

THE LOCAL AUTHORITIES' MUTUAL
INVESTMENT TRUST
ANNUAL REPORT AND
AUDITED FINANCIAL STATEMENTS

Year ended 31 March 2018

CCLA

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Disability Discrimination Act 1995

Extracts from the Annual Report and Audited Financial Statements are available in large print and audio formats.

REPORT OF THE COUNCIL for the year ended 31 March 2018

We have pleasure in presenting our annual report of The Local Authorities' Mutual Investment Trust (the "Company").

Structure and management

The Local Authorities' Mutual Investment Trust (LAMIT) was incorporated in England and Wales under the Companies Act 1948, as a Company limited by guarantee and not having a share capital – (company registration number 00700132). LAMIT is the Trustee of The Local Authorities' Property Fund. The Trustee is controlled by Members of the LAMIT Council, whose members and officers are appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers Superannuation Committee and also representative unitholders. The Council meets quarterly, to receive reports from the manager and to monitor strategy, property management, risk and performance. The members of the Council are listed on page 17.

Funds under management

During the year to 31 March 2018, the net asset value of The Local Authorities' Property Fund (LAPF) managed by CCLA Fund Managers Limited (the "Manager") for the Company, increased in value by 38.16% from £705 million to £974 million.

The Manager

As at 31 March 2018, the Company owns 13.42% of the ordinary share capital of CCLA Investment Management Limited ("CCLA IM"), the parent company of the Manager, and has the right to appoint one non-executive director to CCLA IM's Board.

Information to Auditors

As far as the Council is aware, there is no relevant audit information of which the Company's auditors are unaware and the members of the Council have taken all the steps that they ought to have taken in order to make themselves aware of that information.

T Salmon OBE
Chairman of the Company
16 July 2018

INDEPENDENT AUDITORS' REPORT

to the members of The Local Authorities' Mutual Investment Trust

Report on the audit of the financial statements*Opinion*

In our opinion, The Local Authorities' Mutual Investment Trust's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" Section 1A, and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Audited Financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2018; the profit and loss account for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of

our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Council's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Council have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT**to the members of The Local Authorities' Mutual Investment Trust***Reporting on other information*

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Council is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the Council, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Report of the Council

In our opinion, based on the work undertaken in the course of the audit, the information given in the Report of the Council for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Report of the Council.

*Responsibilities for the financial statements and the audit**Responsibilities of the Council for the financial statements*

As explained more fully in the Statement of the Council Responsibilities set out on page 16, the Council is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT**to the members of The Local Authorities' Mutual Investment Trust**

In preparing the financial statements, the Council is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting*Companies Act 2006 exception reporting*

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Council's remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

INDEPENDENT AUDITORS' REPORT

to the members of The Local Authorities' Mutual Investment Trust

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Council was not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Thomas Norrie (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
16 July 2018

The financial statements are published at www.ccla.co.uk, which is a website maintained by CCLA Investment Management Limited (CCLA). The maintenance and integrity of the CCLA Investment Management Limited website is the responsibility of the members of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PROFIT AND LOSS ACCOUNT
year ended 31 March 2018

	<i>Note</i>	31.03.2018		31.03.2017	
		£	£	£	£
Income					
Property Fund reimbursement	3	6,294,461		4,925,671	
Investment income		292,500		195,000	
Interest on deposits in The Public Sector Deposit Fund		507		615	
Bank interest		866		413	
Other income		–		7,040	
Total income			6,588,334		5,128,739
Expenditure					
General expenses	3	(6,484,405)		(4,993,770)	
Audit fee	3	(5,056)		(5,207)	
Total expenditure			(6,489,461)		(4,998,977)
Gain on financial assets at fair value through profit and loss			2,238,454		629,479
Profit on ordinary activities before taxation			2,337,327		759,241
Taxation	6		(380,537)		4,275
Profit for the financial year			1,956,790		763,516
Retained earnings brought forward			3,978,285		3,214,769
Profit for the financial year			1,956,790		763,516
Retained earnings carried forward			5,935,075		3,978,285

The notes on pages 10 to 15 form part of these financial statements.

BALANCE SHEET
as at 31 March 2018

	<i>Note</i>	31.03.2018		31.03.2017	
		£	£	£	£
Fixed assets					
Investments	4		6,577,478		4,339,024
Current assets					
Debtors	7	60		15,515	
Cash at bank and in hand		328,112		213,616	
Cash equivalents		153,458		152,971	
			481,630		382,102
Creditors: amounts falling due within one year					
Other creditors	8		5,862		5,207
Net current assets			475,768		376,895
Creditors: amounts falling due after one year					
Deferred tax liability	9		1,118,171		737,634
Net assets			5,935,075		3,978,285
Retained earnings on the profit and loss account			5,935,075		3,978,285

The financial statements on pages 8 to 15 have been approved by the Council.

T Salmon OBE, Chairman
Approved on behalf of the Council
16 July 2018

Registered number: 00700132

The notes on pages 10 to 15 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**for the year ended 31 March 2018****1. Accounting policies**

The financial statements have been prepared on a going concern basis, in compliance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of The Small Company Regulations (S12015/980).

The Company takes advantage of the small companies' exemption from preparing a statement of changes in equity and a statement of cash flows under FRS 102; these are also not required under section 444 of the Companies Act 2006 and The Small Company Regulations.

The captions used and order of presentation of the income and expenditure account have been modified in accordance with Section 396 of the Companies Act 2006 and paragraph 1AC.10 of FRS 102. The Council considers this presents more appropriately the financial results of the Company, whereby the Company's expenses are largely offset by the property fund reimbursement, before taking account of gains or losses on the valuation of the Company's investment. The financial statements give a true and fair view of the Company's financial position and financial performance.

The Company is incorporated in England and Wales and its principal activity is to act as the Trustee and Operator of The Local Authorities' Property Fund ("LAPF").

2. Revenue recognition

Investment income is accounted for on the date when the investment income is first quoted ex-dividend. All other income is accounted for on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

3. Expenses and reimbursements

Expenses comprise charges made to the Company by the Manager in respect of its fee for the management of LAPF, together with other expenses incurred by the Company. These expenses and the audit fee charged to the Company are recovered from LAPF (less an amount relating to the Company's dividend income) and are shown as 'Property Fund reimbursement' within income. The Audit fee including VAT for the Company is £5,056 (31.03.2017, £5,207).

The average number of employees during the year was nil (31.03.2017, nil). The Members of the Council receive no remuneration from the Company.

4. Investments

The investment held is an unlisted investment of 32,500 ordinary shares in the Manager which represents 13.42% (31.03.2017, 13.47%) of the issued share capital of that company. It is stated at fair value.

5. Basis of valuation

Investments are stated at valuation by the Council. The Council obtains valuations from independent experts which includes an assessment of net assets and market based assessments. The estimates and assumptions underlying the valuations are kept under review by the Council and judgements are reviewed, considering all factors affecting the investments.

The latest valuation point may be prior to the year end, but the Council is satisfied that the resultant valuation would not be materially different from a valuation carried out as at the year end.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

6. Taxation

	31.03.2018	31.03.2017
	£	£
(a) Tax expense included in profit or loss		
Current tax:		
– UK Corporation tax on profits for the year	–	–
Deferred tax:		
– Origination and reversal of timing differences	380,537	(4,275)
Tax on profit on ordinary activities	380,537	(4,275)

	31.03.2018	31.03.2017
	£	£
(b) Reconciliation of tax charge		
Profit on ordinary activities before tax	2,337,327	759,241
Profit multiplied by the standard rate of tax in the UK 19% (2017, 20%)	467,465	151,848
Effects of:		
Non-taxable UK dividends	(58,500)	(39,000)
Non-taxable unrealised gain on investment	(447,690)	(125,896)
Excess tax losses arising in the year	38,725	13,048
Total current year tax charge	–	–

7. Debtors

	31.03.2018	31.03.2017
	£	£
Accrued interest	60	40
Amounts due from LAPF (note 11)	–	15,475
	60	15,515

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

8. Other creditors

	31.03.2018	31.03.2017
	£	£
Audit fee accruals	5,207	5,207
Amounts owed to LAPF (note 11)	655	–
	5,862	5,207

9. Deferred tax liability

	31.03.2018	31.03.2017
	£	£
Deferred tax		
At beginning of the year	737,634	741,909
Additions dealt with in profit or loss	380,537	(4,275)
At end of year	1,118,171	737,634

10. Financial instruments

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

Market price risk

Investments may go up or down in value depending upon the performance of the investee company and the market conditions. Dividends from the investment may vary according to the profitability of the investee company.

At 31 March 2018, if the price of the investment held by the Company increased or decreased by 5%, with all other variables remaining constant, then the net assets, and profit or loss, would increase or decrease respectively by approximately £329,000 (31.03.2017, £217,000).

Interest rate risk

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

There were no other financial liabilities and assets that pay or receive either floating rate or fixed rate interest at 31 March 2018 (31.03.2017, £nil).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

10. Financial instruments (*continued*)

Currency risk

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

11. Related party transactions

The Company receives reimbursement from LAPF to cover management expenses. The amounts received in respect of management expenses are £6,294,461 (31.03.2017, £4,925,671). There were outstanding balances due to LAPF (31.03.2017, £15,475 due from LAPF).

12. Fair value of financial assets and financial liabilities

In respect of financial assets and liabilities other than investments, there is no material difference between their value, as shown on the balance sheet, and their fair value.

Investments are held at fair value. An analysis of the valuation technique used to derive fair value of the investments is shown below:

The fair value of investments has been determined using the following hierarchy:

- Level 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included above that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 March 2018

12. Fair value of financial assets and financial liabilities (*continued*)

For the year ended 31 March 2018

Category	1	2	3	Total
Investment Assets	–	–	6,577,478	6,577,478

For the year ended 31 March 2017

Category	1	2	3	Total
Investment Assets			4,339,024	4,339,024

For financial instruments for which the Manager uses valuation techniques using non-observable data, the inputs are valuations from independent experts (see note 5).

13. Contingent liabilities

There were no contingent liabilities as at 31 March 2018 (31.03.2017, £nil).

STATEMENT OF COUNCIL RESPONSIBILITIES

The Council is responsible for preparing the Report of the Council and the financial statements in accordance with applicable law and regulations. Company law requires the Council to prepare financial statements for each financial year. Under that law the Council has prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102.

Under company law the members of the Council must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS102 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DETAILS OF THE COUNCIL AND THE COMPANY

(Incorporated under the Companies Act 1948, as a Company limited by guarantee and not having a share capital – Company number 00700132)

Members of the Council and the Company

Chairman T Salmon OBE

Secretary J Fox

Local Government Association

T Beattie

E Eyre

P Findlow

R Kemp CBE

A Naylor

S Pickup OBE

S Timoney

**Northern Ireland Local Government
Officers' Superannuation Committee**

T Salmon

Unitholder Member

P Clokie OBE

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London EC4V 4ET

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The Annual Report and Audited Financial Statements of The Local Authorities' Mutual Investment Trust for the year ended 31 March 2018 are subject to the formal approval of the Members of the Company at the fifty-seventh Annual General Meeting to be held on 24 September 2018.

CCLA

Client Services

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