets calculated over the period. It does not include expenses incurred in managing and maintaining the individual properties held in the Fund. These expenses are detailed in note 4(i) on page 19.

The Local Authorities' Property Fund

Portfolio Analysis

at 30 September 2006

Location and Use (by Capital Value)

	<i>Shops</i> %	<i>Offices</i> %	<i>Warehouse/ Industrial</i> %	<i>Retail Warehouse</i> %	<i>Total</i> %
City of London	4.7	9.9	-	-	14.6
London – West End	7.6	13.4	-	-	21.0
South East	4.9	5.9	1.3	14.9	27.0
South West	-	-	3.4	-	3.4
Eastern	-	1.9	4.3	-	6.2
West Midlands	-	-	8.0	-	8.0
East Midlands	3.2	-	5.5	-	8.7
North East	-	-	-	6.6	6.6
Scotland	-	4.5	-	-	4.5
	<u>20.4</u>	<u>35.6</u>	<u>22.5</u>	<u>21.5</u>	<u>100.0</u>

Tenure

	<i>30.9.2006</i>		<i>31.3.2006</i>	
	<i>£'000</i>	<i>%</i>	<i>£'000</i>	<i>%</i>
Freehold	100,225	88.64	102,525	89.84
Leasehold: (virtual freehold)	12,850	11.36	11,600	10.16
	<u>113,075</u>	<u>100.00</u>	<u>114,125</u>	<u>100.00</u>

Portfolio Statement

at 30 September 2006

	<i>£'000</i>	<i>% of Fund</i>
Properties		
Valued between £0 and £6m		
10 properties	38,425	29.57
Valued between £6m and £12m		
5 properties	44,950	34.59
Valued between £12m and £18m		
2 properties	29,700	22.85
	<u>113,075</u>	<u>87.01</u>
Net current assets	<u>16,886</u>	<u>12.99</u>
Net assets	<u><u>129,961</u></u>	<u><u>100.00</u></u>

The Local Authorities' Property Fund

Summary of Investments and Other Assets

at 30 September 2006

	30.9.2006		31.3.2006	
	£'000	%	£'000	%
Property Investments				
Shops	23,068	17.75	21,772	18.51
Offices	40,232	30.96	34,728	29.53
Warehouses and Industrial	25,425	19.56	23,825	20.25
Retail Warehouses	24,350	18.74	33,800	28.74
Total property investments	<u>113,075</u>	<u>87.01</u>	<u>114,125</u>	<u>97.03</u>
Net current assets				
Cash	20,420	15.71	6,921	5.89
Net creditors	(3,534)	(2.72)	(3,432)	(2.92)
Total net current assets	<u>16,886</u>	<u>12.99</u>	<u>3,489</u>	<u>2.97</u>
Total value of Fund	<u>129,961</u>	<u>100.00</u>	<u>117,614</u>	<u>100.00</u>

Distribution Statement

for the six months ended 30 September 2006

	Pence per Unit			
	30.9.2006	30.6.2006	30.9.2005	30.6.2005
Net income before taxation	4.4275	3.7041	3.6051	3.8111
Income tax at 22%	0.9741	0.8149	0.7931	0.8384
	<u>3.4534</u>	<u>2.8892</u>	2.8120	2.9727
Management expenses	0.6089	0.5762	0.3110	0.6226
Distribution payable	<u>2.8445</u>	<u>2.3130</u>	<u>2.5010</u>	<u>2.3501</u>
Gross distribution after management expenses	<u>3.8186</u>	<u>3.1279</u>	<u>3.2941</u>	<u>3.1885</u>

The Local Authorities' Property Fund

Statement of Total Return*

for the six months ended 30 September 2006

	Notes	30.9.2006		30.9.2005	
		£'000	£'000	£'000	£'000
Net gains on investments during the period	2		9,647		5,583
Gross income	3	3,138		2,870	
Property expenses	4	(144)		(194)	
Finance costs: Interest	6	(6)		-	
Net income before taxation		2,988		2,676	
Income tax	5	(663)		(594)	
Net income after taxation		2,325		2,082	
Management expenses	4	(434)		(336)	
Net income after taxation and expenses			1,891		1,746
Total return for the period			11,538		7,329
Finance costs: Distributions	6		(1,891)		(1,746)
Change in net assets attributable to unitholders			9,647		5,583

*Incorporating a Statement of Income and Expenditure

Statement of Change in Unitholders' Net Assets

for the six months ended 30 September 2006

Capital Account	30.9.2006		30.9.2005	
	£'000	£'000	£'000	£'000
Net assets at start of the period		117,614		103,139
Movement due to creations and cancellations of units				
Amounts receivable on creation of units	2,700		-	
Less: Amounts payable on cancellation of units	-		-	
		2,700		-
Change in net assets attributable to unitholders (see above)		9,647		5,583
Net assets at end of the period		129,961		108,722

The notes on pages 18 to 23 form part of these accounts.

The Local Authorities' Property Fund

Property Portfolio - Offices

at 30 September 2006

<i>Property</i>	<i>Tenant</i>	<i>Term/ From</i>	<i>Lease Review Period</i>	<i>Review Due</i>	<i>Rent £</i>	<i>Market Value Range £m</i>
GLASGOW 6-20 Bell Street	Scottish Children's Reporter Administration	20 yrs 11.2.94	5 yrs	2009	225,000	0-6
	Scottish Children's Reporter Administration	10 yrs 7.12.00	5 yrs	-	45,500	
	Mrs Taylor	0 yrs 15.5.06	0 yrs	-	960	
	Scott Murdoch	0 yrs 14.4.06	0 yrs	-	1,058	
LONDON, EC2 13 Austin Friars	Devonshire Business Services Ltd.	20 yrs 10.10.97	5 yrs	2007	270,000	0-6
MILTON KEYNES Grant Thornton House Silbury Boulevard	Grant Thornton Nominees	25 yrs 15.12.89	5 yrs	2009	252,000	0-6
SLOUGH Bridge House Stoke Road	Inkfish Call Centres Ltd.	10 yrs 18.6.99	5 yrs	-	170,000	0-6
WATFORD Clarendon Road	The Norwich Union Life Insurance Company	25 yrs 1.11.83	5 yrs	-	25,900	0-6
	Mainline Fashion Accessories Ltd.	3 yrs 14.8.04	-	-	37,500	
	The Royal Bank of Scotland plc	10 yrs 13.8.99	5 yrs	-	35,000	
	Options Employment Group Ltd.	9 yrs 9.6.00	5 yrs	-	41,000	
	Part Vacant	-	-	-	-	

The Local Authorities' Property Fund

Property Portfolio - Offices/Shops

at 30 September 2006

<i>Property</i>	<i>Tenant</i>	<i>Term/ From</i>	<i>Lease Review Period</i>	<i>Review Due</i>	<i>Rent £</i>	<i>Market Value Range £m</i>
LONDON, SW1 101-102 Jermyn Street	DAKS Simpson Group plc	15 yrs 24.6.94	5 yrs	-	123,000	6-12
	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	5 yrs	-	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	-	
LONDON, EC3 157-159 Fenchurch Street	Royal & Sun Alliance plc	23 yrs 11.12.84	5 yrs	2007	430,000	6-12
	Part Vacant	-	-	-	-	
LONDON, W1 12-13 Conduit Street	Belstaff International Ltd.	15 yrs 17.3.98	5 yrs	2008	250,000	12-18
	Hartnells Ltd.	15 yrs 13.8.98	5 yrs	2008	201,000	

Property Portfolio - Shops

at 30 September 2006

<i>Property</i>	<i>Tenant</i>	<i>Term/ From</i>	<i>Lease Review Period</i>	<i>Review Due</i>	<i>Rent £</i>	<i>Market Value Range £m</i>
CHICHESTER* 84-85 & 86 East Street	Vacant	-	-	-	-	0-6
LEICESTER 15-17 Gallowtree Gate	Hutchinson 3G UK Ltd.	3 yrs 04.7.06	0 yrs	-	186,000	0-6

*Subject to development

The Local Authorities' Property Fund

Property Portfolio - Retail Warehouses

at 30 September 2006

<i>Property</i>	<i>Tenant</i>	<i>Term/ From</i>	<i>Lease Review Period</i>	<i>Review Due</i>	<i>Rent £</i>	<i>Market Value Range £m</i>
ASHFORD Barrey Road	Allied Carpets Properties Ltd.	25 yrs 29.9.86	5 yrs	2006	205,000*	12-18
	Homebase Ltd.	25 yrs 29.9.86	5 yrs	2006	398,277*	
	Comet Group plc	1 yr 1.12.05	-	-	2,000	
	Boots The Chemists Ltd.	1 yr 1.12.05	-	-	2,000	
	NCB Apparel	1 yr 17.3.06	-	-	2,000	
SUNDERLAND Wessington Way	Wickes Building Supplies Ltd.	25 yrs 29.9.94	5 yrs	2009	248,966	6-12
	Wickes Building Supplies Ltd.	25 yrs 29.9.94	5 yrs	2007	100,000	
	McDonald's Property Co. Ltd.	25 yrs 29.9.94	5 yrs	2009	53,000	

*Outstanding rent review or lease renewal as at 30 September 2006.

The Local Authorities' Property Fund

Property Portfolio - Warehouses and Industrial

at 30 September 2006

<i>Property</i>	<i>Tenant</i>	<i>Term/ From</i>	<i>Lease Review Period</i>	<i>Review Due</i>	<i>Rent £</i>	<i>Market Value Range £m</i>
BANBURY Overthorpe Industrial Estate	Vacant	-	-	-	-	0-6
BIRMINGHAM Unit 16 Junction Six	BSS Group plc	10 yrs 4.2.05	5 yrs	2010	300,000	6-12
	Additional Income	3 yrs 10.2.06	-	-	200,000	
COALVILLE Interlink Park	Copper Cable Co. Ltd.	25 yrs 20.3.95	5 yrs	2010	394,000	6-12
NORWICH Units 7 & 11 City Trading Estate	Unipart Automotive Ltd.	15 yrs 13.6.03	5 yrs	2008	18,000	0-6
	RAC Auto	10 yrs	5 yrs	2009	17,774	
	Windscreens Ltd.	22.6.04				
	Edmundson Electrical Ltd.	10 yrs 24.8.98	5 yrs	-	17,250	
	Meridian East	15 yrs 8.4.92	5 yrs	-	42,500	
	Miller West Ltd.	15 yrs 23.11.04	5 yrs	2009	24,000	
	Sunfen Ltd.	15 yrs 5.3.04	5 yrs	2009	52,050	
	Holden & Holden Ltd.	15 yrs 29.9.04	5 yrs	2009	24,150	
	Kent Blaxill & Co. Ltd.	15 yrs 5.3.04	5 yrs	2009	23,720	
	Uniglaze 2 (East Anglia) Ltd.	9 yrs 31.1.06	5 yrs	2010	56,135	
Robinsons Autoservices Ltd.	15 yrs 1.9.02	5 yrs	2007	3,000		
R.Robinson & Co. (Motor Spares) Ltd.	5 yrs 23.2.05	-	-	7,700		
TEWKESBURY Ashchurch Business Park	Moog Controls Ltd.	30 yrs 25.12.78	5 yrs	2003	126,000*	0-6
	Moog Controls Ltd.	25 yrs 25.12.83	5 yrs	2003	138,400*	

*Outstanding rent review or lease renewal as at 30 September 2006

The Local Authorities' Property Fund

Balance Sheet

at 30 September 2006

	Notes	30.9.2006		31.3.2006	
		£'000	£'000	£'000	£'000
ASSETS					
Portfolio of investments	7		113,075		114,125
Debtors	8	288		275	
Cash and bank balances		<u>20,420</u>		<u>6,921</u>	
Total current assets			<u>20,708</u>		<u>7,196</u>
Total assets			133,783		121,321
LIABILITIES					
Creditors	9	2,776		2,829	
Proposed distribution of income		<u>1,046</u>		<u>878</u>	
Total current liabilities			<u>3,822</u>		<u>3,707</u>
Net assets attributable to unitholders			<u>129,961</u>		<u>117,614</u>
Approved on behalf of the Trustee 8 November 2006			Roy Wilson, <i>Chairman</i> John Galbraith, <i>Vice-Chairman</i>		

The notes on pages 18 to 23 form part of these accounts.

The Local Authorities' Property Fund

Cash Flow Statement

for the six months ended 30 September 2006

	Notes	30.9.2006		31.3.2006	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	14		1,993		4,128
Net cash inflow from financing activities					
Creation of units		2,700		-	
Cancellation of units		<u>-</u>		<u>-</u>	
			2,700		-
Net cash inflow from investing activities					
Payments to acquire investments	7	(11,728)		(25,510)	
Proceeds on disposal of investments	7	<u>22,425</u>		<u>26,170</u>	
			10,697		660
Net cash outflow from distributions paid			<u>(1,891)</u>		<u>(3,555)</u>
Increase in cash	15		<u>13,499</u>		<u>1,233</u>

The notes on pages 18 to 23 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 the 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.

Part I of The Association of Property Unit Trust's Code of Practice relating to the format and content of Property Unit Trust accounts has also been followed in the preparation of these accounts.

During the period the Fund has adopted the presentation requirements of Financial Reporting Standard 25 (FRS 25). FRS requires that the assets attributable to investors are treated as a liability of the Fund and distributions are treated as finance costs. The effects of these changes are that unitholders' funds are now described as net assets attributable to unitholders.

(b) Income recognition

Rental income, interest on development loans and bank deposits are accrued on a daily basis. Interest is charged on any sums used to finance property developments. This is charged at a rate agreed in the contract with the developers.

(c) Management expenses

Management expenses are charged to unitholders based on holdings for each month. The Manager's periodic charge payable to CCLA Investment Management Limited is based on a fixed percentage of the value of the Fund, which is currently 0.65% p.a. plus VAT (prior to 1 January 2006, 0.59% p.a. plus VAT). Each month, the value at the end of the previous month is taken to calculate the fee due. This fee covers the provision of staff and investment services and other expenses incurred by the Manager. Audit and legal fees and insurance are charged separately.

(d) Distribution policy

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

(e) Capitalised costs

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

(f) Basis of valuation

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

(g) Borrowing

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

The Local Authorities' Property Fund

Notes to the Accounts

2. Net gains on investments	30.9.2006	30.9.2005
	£'000	£'000
The net gains on investments during the period comprise:		
Non-derivative securities	<u>9,647</u>	5,583
Net gains on investments	<u>9,647</u>	<u>5,583</u>
3. Gross income	30.9.2006	30.9.2005
	£'000	£'000
Rents receivable	2,985	2,721
Bank interest	148	108
Other interest	5	1
Surrender premium	-	40
	<u>3,138</u>	<u>2,870</u>
4. Expenses	30.9.2006	30.9.2005
	£'000	£'000
i) Property expenses:		
Loan finance arrangement fee	4	24
Ground rent payable	-	25
Property empty rates	11	58
Property non-recoverable repairs and maintenance	-	1
Property legal and professional fees	29	37
Property service charges	75	20
Other property outgoings	-	4
Property revaluation fees	25	25
	<u>144</u>	<u>194</u>
ii) Management expenses:		
Payable to The Local Authorities' Mutual Investment Trust:		
Manager's periodic charge	417	318
Investment Property Databank	4	4
Trustee liability insurance	4	4
Audit fee	9	8
Travelling expenses	2	2
Insurance commission payable	-	2
Less: Bank interest receivable	(2)	(2)
	<u>434</u>	<u>336</u>

The above expenses include VAT where applicable.

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

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.

	30.9.2006	30.9.2005
	£'000	£'000
Income tax	<u>663</u>	<u>594</u>
Income tax is calculated as follows:		
Net income before taxation at 22%	657	588
Items not allowable for income tax purposes:		
Revaluation fee at 22%	<u>6</u>	<u>6</u>
Income tax	<u>663</u>	<u>594</u>

6. Finance Costs

Distributions

Distributions take account of income received on the creation of units and income deducted on cancellation of units, and comprise:

	30.9.2006	30.9.2005
	£'000	£'000
30 June - Interim distribution	845	846
30 September - Interim distribution	<u>1,046</u>	<u>900</u>
Net distribution for the period	<u>1,891</u>	<u>1,746</u>
Interest		
Net interest payable for the period	<u>6</u>	-
Total finance costs	<u>1,897</u>	<u>1,746</u>

Details of the distribution per unit are set out in the distribution statement on page 10.

7. Property investments

	30.9.2006	31.3.2006
	£'000	£'000
Market value at the start of the period	114,125	100,310
Acquisitions at cost	11,728	25,510
Sales proceeds from disposals	(22,425)	(26,170)
Realised gains on disposals	2,250	3,070
Unrealised gains on revaluation	<u>7,397</u>	<u>11,405</u>
Market value at the end of the period	<u>113,075</u>	<u>114,125</u>
Historical cost at the end of the period	<u>81,536</u>	<u>82,001</u>

The Local Authorities' Property Fund

Notes to the Accounts

8. Debtors	30.9.2006	<i>31.3.2006</i>
	£'000	<i>£'000</i>
Loan to The Local Authorities' Mutual Investment Trust	150	150
Accrued income	88	95
Property payments recoverable	40	26
Prepayments	10	4
	<u>288</u>	<u>275</u>
	<u>288</u>	<u>275</u>
9. Creditors	30.9.2006	<i>31.3.2006</i>
	£'000	<i>£'000</i>
Rent deposits	212	221
Revaluation fees payable	-	6
Rent received in advance	1,224	1,351
Property retention	21	-
Management expenses payable to The Local Authorities' Mutual Investment Trust	224	187
Taxation payable	655	604
Property expenses payable	49	1
Service charge payable	5	15
VAT payable	384	323
Loan interest payable	-	121
Accrued expenses	2	-
	<u>2,776</u>	<u>2,829</u>
	<u>2,776</u>	<u>2,829</u>

10. Financial instruments

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

Interest rate risk

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

The Local Authorities' Property Fund

Notes to the Accounts

Financial liabilities

There were no financial liabilities that pay either floating rate or fixed rate interest at 30 September 2006 (31.3.2006: £nil). All financial liabilities are due to be settled in one year or on demand.

During the period the Manager utilised the Fund's power to borrow. The borrowing facility is provided by The Royal Bank of Scotland plc at a floating interest rate of 0.95% above the bank's base rate. Interest on amounts drawn down from the loan facility is calculated on a daily basis and is payable quarterly in arrears. The loan can be drawn in tranches and repaid at any time. The loan facility terminated on 1 September 2006 and was extended on expiry a further 10 months (July 2007). The Manager may borrow a maximum of 25% of the value of the property of the Fund to assist with investing in, improvements to or the managing of property and the short-term financing of, or meeting payments to be made out of the Fund. At the half-year end there were no loan monies outstanding.

11. Contingent liabilities

There are no contingent liabilities at 30 September 2006 (31.3.2006: £nil). At 30 September 2006 there were no redemption notices outstanding (31.3.2006: nil).

12. Turnover of units

The number and net asset value of units in The Local Authorities' Property Fund created, cancelled and transferred in the period to 30 September 2006 was as follows:

	<i>Number of units</i>	<i>Value £</i>	<i>% of NAV at 30.9.2006</i>
Units created	799,290	2,700,000	2.08
Units cancelled	-	-	-
Units transferred	-	-	-

13. Related party transactions

Management expenses are payable to The Local Authorities' Mutual Investment Trust, a related party to the Fund. The amounts paid in respect of management expenses are disclosed in Note 4. There were outstanding balances due to The Local Authorities' Mutual Investment Trust at 30 September 2006 of £224,000 (31.3.2006: £187,000). There were loans outstanding due from The Local Authorities' Mutual Investment Trust at 30 September 2006 of £150,000 (31.3.2006: £150,000). There were no other transactions entered into with The Local Authorities' Mutual Investment Trust during the period.

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

The Northern Ireland Local Government Officers' Superannuation Committee and the City of Bradford Metropolitan District Council are related parties to the Fund with holdings of 28.7% and 28.3% respectively of the total Fund units in issue. In addition Mr John Galbraith (Northern Ireland Local Government Officers' Superannuation Committee) and Mr Stuart Imeson (City of Bradford Metropolitan District Council) are Members of the Council and the Trust.

The Local Authorities' Property Fund

Notes to the Accounts

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

	30.9.2006	<i>31.3.2006</i>
	£'000	<i>£'000</i>
Revenue after taxation	1,891	3,555
Decrease/(increase) in accrued income	7	(47)
(Increase) in debtors	(20)	(78)
Increase in creditors	115	698
Net cash inflow from operating activities	<u>1,993</u>	<u>4,128</u>

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

	30.9.2006	<i>31.3.2006</i>
	£'000	<i>£'000</i>
Net cash at beginning of the period	6,921	5,688
Movement in cash during the period	13,499	1,233
Net cash at the end of the period	<u>20,420</u>	<u>6,921</u>

The Local Authorities' Property Fund

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 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 them to demonstrate that the accounts, as prepared, comply with the above requirements;
- make judgements and estimates that are prudent and reasonable;
- 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.



CCLA INVESTMENT MANAGEMENT LIMITED

The Local Authorities' Mutual Investment Trust

80 Cheapside, London EC2V 6DZ

Members of the Council and the Trust

Chairman

Roy Wilson

Vice-Chairman

John Galbraith

Local Government Association

Serge Lourie

Roy Wilson

Susan Davis, CBE

Toby Eckersley, MBE

Stuart Fraser

Paul Clokie

Peter Hardy

Northern Ireland Local Government Officers' Superannuation Committee

John Galbraith

Unitholder Member

Stuart Imeson (City of Bradford Metropolitan District Council)

Secretary

Julie Glass, ACIS (up to 24.8.2006)

Jackie FOX, FCIS (from 24.8.2006)

Property Manager, Administrator and Registrar

CCLA Investment Management Limited

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Director responsible for The Local Authorities' Property Fund

Michael Quicke

Property Manager and Head of Property

Paul Hannam, MRICS

Local Authorities Consultant

Jeffrey Crispin

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