

THE LOCAL AUTHORITIES'  
PROPERTY FUND  
ANNUAL REPORT AND  
AUDITED FINANCIAL STATEMENTS

Year ended 31 March 2019

**CCLA**

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\*Collectively, these comprise the Manager's Report.

<sup>^</sup>Audited.

References to "CCLA" refer to the CCLA Group, comprising CCLA Investment Management Limited and CCLA Fund Managers Limited.

#### Disability Discrimination Act 1995

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

## STRUCTURE OF THE FUND

### for the year ended 31 March 2019

#### 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 together with the Trust Deed dated 6 April 1972 as amended by a Supplemental Trust Deed dated 13 September 1978.

The Local Authorities' Mutual Investment Trust (the "Trustee") is a company limited by guarantee. It does not have share capital and acts as the Trustee and Operator of the Fund.

The Trustee is controlled by members and officers of a council appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and unitholders represented by the Trustee.

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

The Fund is an open-ended, unregulated collective investment scheme. It is classified as an Alternative Investment Fund under the Alternative Investment Fund Managers Directive ("AIFMD"). It is domiciled in the United Kingdom and subject to appropriate UK laws and regulations.

CCLA Fund Managers Limited ("CCLA FM"), an authorised full-scope UK Alternative Investment Fund Manager ("AIFM"), has been appointed by the Trustee as the Manager of the Fund. The Manager has appointed CCLA Investment Management Limited ("CCLA IM") as the Investment Manager of the Fund under an Investment Management Agreement. The Manager has delegated to the Investment Manager the fund management, administration and secretarial functions of the Fund. CCLA FM is a wholly owned subsidiary of CCLA IM.

The Trustee has delegated to CCLA IM the registrar functions of the Fund under a Registrar Agreement. CCLA Fund Managers Limited and CCLA Investment Management Limited are both authorised and regulated by the Financial Conduct Authority ("FCA"). As at 31 March 2019 the Trustee owns 13.42% of the ordinary share capital of CCLA IM.

HSBC Bank plc, an AIFMD authorised Depositary, has been appointed in accordance with the AIFMD requirements as the Depositary of the Fund. The primary functions of the Depositary are cash flow monitoring, safekeeping of assets and oversight of operational functions.

## STRUCTURE OF THE FUND

### for the year ended 31 March 2019

#### Investment objectives

The Fund provides facilities exclusively for local authorities and other public sector organisations to invest in commercial and industrial property on a collective basis so as to obtain a spread of risk with constant expert property management. The Fund aims to provide investors with a high level of income and long-term capital appreciation.

#### 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 covenant quality of the tenants. The portfolio is kept under constant review with the object of disposing of any property if appropriate returns have not been achieved or 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.

Any proposed amendment to the investment objective or policy of the Fund must be approved by HM Treasury and sanctioned by a special resolution of the Trustee.

#### Benchmark

The performance benchmark for the Fund is the MSCI/AREF UK Other Balanced Quarterly Property Fund Index calculated on a net asset value basis, after all expenses.

The benchmark covers the investment performance of 22 property funds valued at £24.0bn as at 31 March 2019, ranging in size from £131m to £3.5bn.

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.

#### Eligible contributors

Units of the Fund can only be issued to and owned by local authorities in the United Kingdom which are entitled to receive distributions from the Fund gross of tax.

## STRUCTURE OF THE FUND

### for the year ended 31 March 2019

#### Monthly subscription dates

Investment in the Fund may be made by a local authority on any month end valuation date. Withdrawals from the Fund may be made by a local authority on any month end valuation date. The Fund may, however, at its discretion, defer the processing of any application or withdrawal for a period, as it may deem fit, to allow time for the purchase or sale of properties to utilise funds, meet the withdrawals or to protect the interest of the unitholders in the Fund, if required.

#### Borrowing powers

The Trustee believes that the management of a property portfolio is facilitated by the exercise of a limited power to borrow and the Scheme provides for borrowings of up to 25% of the value of the Fund. The Fund has in place borrowing facilities of £60m.

These facilities can also be used to accommodate timing differences between the availability of funds for investment and the making of suitable property purchases.

The Fund does not use any financial instruments or derivatives for the purpose of interest rate hedging or for any other purpose.

## REPORT OF THE TRUSTEE for the year ended 31 March 2019

We have pleasure in presenting our annual report of the Fund to the unitholders of the Fund.

### Responsibilities of the Trustee

The Trustee is responsible for approving the Fund's property investment strategy, monitoring diversification, suitability and risk, reviewing the performance of the Fund and approving its distribution payments. In addition, we have monitored the administration, expenses and property valuations of the Fund.

The Trustee meets four times in each calendar year to undertake the responsibilities detailed above.

### Controls and risk management

CCLA FM 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 of the Manager, with the help of the Assurance function, on a continuing basis. On an annual basis, the Trustee receives and considers an operational risk report from the Manager.

During the year, the Trustee 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.

R. Kemp CBE  
Chairman of The Local Authorities'  
Mutual Investment Trust  
22 July 2019

## REPORT OF THE MANAGER

### for the year ended 31 March 2019

#### Performance

The Fund produced a 6.0% total return after all expenses over the year compared to a return of 5.7% from the MSCI/AREF UK Other Balanced Quarterly Property Fund Index, the Fund's benchmark. The Fund's annual total return was sourced mainly from the attractive 4.4% income return, supported by a 1.6% capital gain. Returns in the second half reached 3.2%, a strong performance in the prevailing conditions.

The Fund's income yield is 4.3% compared with 3.6% a distribution yield for the MSCI/AREF UK Other Balanced Quarterly Property Fund Index and 2.7% for the MSCI UK All Property Fund Index.

The total return record of the Fund for this annual period and over the longer term is noted in the table below.

The Fund strategy uses asset selection and active management to achieve both a relatively high income and capital growth over time. Since the EU Referendum, a combination of broad ranging uncertainty and weaker sentiment towards the sector has diminished investor appetite for risk and so presented headwinds to the approach. Higher yielding assets experienced greater levels of stock specific risk and volatility during the year. Consequently, for the Fund, total returns were subdued in the early months of the year whilst income pressures meant the distribution was below target. However, results strengthened later as management projects and leasing transactions were completed and recognised in valuations. Structurally, the portfolio has also been well positioned with a low and below benchmark exposure to a weak shops sub-sector and a high and above average weighting to a consistently strong industrial sector.

#### Total return against benchmark to 31 March 2019 (after expenses)

	1 year %	3 years %	5 years %	10 years %
<b>Performance against market indices (after expenses)</b>				
<b>The Local Authorities' Property Fund</b>	<b>5.99%</b>	<b>6.23%</b>	<b>9.46%</b>	<b>10.11%</b>
MSCI/AREF UK Other Balanced Quarterly Property Fund Index	5.69%	6.88%	9.63%	8.54%

Source: CCLA

Past performance is not a reliable indicator of future returns.

## REPORT OF THE MANAGER

### for the year ended 31 March 2019

#### Market review

Despite early caution on behalf of many commentators, the sector began the year well. Gradually, however, pressure on return built and these had a cumulative effect on valuations as the year progressed. It was also a year of substantial and increasing return disparity between the various sub-sectors. For most of the period transaction volumes remained high; declining in the later months but remained above average for the year as a whole.

Conditions weakened in the second half of the year. In November, a 25-month series of rising capital valuations came to a close, ended not by general weakness but by falling values in the retail sector, which overwhelmed positive though modest progress elsewhere. Despite this dip, total returns remained positive, supported by the steady income flow the sector provides. Over the year as a whole, capital values rose by 0.4%, and total returns were 6.0% because of the income contribution. Within this broad sector average the range of returns between the different sub-sectors was wide. Demand continued at a high level for assets with secure long-term income characteristics, including industrial properties and parts of the "Other"

category such as hotels. In contrast, traditional shops, shopping centres and retail warehouses all came under pressure. Over the year industrials gave a capital return of 9.3%, whilst the retail sector saw values fall by 8.1%.

The sector void rate remained high at 10.3% as tenant retention difficulties intensified. Offices proved to be the most problematic sector with a void rate of 22% and a 78% tenant churn rate.

#### Activity

A combination of net inflows and the Fund's active management strategy resulted in another busy year, acquiring new assets and progressing key projects to keep liquidity low and controlling voids. Eleven acquisitions were completed in the period, at a total cost of £150m. Purchase details are included on the following page. They illustrate the strategic aim of adding to the industrial weighting, with a mix of shorter and longer leases and opportunities to grow income. Also targeted was the "Other" sub-sector, thereby improving portfolio diversification and income security.



## REPORT OF THE MANAGER

### for the year ended 31 March 2019

#### Property acquisitions in the year ended 31 March 2019

Location	Sector	Tenant	Purchase Price	Initial Yield	Date
Warrington, Grandstand	Industrial warehouse	Multi-let	£8.9m	4.9%	April 2018
Leeds, Park Row	Office	Pinsent Masons	£35.6m	4.5%	June 2018
Enfield, Great Cambridge Road	Car showroom	Stephen James BMW and Mini	£17.3m	3.9%	July 2018
Woolwich, Duke of Wellington Av.	Car showroom	Stephen James BMW and Mini	£7.4m	4.3%	July 2018
Sidcup, Maidstone Road	Car showroom	Stephen James BMW and Mini	£10.8m	3.9%	July 2018
Bromley, Bickley Road	Car showroom	Stephen James BMW and Mini	£10.6m	4.0%	July 2018
Enfield, Watermill Business Centre	Industrial warehouse	Multi-let	£16.5m	3.8%	September 2018
Peterborough	Industrial warehouse	Clipper Logistics	£19.0m	5.4%	September 2018
Glasgow, St Vincent Street	Office	Multi-let	£2.2m	4.3%	October 2018
Northampton, Salthouse Road	Industrial warehouse	Uniserve Holdings	£19.4m	5.3%	November 2018
Aberdeen, Westhill Business Park	Industrial warehouse	Halliburton Manufacturing Ltd	£2.6m	9.5%	December 2018

By the year-end, portfolio allocations to Industrial and “Other” property were above the benchmark weightings. No investments were sold. Year-end uninvested cash amounted to £40m or 3.6%, compared to 6.2% as at 31 March 2018.

A wide range of leasing and management activities have been undertaken over the period. A notable project was the refurbishment and re-design at the Fund’s second largest asset by value on Kingsway WC2 in Central London.

The building improvement works were completed, and targeted rental levels achieved in a building which is now fully let. Another key management action was the refurbishment of offices at Blythswood Square in Glasgow, where the entire building was let to a strong covenant on a long lease reflecting the quality of the project undertaken. This progress, however, is counter-balanced by two large new vacancies which occurred just before the year end; the first at 3 The Arena, Bracknell, a lease expiry, the

## REPORT OF THE MANAGER

### for the year ended 31 March 2019

second the Homebase retail warehouse in Nottingham. Here, the Fund ended the lease following the tenant entering into a company voluntary administration. A re-letting opportunity has been pursued and contracts exchanged with a new tenant. Another exciting project is at the Beckton Retail Park, where a redevelopment plan is releasing significant value. Many other new lettings, lease renewals and rent reviews have been successfully concluded, providing good support to the Fund's income and helping to control voids and income expenses. Other than at Nottingham, the Fund's income has not been affected to any material degree by the flow of bad news from the retail sector.

The nature of the market and the Fund's management approach means that the portfolio void rate fluctuates over time. At the year-end, investment vacancy in the portfolio amounted to 5.6%, whilst development projects added a further 2.6% to the void level. This compares to a total void rate at the start of the year of 9.1% and 10.3% for the sector.

### Strategy

The Fund seeks to provide an above average income yield whilst producing a competitive long-term performance. The strategy is asset selection focused, supported with active asset and portfolio management. This strategic approach is considered appropriate for an asset class that is imperfect in many ways, helping to control stock specific risk and produce

investment returns that reflect the longer-term performance characteristics of the property sector. Risk is controlled by ensuring the portfolio is diversified by asset type, tenant, sector, region and micro location. There is a bias towards higher yielding assets without sacrificing quality or using gearing to boost returns. Controlled exposures to assets with shorter leases or requiring active management support income and provide potential to generate added capital performance, however with this strategy, a pro-active approach to asset management is vital. Structurally the portfolio is weighted towards offices and industrials and largely located in the south-east regions. A cautious approach to the retail sector means allocations to High Street assets are low and relatively underweight. The portfolio contains an attractive range of investment management opportunities, with a core that provides high quality and reliable income flows combined with assets that offer the potential for significant growth in capital and income over time. The current uncertain environment requires a greater focus on the cautious element of the strategy with increased allocations to assets with longer leases to reinforce income streams and protect capital. This involves higher weightings to industrial investments and to the "Other" category, which includes hotels and car showrooms. An important benefit of these allocation changes is a boost for portfolio diversification, helping to counter any concentration caused by the low weighting to retail property.

## REPORT OF THE MANAGER

### for the year ended 31 March 2019

#### The issue of new units and redemptions

Property investment in the UK remains an attractive asset class for local authority investors and consequently inflows of new investor capital remain high. A total of £144m was received by the Fund during the year from 66 local authorities. 25 new local authority investors joined and currently 237 authorities now invest in the Fund. There were no redemption requests outstanding at the year-end. The Fund size had reached £1,122m by the 31 March 2019 growing from £974m at the start of the year.

#### Outlook

Negative momentum in capital valuations now seems to be established in the sector and is well reflected in consensus expectations. It is, however, important to keep concerns in perspective and recognise that at a total return level downside will be controlled by the reliable return provided by the sectors high income flow. Risks remain at the sub-sector level and stock specific risks have risen and are likely to remain elevated for some time to come, this will give an increased unpredictability to returns, especially over short-term periods. Against this backdrop we expect to maintain a diversified portfolio structured with biases to areas such as industrials where the fundamentals are strongest, and income flows are most secure. This stance, combined with a proactive approach to asset management, should support performance in the period ahead.

## REPORT OF THE MANAGER

### for the year ended 31 March 2019

#### Association of Real Estate Funds

The Fund complies with the minimum requirements of the Association of Real Estate Funds (AREF) Code of Practice, which is a voluntary Code which aims to encourage members of AREF to adopt best practice whenever possible.

The Code is publicly available and published on the Association's website: [www.aref.org.uk](http://www.aref.org.uk).

Paul Hannam  
Head of Property  
CCLA Investment Management Limited  
22 July 2018

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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 be affected adversely 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. The units are realisable only on each monthly valuation date and a period of delay may be imposed for redemption of units depending on the Fund's liquidity.

## STATEMENT OF TRUSTEE AND MANAGER RESPONSIBILITIES

**Responsibilities of the Trustee and Manager**

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 Association (IA) in May 2014 (and amended in June 2017);
- 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 a going concern 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.

Under AIFMD the Manager acquired certain additional responsibilities including, ensuring compliance with AIFMD and that any delegation by the Manager is in accordance with AIFMD.

Should the Manager wish to retire, the Manager can only be discharged from its duties under the Scheme following the appointment of a replacement Manager who is eligible under AIFMD to act as Manager of the Fund.

STATEMENT OF DEPOSITARY RESPONSIBILITIES AND  
REPORT OF THE DEPOSITARY  
for the year ended 31 March 2019

**Responsibilities of the Depositary**

The Depositary must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook, ("the Sourcebook"), the Alternative Investment Fund Managers Directive ("AIFMD") (together "the Regulations") and the Fund's Scheme Particulars.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Fund and its investors.

The Depositary is responsible for the safekeeping of the assets of the Fund in accordance with the Regulations.

The Depositary must ensure that:

- the Fund's cash flows are properly monitored and that cash of the Fund is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of units are carried out in accordance with the Regulations;
- the assets under management and the net asset value per share of the Fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Fund's assets is remitted to the Fund within the usual time limits;

- that the Fund's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Fund is managed in accordance with the Scheme Particulars in relation to the investment and borrowing powers applicable to the Fund.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Fund, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Fund, acting through the AIFM has been managed in accordance with the rules in the Sourcebook, the Scheme Particular of the Company and as required by the AIFMD.

HSBC Bank plc  
Trustee and Depositary Services  
8 Canada Square  
London E14 5HQ

*HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.*

22 July 2019

## INDEPENDENT AUDITORS' REPORT

## to the unitholders of The Local Authorities' Property Fund

**Report on the audit of the financial statements***Opinion*

In our opinion, The Local Authorities' Property Fund's financial statements (the "financial statements"):

- give a true and fair view of the financial position of the Fund as at 31 March 2019 and of the net revenue and the net capital gains of its scheme property for the year then ended; and
- 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", and applicable law), and the Trust Deed.

In our opinion, The Local Authorities' Property Fund's financial statements for the year ended 31 March 2019 have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 1 to the financial statements, and the Trust Deed.

We have audited the financial statements, included within the Annual Report (the "Annual Report"), which comprise: the balance sheet as at 31 March 2019; the statement of total return, the cash flow statement, the statement of change in net assets attributable to unitholders for the year then ended; the accounting policies; and the notes to the financial statements.

*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 Fund 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.

**INDEPENDENT AUDITORS' REPORT****to the unitholders of The Local Authorities' Property Fund***Conclusions relating to going concern*

ISAs (UK) require us to report to you when:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Fund'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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Fund's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, are not clear and it is difficult to evaluate all of the potential implications on the Fund's business and the wider economy.

*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 Trustee 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.



## INDEPENDENT AUDITORS' REPORT

## to the unitholders of The Local Authorities' Property Fund

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

As explained more fully in the Statement of Trustee and Manager responsibilities set out on page 13, the Trustee 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 Trustee 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.

In preparing the financial statements, the Trustee is responsible for assessing the Fund'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 Trustee either intends to liquidate the Fund or to cease operations, or has 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

*Use of this report*

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.

PricewaterhouseCoopers LLP

Chartered Accountants

London

22 July 2019

## REPORT OF THE VALUERS

Dear Sirs,

**The Local Authorities' Property Fund  
valuation as at 31 March 2019**

In accordance with your instructions received from The Local Authorities' Property Fund ("the Fund") to value all the property investments owned by the Fund ("the Properties") on a monthly basis, we have valued the Properties as at 31 March 2019. The valuation has been prepared on the basis of Fair Value, in accordance with the current edition of the RICS valuation – Professional Standards published by the Royal Institution of Chartered Surveyors (RICS). We understand that our valuation is required for unit pricing and financial statements purposes. Our report is addressed to the Fund.

We are of the opinion that the aggregate Fair Values of all the properties held by the Fund as at 31 March 2019 is **£1,083,233,000 (One Billion and Eighty Three Million, Two Hundred and Thirty Three Thousand Pounds)**.

Details of the basis of our valuation and the individual properties are set out in our valuation report dated 31 March 2019.

Yours faithfully,

Knight Frank LLP  
22 July 2019

## RISK AND REWARD INDICATOR

The European Union imposed legislation which sets out detailed guidelines for the calculation of the risk ratings to be portrayed through a summary risk indicator. It is intended to be a guide to the level of risk of this product compared to other products. It shows how likely it is that the Fund will lose money because of movements in markets.



We have classified this product as 2 out of 7, which is a low risk class. This rates the potential losses from future performance at a low level. The summary risk indicator assumes investment in the Fund for the recommended holding period of five years.

In practice, the risk of the Fund may be significantly higher than that represented in the summary risk indicator. This may include the effect of holding the Fund for less than the recommended holding period, or if market volatility in the future is higher than that experienced over the past.

The Fund should be considered illiquid as it is not admitted to trading on a secondary market and no alternative liquidity facility is promoted by the manager or a third party. However, investors can request redemption at any time and the Fund deals on a monthly basis\*. This product does not include any protection from future market performance so you could lose some or all your investment.

A more detailed description of risk factors that apply to this product is set out in the latest Scheme Information available on CCLA's website or by request.

\*This is subject to the redemption deferral provisions set out in the Scheme Information.

## COMPARATIVE TABLE

## Change in net assets per unit

	Income units				
	Year to 31.03.2019 pence per unit	Year to 31.03.2018 pence per unit	Year to 31.03.2017 pence per unit	Year to 31.03.2016 pence per unit	Year to 31.03.2015 pence per unit
Opening net asset value per unit	301.27	287.34	291.72	274.08	244.26
Return before operating charges	20.29	30.38	11.62	34.13	45.93
Operating charges	(3.28)	(2.75)	(2.81)	(2.53)	(2.69)
Return after operating charges	17.01	27.63	8.81	31.60	43.24
Distributions on income units	(13.08)	(13.70)	(13.19)	(13.96)	(13.42)
Closing net asset value per unit	305.20	301.27	287.34	291.72	274.08

## Performance

Return after charges**	5.65%	9.44%	3.02%	11.53%	17.70%
Gross yield***	4.00%	4.25%	4.29%	4.46%	4.59%

## Other information

Closing net asset value (£'000)	1,121,586	973,948	705,409	596,471	323,179
Closing number of units	367,497,998	323,280,765	245,494,148	204,466,118	117,915,497

## Prices (pence per unit)

Highest unit price (offer)	329.35	322.40	315.17	312.67	292.20
Lowest unit price (bid)	297.38	283.31	277.89	274.76	242.92

Annual management charge*	0.61%	0.61%	0.63%	0.61%	0.58%
Other costs	0.08%	0.07%	0.11%	0.13%	0.16%
<b>Operating charges</b>	<b>0.69%</b>	<b>0.68%</b>	<b>0.74%</b>	<b>0.74%</b>	<b>0.74%</b>
Other property costs	0.40%	0.28%	0.22%	0.22%	0.36%
<b>Total charges figure</b>	<b>1.09%</b>	<b>0.96%</b>	<b>0.96%</b>	<b>0.96%</b>	<b>1.10%</b>

All of the above figures are ratios set against the Fund's average net assets calculated over the period.

\* The Annual Management Charge is 0.65% (plus VAT, which is recoverable) of the net asset value of the Fund and is charged to income. The month end valuation forms the basis of the charge for the following month.

\*\* The return after charges has been calculated in accordance with the Statement of Recommended Practices' prescribed calculation methodology. This is for financial statement reporting purposes only and may differ from the Fund's performance disclosed in the Report of the Manager.

\*\*\* The gross yield is calculated as the sum of the gross of tax, net of expenses income distributed over the previous 12 months expressed as a percentage of the offer price at the year end.

## PORTFOLIO ANALYSIS

at 31 March 2019

## Tenure

	31.03.2019		31.03.2018	
	£'000	%	£'000	%
Freehold or heritable	947,183	87.44	780,300	85.60
Leasehold	136,050	12.56	131,300	14.40
	<b>1,083,233</b>	<b>100.00</b>	<b>911,600</b>	<b>100.00</b>

## Tenants' unexpired lease terms

Unexpired term	31.03.2019		31.03.2018	
	%*		%*	
Over 10 years	18.30		18.10	
5-10 years	16.50		27.51	
Under 5 years	57.00		45.26	
Investment void	5.60		–	
Void	2.60		9.13	
	<b>100.00</b>		<b>100.00</b>	

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

	31.03.2019		31.03.2018	
	£'000	%	£'000	%
Completed properties	1,083,233	96.58	911,600	93.60
Indirect investments	3,682	0.33	4,497	0.46
Net other assets	34,671	3.09	57,851	5.94
	<b>1,121,586</b>	<b>100.00</b>	<b>973,948</b>	<b>100.00</b>

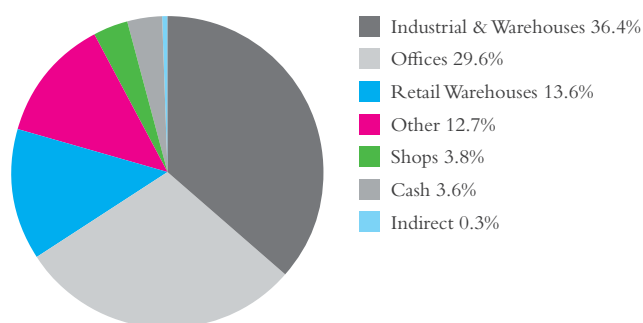
**PORTFOLIO ANALYSIS**

at 31 March 2019

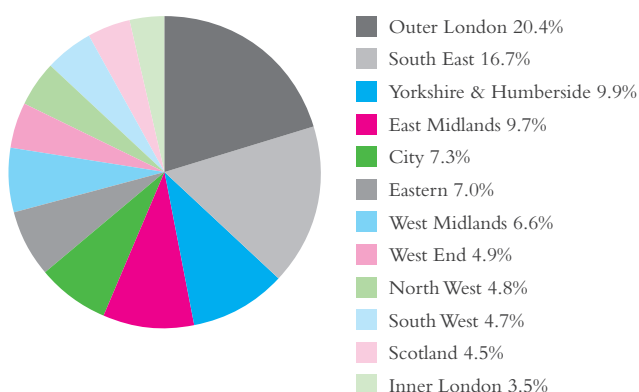
**Largest top ten property holdings**

Property		% of Fund
London, Beckton Retail Park	Retail Warehouse	5.08
London, Imperial House	Offices/Shops	4.86
London, 1 Goodman's Yard	Other	4.43
West London, 3 Longwalk Road	Offices	3.90
Elstree, Phase 300 Centennial Park	Industrial	3.45
Leeds, Leeds 27 Industrial Estate	Industrial	3.29
Coventry, Torrington Avenue	Industrial	2.64
Brighton, 14 West Street	Other	2.58
Bristol, Gallagher Retail Park	Retail Warehouse	2.47
Bracknell, The Arena	Offices	2.47

**Asset by type**



**Geographical distribution**



**Portfolio turnover rate**

The portfolio turnover rate gives an indication of how frequently assets are purchased and sold by the Fund.

	31.03.2019	31.03.2018
Portfolio turnover rate	0.00%	1.26%

The portfolio turnover rates are calculated by the total sales or purchases (excluding cash), whichever is less, divided by average monthly assets during the year.

**PORTFOLIO STATEMENT**  
at 31 March 2019

**Properties**

Total in valuation ranges	£'000	% of Fund
Valued between £0 and £5m 8 properties	32,433	2.89
Valued between £5 and £10m 23 properties	175,125	15.61
Valued between £10 and £25m 31 properties	468,725	41.79
Valued at over £25m 11 properties	406,950	36.28
Other investments	3,682	0.33
Net other assets	34,671	3.10
<b>Net assets</b>	<b>1,121,586</b>	<b>100.00</b>

**Ownership of the Fund**  
at 31 March 2019

	Number of investors	Number of units in issue	% of units in issue
Less than 1%	216	192,921,835	52.50
1% or greater but less than 2%	11	51,916,979	14.12
2% or greater but less than 4%	8	80,028,709	21.78
4% or greater but less than 8%	2	42,630,475	11.60
Greater than 8%	–	–	0.00
	237	367,497,998	100
Held by the largest investor	1	25,842,252	7.03
Held by top 5 investors	5	80,867,106	22.00

## PROPERTY PORTFOLIO

at 31 March 2019

## Standard Retail

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
84, 85 & 86 East St CHICHESTER	River Island Clothing Co. Ltd	3 yrs 23.02.19	0 yrs	2022	150,000	5-10
22 and 23 Gentleman's Walk NORWICH	The White Company (UK) Ltd	10 yrs 24.03.14	5 yrs	2019/ 2024	270,000	0-5
89-89A Broad Street READING	Accessorize	25 yrs 25.08.94	5 yrs	2019	99,000	5-10
	Waterstones Booksellers Ltd	10 yrs 24.06.16	5 yrs	2021/ 2026	270,000	
13-17 Coney Street YORK	Hutchison 3G UK Ltd	5 yrs 22.11.18	0 yrs	2023	80,000	5-10
	Waterstones Booksellers Ltd	10 yrs 30.12.13	5 yrs	2018/ 2023	285,000	

\*Date in the past indicates that the review has not been settled yet.



## PROPERTY PORTFOLIO

at 31 March 2019

## Offices

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
The Arena BRACKNELL	Epicor Software (UK) Ltd	11 yrs 01.01.16	5 yrs	2021/ 2027	472,565	>25
	IGE Energy Services (UK) Ltd	10 yrs 17.11.14	5 yrs	2019	1,142,286	
Milton Road CAMBRIDGE	AstraZeneca UK Ltd	7 yrs 28.11.13	0 yrs	2020	1,971,526	10-25
Compass & Alexandra House CRAWLEY	Sivantos Ltd	25 yrs 24.08.98	5yrs	2018/ 2023	325,000	10-25
	SPX Flow Technology Ltd	10 yrs 19.06.14	5yrs	2019/ 2024	292,000	
	Rentokil Initial 1927 PLC	10 yrs 05.06.15	5yrs	2020/ 2025	168,810	
Lakeview East & West DARTFORD	Kuehne & Nagel	10 yrs 12.10.09	5 yrs	2019	338,420	5-10
	True Telecom Ltd	10 yrs 02.06.14	5 yrs	2019/ 2024	202,092	
	Swan Staff Recruitment Ltd	11 yrs 12.12.14	5 yrs	2019/ 2025	202,092	
	HSBC Bank Plc	10 yrs 23.05.11	5 yrs	2016/ 2021	116,298	
Crossways Business Park DARTFORD	Mazda Motors UK Ltd	15 yrs 17.07.15	5 yrs	2020/ 2030	588,500	10-25
	Sky In-Home Service Ltd	10 yrs 29.08.14	5 yrs	2019/ 2024	97,160	
	Balfour Beatty Group Ltd	10 yrs 04.09.09	5 yrs	2019	286,700	

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

## Offices (continued)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
9-10 Lochside Place EDINBURGH	Regus (Edinburgh Lochside Place) Ltd	24 yrs 27.02.01	5 yrs	2023/ 2025	382,213	5-10
	Bluefin Insurance Services Ltd	7 yrs 14.07.14	0 yrs	2019/ 2021	56,380	
	Spie Ltd	5 yrs 21.01.16	0 yrs	2021	40,000	
	Computershare Ltd	10 yrs 06.09.13	5 yrs	2018/ 2023	125,000	
Edinburgh Park EDINBURGH	Sainsbury's Bank Plc	15 yrs 19.02.14	5 yrs	2019/ 2029	1,274,038	10-25
6-20 Bell Street GLASGOW	Hub West Scotland Ltd	5 yrs 01.04.19	0 yrs	2024	57,118	0-5
	Scottish Children's Reporter Admini	10 yrs 11.02.14	5 yrs	2019/ 2024	221,155	
	ICA Architects Ltd	10 yrs 15.12.14	5 yrs	2019/ 2024	49,045	
2-4 Blythswood Square GLASGOW	Chivas Brothers Ltd	16 yrs 12.11.18	5 yrs	2023/ 2034	630,471	10-25

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

## Offices (continued)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
292 and 296 St Vincent Street GLASGOW	Austin Smith: Lord LLP	15 yrs 12.02.07	0 yrs	2022	37,300	0-5
	SPS Doorguard Ltd	14 yrs 07.01.06	0 yrs	2020	68,325	
	Stuart McTaggart Ltd	11 yrs 10.06.08	0 yrs	2019	56,750	
	HFD Construction group Ltd	1 yr 09.01.19	0 yrs	2020	0	
	HFD Construction group Ltd	1 yr 09.01.19	0 yrs	2020	0	
	McClure Naismith LLP	34 yrs 01.11.85	0 yrs	2019	270,000	
1 Park Row LEEDS	Pinset Masons LLP	30 yrs 30.07.99	5 yrs	2019/ 2029	1,685,000	>25
Vanwall Business Park MAIDENHEAD	Consignor Ltd	5 yrs 06.03.18	0 yrs	2023	61,215	5-10
	Morgan McKinley Group Ltd	10 yrs 10.04.15	5 yrs	2020/ 2025	56,446	
	Pharmalink Consulting Ltd	3 yrs 19.01.18	0 yrs	2021	78,260	
	Hiscox Insurance Company Ltd	5 yrs 07.04.19	0 yrs	2021	57,640	
	Hiscox Insurance Company Ltd	3 yrs 19.11.18	0 yrs	2021	23,744	

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

## Offices (continued)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
Vanwall Business Park MAIDENHEAD	Penna Plc	5 yrs 01.03.15	0 yrs	2020	196,500	
	Preact Ltd	10 yrs 119.10.18	0 yrs	2023/ 2028	93,652	
Castle Boulevard NOTTINGHAM	Gala Leisure Ltd	10 yrs 01.08.18	5 yrs	2023/ 2028	505,000	10-25
	UPS Ltd	5 yrs 30.04.14	0 yrs	2019	197,750	
	Interoute Communications Ltd	10 yrs 01.12.15	0 yrs	2025	283,594	
	Telefonica UK Ltd	15 yrs 08.03.01	0 yrs	2016	18,186	
Trinity Park SOLIHULL	Allianz Management Services Ltd	32 yrs 25.03.92	8 yrs	2022/ 2024	420,000	5-10
Castle Street TAUNTON	The Trustees of Unison	10 yrs 20.04.17	5 yrs	2022/ 2027	46,152	5-10
	Metron Technology Ltd	10 yrs 11.08.17	5 yrs	2022/ 2027	62,520	
	Eden Brown Ltd	10 yrs 06.03.17	5 yrs	2022/ 2027	21,300	
	Newsquest Mwdia Group Ltd	10 yrs 14.02.19	5 yrs	2024/ 2029	45,480	

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

## Offices (continued)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
Warwick Technology Park WARWICK	Rolls Royce PLC	9 yrs 09.07.12	5 yrs	2021	402,950	10-25
	Industrial Turbine Company (UK) Ltd	10 yrs 24.02.11	5 yrs	2021	402,950	
	Alliance Medical Ltd	10 yrs 24.04.12	5 yrs	2022	216,400	
	Siemens PLC	7 yrs 03.12.14	5 yrs	2021	216,400	
	IBM UK Ltd	25yrs 25.03.99	5yrs	2019/ 2024	618,000	5-10
3 Longwalk Road WEST LONDON	Marks & Spencer Plc	16 yrs 29.09.10	5 yrs	2021/ 2026	2,600,000	>25

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

## Offices/Shops

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
Imperial House LONDON	Wasabi Co Ltd	15 yrs 17.07.07	5 yrs	2022	135,000	>25
	POD Food Ltd	10 yrs 06.05.16	5 yrs	2021/ 2026	135,000	
	Sweet Ventures Ltd	10 yrs 31.01.19	5 yrs	2024/ 2029	30,700	
	Knotel 8 Kean Ltd	10 yrs 20.11.18	5 yrs	2023/ 2028	332,375	
	Finance & Leasing Association	10 yrs 18.02.18	5 yrs	2023/ 2028	266,934	
	Knotel 8 Kean Ltd	10 yrs 20.11.18	5 yrs	2023/ 2028	337,500	
	Alliots Chartered Accountants	10 yrs 25.04.18	5 yrs	2023/ 2028	328,500	
	Sphere Digital Recruitment Ltd	5 yrs 30.03.15	0 yrs	2020	123,075	
	Thornton & Baines Independent Finan	10 yrs 21.01.14	5 yrs	2024	149,000	
	Knotel 8 Kean Ltd	10 yrs 20.11.18	5 yrs	2023/ 2028	149,215	
	Sphere Digital Recruitment Ltd	5 yrs 30.03.15	0 yrs	2020	89,950	
	Playbuzz UK Ltd	5 yrs 19.03.18	0 yrs	2023	257,150	
	GDFC Services Plc	5 yrs 16.12.17	0 yrs	2022	215,659	

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

## Offices/Shops (continued)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
Imperial House LONDON (continued)	Finance & Leasing Association	10 yrs 18.02.18	5 yrs	2023/ 2028	3,978	
	Alliots Chartered Accountants	10 yrs 25.04.18	5 yrs	2023/ 2028	1,320	
	AC Priggen & TP Gale	10 yrs 09.01.18	0 yrs	2028	1,500	
	DX Network Services Ltd	10 yrs 26.07.10	0 yrs	2025	1,500	
	Huntress Search Ltd	15 yrs 10.09.07	0 yrs	2022	6,888	
	Alliots Chartered Accountants	10 yrs 25.04.18	5 yrs	2023/ 2028	4,240	
	Sweet Ventures Ltd	10 yrs 24.08.18	5 yrs	2023/ 2028	4,770	
	Sweet Ventures Ltd	10 yrs 24.08.18	5 yrs	2023/ 2028	8,660	
	London Power Networks plc	99 yrs 20.11.18	0 yrs	2117	0	
34 Threadneedle Street LONDON EC2	Replete Ltd	30 yrs 29.09.07	5 yrs	2022/ 2037	177,500	5-10
	Replete Ltd	24 yrs 19.07.13	0 yrs	2018/ 2037	57,120	
	City Career Management Ltd	10 yrs 15.08.18	5 yrs	2023/ 2028	47,581	

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

## Offices/Shops (continued)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
34 Threadneedle Street LONDON EC2	Professional Assured Financial Services	10 yrs 26.11.10	5 yrs	2020	58,000	
	Mssrs McCredie, Hayden Hale, McCus	5 yrs 29.09.17	0 yrs	2022	50,000	
157-159 Fenchurch Street LONDON EC3	TM Lewin and Sons Ltd	15 yrs 20.02.07	5 yrs	2022	368,000	10-25
	O2 (UK) Ltd	10 yrs 17.07.06	5yrs	2016	3,851	
	EE Ltd	10 yrs 23.07.15	5 yrs	2020/ 2025	4,428	
	Central Bank of the Republic of Turkey	10 yrs 10.08.10	5 yrs	2020	122,000	
	Bircroft Insurance Services Ltd	10 yrs 25.03.10	5 yrs	2020	111,200	
	IF P & C Insurance Ltd	5 yrs 24.08.14	0 yrs	2019	109,890	
	Resolute Asset Management LLP	6 yrs 01.11.17	0 yrs	2023	122,265	
	Resolute Asset Management LLP	5 yrs 21.06.18	0 yrs	2023	105,325	

\*Date in the past indicates that the review has not been settled yet.



## PROPERTY PORTFOLIO

at 31 March 2019

## Industrial Property

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
Aker Solutions Village ABERDEEN	MW Wirth Ltd	2yrs 20.12.17	0 yrs	2019	265,176	0-5
Peregrine Road ABERDEEN	IKM Testing Facility (UK) Ltd	15 yrs 17.03.14	5 yrs	2019/ 2029	318,606	0-5
Peregrine Road ABERDEEN	Halliburton Manufacturing and Services	15 yrs 02.06.08	0 yrs	2023	264,750	0-5
The Boulevard ASHFORD	Menzies Distribution Ltd	10yrs 25.03.16	5yrs	2021/ 2026	252,688	5-10
Unit 16 Junction Six BIRMINGHAM	BSS Group plc	15 yrs 04.02.05	5 yrs	2020	592,905	10-25
	BSS Group plc	13 yrs 15.08.07	0 yrs	2020	30,000	
Great Bank Road BOLTON	Tesco Stores Ltd	4yrs 01.01.17	0yrs	2021	1,395,000	10-25
Huntsworth Business Park BRIDGWATER	Rochpion Properties (4) Ltd	21 yrs 06.11.02	5 yrs	2017/ 2023	622,275	5-10
Plot 5 Interlink Park COALVILLE	MTS Logistics Ltd	5 yrs 15.05.15	0 yrs	2020	388,375	5-10
Torrington Avenue COVENTRY	Peugeot Motor Company Plc	15 yrs 13.12.13	3 yrs	2019/ 2028	1,432,631	>25
Unit 4 500 Purley Way CROYDON	VOW Europe Ltd	25 yrs 13.05.96	5 yrs	2021	824,000	10-25

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

Industrial Property (*continued*)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
Phase 300 Centennial Park ELSTREE	Richardson Healthcare Ltd	10 yrs 14.05.18	5 yrs	2023/ 2028	105,000	>25
	Entel UK Ltd	9 yrs 22.07.10	0 yrs	2019	20,000	
	Entel UK Ltd	10 yrs 21.07.09	0 yrs	2019	68,048	
	Entel UK Ltd	10 yrs 21.07.09	0 yrs	2019	88,452	
	Secomak Ltd	10 yrs 06.02.16	5 yrs	2021/ 2026	115,000	
	Fujitsu General (UK) Co. Ltd	5 yrs 04.01.18	0 yrs	2023	51,661	
	Sensornet Ltd	10 yrs 02.02.16	0 yrs	2021/ 2026	168,550	
	Apatech Ltd	11 yrs 30.05.08	0 yrs	2019	195,000	
	Apatech Ltd	11 yrs 07.05.08	0 yrs	2019	195,000	
	Apatech Ltd	15 yrs 13.12.04	0 yrs	2019	133,325	
	Masters Pharmaceuticals Ltd	5 yrs 24.08.15	0 yrs	2020	130,650	
	Lumenis (UK) Ltd	10 yrs 15.05.18	5 yrs	2023/ 2028	77,500	
	Licensed Carriage Hire Ltd	10 yrs 25.07.16	0 yrs	2024	58,850	

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

Industrial Property (*continued*)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
Phase 300 Centennial Park ELSTREE ( <i>continued</i> )	Licensed Carriage Hire Ltd	10 yrs 24.07.14	0 yrs	2024	58,850	
Cardinal North HUNTINGDON	Co-operative Foodstores Ltd	25 yrs 09.08.94	5 yrs	2019	562,067	5-10
Stadium Gate LEEDS	Mailing and Marketing Solutions Ltd	15 yrs 11.02.19	5 yrs	2024/ 2034	178,375	0-5
Leeds 27 Industrial Estate LEEDS	AAH Pharmaceuticals	5 yrs 25.03.18	0 yrs	2023	365,000	>25
	Morley Glass & Glazing Ltd	15 yrs 17.05.16	5 yrs	2021/ 2031	185,886	
	Apleona HSG Ltd	10 yrs 26.04.10	5 yrs	2020	139,095	
	Aptar UK Ltd	5 yrs 20.03.15	0 yrs	2020	170,000	
	Nobia Holdings UK Ltd	5 yrs 24.06.12	0 yrs	2017	230,000	
	Redcastle Ltd	25 yrs 08.06.94	0 yrs	2019	263,380	

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

Industrial Property (*continued*)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
Watermill Business Centre LONDON	Global Display Projects Ltd	10 yrs 17.02.17	5 yrs	2022/ 2027	43,538	10-25
	NSL Ltd	11 yrs 01.09.12	5 yrs	2017/ 2023	95,000	
	DW Spinks (Embossing) Ltd	10 yrs 22.12.09	0 yrs	2019	86,000	
	Eyre & Elliston Ltd	10 yrs 11.05.16	5 yrs	2021/ 2026	33,700	
	Riel Chyc (UK) Ltd	5 yrs 29.08.15	0 yrs	2020	32,500	
	Eurocell Building Plastics Ltd	5 yrs 25.12.15	0 yrs	2020	32,140	
	B C Services Ltd	5 yrs 27.04.16	0 yrs	2021	37,000	
	Holemasters Demtech Ltd	10 yrs 10.06.14	5 yrs	2019/ 2024	27,000	
	Fowlersfinance.com Ltd	5 yrs 15.03.16	0 yrs	2021	31,500	
	I R E (International Roumeli Erifi)	16 yrs 12.03.15	5 yrs	2019/ 2031	18,300	
	Chevron Distribution Ltd	4 yrs 22.12.16	0 yrs	2020	19,268	
	Gamma Systems Ltd	5 yrs 20.03.15	0 yrs	2020	17,500	
Bushfire Ltd	5 yrs 25.03.16	0 yrs	2021	19,100		

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

Industrial Property (*continued*)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
Watermill Business Centre LONDON ( <i>continued</i> )	Spie Facilities Ltd	10 yrs 25.03.16	5 yrs	2021/ 2026	61,600	
	Print4uk Ltd	5 yrs 01.11.16	0 yrs	2021	34,160	
	Comex 2000 (UK) Ltd	5 yrs 22.06.16	0 yrs	2021	42,250	
5 Pickett's Lock Lane LONDON	Abra Wholesales Ltd	15 yrs 02.09.11	5 yrs	2021/ 2026	793,000	10-25
Clayton Business Centre LONDON	Fitted Wardrobes Ltd	10 yrs 14.01.19	5 yrs	2024/ 2029	37,141	10-25
	Luxwood Bespoke Joinery Ltd	10 yrs 10.05.16	5 yrs	2021/ 2026	27,015	
	Eurocell Group Ltd	5 yrs 02.10.17	0 yrs	2022	35,750	
	TFS Handling (UK) Ltd	10 yrs 13.08.13	5 yrs	2023	37,500	
	Luxwood Bespoke Joinery Ltd	10 yrs 10.05.16	5 yrs	2021/ 2026	27,198	
	Howdens Joinery Properties Ltd	15 yrs 15.09.14	5 yrs	2019/ 2029	69,000	
	Sky Telecommunications Services Ltd	15 yrs 22.09.15	5 yrs	2020/ 2030	67,505	
	Hayes Automobiles Ltd	20 yrs 25.09.15	5 yrs	2020/ 2035	102,008	

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

Industrial Property (*continued*)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
3310 Hunter Boulevard LUTTERWORTH	DHL Supply Chain Ltd	5 yrs 16.01.19	0 yrs	2024	1,005,810	10-25
Garamonde Drive MILTON KEYNES	Apex Space Solutions Ltd	25 yrs 17.10.19	5 yrs	2022/ 2042	755,110	10-25
Brackmills Business Park NORTHAMPTON	Stertil UK Ltd	10 yrs 25.03.14	5 yrs	2019/ 2024	76,585	5-10
	Concorde Tyre & Exhaust Centres Ltd	10 yrs 17.04.14	5 yrs	2019/ 2024	90,000	
	Howden Joinery Corporate Services Ltd	9 yrs 25.12.13	5 yrs	2018/ 2022	77,500	
	Howden Joinery Corporate Services Ltd	17 yrs 16.03.05	3 yrs	2016/ 2022	9,142	
Corner Rhosili & Kilvey Road NORTHAMPTON	Johnson & Starley Ltd	15 yrs 25.03.16	5 yrs	2021/ 2031	300,000	5-10
Brackmills 192 NORTHAMPTON	Uniserve Holdings Ltd	10 yrs 04.05.18	5 yrs	2023/ 2028	1,086,428	10-25

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

Industrial Property (*continued*)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
Cray Avenue ORPINGTON	Carpetright PLC	15 yrs 29.09.05	5 yrs	2020	88,000	10-25
	Tile Magic Ltd	15 yrs 29.09.05	5 yrs	2020	53,940	
	Bathroom and Plumbing Superstore Ltd	2 yrs 16.10.18	5 yrs	2020	41,646	
	Crown Paints Ltd	15 yrs 29.09.05	0 yrs	2020	41,564	
	Experteffect Ltd	15 yrs 29.09.05	0 yrs	2020	90,400	
	Carpets 4 All Ltd	15 yrs 10.07.08	5 yrs	2018/ 2023	143,451	
	Toolstation Ltd	15 yrs 10.07.08	5 yrs	2018/ 2023	68,432	
	Giant Floors Ltd	5 yrs 13.11.15	0 yrs	2020	23,480	
	Kula Homes Ltd	5 yrs 04.12.15	0 yrs	2020	23,821	
	C & S Contracts (Sevenoaks) Ltd	5 yrs 18.07.16	0 yrs	2021	27,375	
	Teamframes Ltd	10 yrs 30.10.14	5 yrs	2019/ 2024	22,100	
	Fresh Eric's Cakes Company Ltd	10 yrs 22.12.15	5 yrs	2020/ 2025	37,000	
Trade Spray Services Ltd	10 yrs 24.10.11	0 yrs	2021	34,072		

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

Industrial Property (*continued*)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
1 Ivatt Way PETERBOROUGH	Clipper Logistics Plc	15 yrs 28.09.18	5 yrs	2023/ 2033	1,095,000	10-25
Alpha Park ST NEOTS	Cath Kidson Ltd	10 yrs 16.04.10	0 yrs	2020	424,500	10-25
	Applehill Properties Ltd	5 yrs 02.07.15	0 yrs	2020	425,000	
Wellingborough Road SYWELL	Premium Warehousing Ltd	16 yrs 07.02.17	5 yrs	2022/ 2033	800,000	10-25
Wakefield Eurohub WAKEFIELD	Allied Glass Containers Ltd	10 yrs 19.01.17	5 yrs	2022/ 2027	803,854	10-25
Winwick Quay WARRINGTON	Royal Mail Group Ltd	10 yrs 20.10.08	5 yrs	2018	878,555	5-10
Grandstand WARRINGTON	Ceva Freight (UK) Ltd	5 yrs 25.03.16	5 yrs	2021/ 2024	274,500	5-10
	Topgrade Sportswear Ltd	5 yrs 29.09.17	0 yrs	2022	190,500	
70 Sinclair Drive WELLINGBOROUGH	IFCO Systems UK Ltd	10 yrs 12.02.18	5 yrs	2023/ 2028	605,000	10-25

\*Date in the past indicates that the review has not been settled yet.



## PROPERTY PORTFOLIO

at 31 March 2019

## Retail Warehouses

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
Goodliffe Park BISHOPS STORTFORD	Wickes Building Supplies Ltd	42 yrs 29.09.89	5 yrs	2021/ 2031	517,110	5-10
Gallagher Retail Park BRISTOL	B&Q PLC	25 yrs 29.09.98	5 yrs	2023	1,730,000	>25
	DSG Retail Ltd	10 yrs 24.05.13	5 yrs	2018/ 2023	292,600	
	Salvatore Corsentino	5 yrs 27.02.16	1 yrs	2017/ 2021	13,113	
Wincheap Retail Park CANTERBURY	Mothercare UK Ltd	30 yrs 24.06.96	5 yrs	2021/ 2026	317,811	10-25
	Boots UK Ltd	10 yrs 12.04.16	5 yrs	2021/ 2026	143,700	
	Argos Ltd	15 yrs 01.04.08	5 yrs	2023	237,833	
	The Carphone Warehouse Ltd	15 yrs 06.03.06	5 yrs	2016/ 2021	45,000	
Tewkesbury Road CHELTENHAM	CDS (Superstores International) Ltd	35 yrs 14.06.85	5 yrs	2015/ 2020	510,000	5-10
Victoria Street North GRIMSBY	CDS (Superstores International) Ltd	20 yrs 25.03.15	5 yrs	2020/ 2035	292,952	0-5

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

Retail Warehouses (*continued*)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
Beckton Retail Park LONDON	Iceland Food Ltd	10 yrs 15.07.13	5 yrs	2018/ 2023	125,000	>25
	Fresh Bazar Ltd	6 yrs 22.11.17	0 yrs	2023	101,400	
	Multi-Tile Ltd	10 yrs 29.09.12	5 yrs	2022	135,000	
	Poundstretcher Ltd	20 yrs 09.01.01	5 yrs	2021	115,000	
	99P Stores Ltd	10 yrs 02.04.12	5 yrs	2017/ 2022	250,000	
	TJ Morris Ltd	15 yrs 09.09.13	5 yrs	2018/ 2028	250,000	
	Selco Trade Centres Ltd	15 yrs 12.10.16	5 yrs	2021/ 2031	380,000	
	Dreams Ltd	20 yrs 29.09.03	5 yrs	2018/ 2023	150,000	
	Lituanica UK Ltd	15 yrs 17.07.08	5 yrs	2013/ 2023	144,540	
	Matalan Retail Ltd	20 yrs 05.10.00	5 yrs	2020	514,085	
	Lituanica UK Ltd	7 yrs 19.12.16	0 yrs	2023	10,000	
Queens Drive NOTTINGHAM	Vacant					10-25

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

Retail Warehouses (*continued*)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
27 Tollbar Way SOUTHAMPTON	TJX UK	15 yrs 08.06.15	5 yrs	2020/ 2030	742,847	10-25
Albion Mills Retail Park WAKEFIELD	DSG Retail Ltd t/a PC World	20 yrs 29.09.00	5 yrs	2020	206,500	10-25
	Wickes Building Supplies Ltd	25 yrs 25.05.05	5 yrs	2015/ 2030	602,325	

## DEVELOPMENTS

7 Roundwood Avenue WEST LONDON	Vacant					5-10
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## OTHER

14 West Street BRIGHTON	Travelodge Hotels Ltd	41 yrs 20.12.07	5 yrs	2022/ 2048	1,131,214	>25
Bickley Road BROMLEY	DC Management Services Ltd	18 yrs 31.12.15	5 yrs	2023/ 2033	457,500	10-25
Locomotive Way DERBY	Derby College	20 yrs 20.10.09	5 yrs	2019/ 2029	848,558	10-25
Mobberley Road KNUTSFORD	R Stratton & Co Ltd	50 yrs 24.06.08	5 yrs	2018/ 2058	367,705	5-10
A10 Great Cambridge Road LONDON	DC Management Services Ltd	18 yrs 31.12.15	5 yrs	2023/ 2033	710,000	10-25

\*Date in the past indicates that the review has not been settled yet.

## PROPERTY PORTFOLIO

at 31 March 2019

Retail Warehouses (*continued*)

Property	Tenant	Term/ from	Lease review period	Next review*	Rent £	Mkt value range £m
1 Goodman's Yard LONDON	Travelodge Hotels Ltd	40 yrs 15.12.08	5 yrs	2018/ 2048	1,785,125	>25
	UK Broadband Ltd	20 yrs 30.09.14	5 yrs	2019/ 2034	6,189	
	Everything Everywhere Ltd	13 yrs 21.12.07	0 yrs	2018/ 2020	11,154	
Duke of Wellington Avenue LONDON	DC Management Services Ltd	18 yrs 31.12.15	5 yrs	2023/ 2033	340,000	5-10
Maidstone Road	DC Management Services Ltd	18 yrs 31.12.15	5 yrs	2023/ 2033	450,000	10-25

\*Date in the past indicates that the review has not been settled yet.

STATEMENT OF TOTAL RETURN  
for the year ended 31 March 2019

	Notes	Year ended 31.03.2019		Year ended 31.03.2018	
		£'000	£'000	£'000	£'000
Net capital gains	2		3,868		24,858
Revenue	3	60,961		51,073	
Expenses	4	(15,507)		(11,722)	
Finance Costs: Interest	6	(15)		–	
Net revenue before taxation		45,439		39,351	
Taxation	5	(23)		(52)	
Net revenue after taxation			45,416		39,299
<b>Total return before distributions</b>			49,284		64,157
Finance costs: distributions	6		(45,416)		(39,299)
<b>Change in net assets attributable to unitholders from investment activities</b>			3,868		24,858

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS  
for the year ended 31 March 2019

	Year ended 31.03.2019		Year ended 31.03.2018	
	£'000	£'000	£'000	£'000
<b>Opening net assets attributable to unitholders</b>		973,948		705,409
Amounts receivable on issue of units	144,018		243,722	
Amounts payable on cancellation of units	(248)		(41)	
		143,770		243,681
Change in net assets attributable to unitholders from investment activities		3,868		24,858
<b>Closing net assets attributable to unitholders</b>		1,121,586		973,948

The notes on pages 48 to 58 and the distribution table on page 59 form part of these financial statements.

**BALANCE SHEET**  
at 31 March 2019

	<i>Notes</i>	31.03.2019		31.03.2018	
		£'000	£'000	£'000	£'000
<b>ASSETS</b>					
Investment assets	7		1,081,381		913,606
Debtors	8	10,081		4,871	
Cash and bank balances	9	12,303		11,352	
Cash equivalents	9	44,000		66,200	
Total other assets			66,384		82,423
<b>Total assets</b>			<b>1,147,765</b>		<b>996,029</b>
<b>LIABILITIES</b>					
Creditors	10	14,202		11,902	
Distribution payable on income units		11,977		10,179	
<b>Total liabilities</b>			<b>26,179</b>		<b>22,081</b>
<b>Net assets attributable to unitholders</b>			<b>1,121,586</b>		<b>973,948</b>

The financial statements on pages 45 to 58 were approved on behalf of the Trustee by R. Kemp CBE, Chairman, on 22 July 2019.

The notes on pages 48 to 58 and the distribution table on page 59 form part of these financial statements.

**CASH FLOW STATEMENT**  
for the year ended 31 March 2019

	<i>Notes</i>	Year ended 31.03.2019		Year ended 31.03.2018	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	17		42,529		39,284
<b>Servicing of finance</b>					
Distributions paid			(43,618)		(36,862)
Taxation			(23)		(52)
<b>Net cash outflow from investment activities</b>					
Capital expenses		(4,674)		(6,274)	
Payments to acquire investments		(159,233)		(241,553)	
Proceeds on disposal of investments		–		10,664	
			(163,907)		(237,163)
<b>Net cash inflow from financing activities</b>					
Issue of units		144,018		243,722	
Cancellation of units		(248)		(41)	
Drawdown of loan		12,000		–	
Repayment of loan		(12,000)		–	
			143,770		243,681
(Decrease)/increase in cash	18		(21,249)		8,888

The notes on pages 48 to 58 and the distribution table on page 59 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 March 2019

#### 1. Accounting policies

##### *(a) Basis of preparation*

The financial statements have been prepared on a going concern basis, in compliance with FRS 102 and in accordance with the Statement of Recommended Practice for UK Authorised Funds ("SORP") issued by the Investment Association in May 2014 (and amended in June 2017) and the Scheme.

The financial statements have been prepared under the historical cost basis, as modified by revaluation of investment property.

##### *(b) Revenue recognition*

Rental revenue, interest on bank deposits and The Public Sector Deposit Fund are accrued on a monthly basis. Dividends on unit trusts are accrued on the dates when the investments are first quoted exdividend.

In accordance with FRS 102 the rent free period is recognised over the entire term of the lease. Lease incentives in the form of capital contributions are also shown as capital debtors and are amortised over the entire term of the lease.

##### *(c) Expenses*

During the year, the Manager's periodic charge, paid by the Trustee to the Manager and recharged to the Fund, was deducted from 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 paid either directly by the Fund or by the Trustee and recharged 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.

##### *(e) Capitalised costs*

All costs associated with buying, selling and the development of properties are charged to capital. Other expenses, including the property valuation fees payable to Knight Frank LLP, are deducted from revenue.



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2019

1. Accounting policies (continued)

(f) Basis of valuation

Freehold and leasehold properties are valued at each month end, on the basis of Fair Value in accordance with the current RICS Appraisal and Valuation Standards (The Red Book) as advised by Knight Frank LLP, Chartered Surveyors. In addition, the Manager reviews these values at each intervening month end and makes adjustments where necessary. Additions to the portfolio are valued externally after acquisition. The Nuveen UK Retail Warehouse Fund (previously The Henderson UK Retail Warehouse Fund) is valued monthly as advised by Nuveen Property Management (Jersey) Limited. (Please refer to note 20 for more details.)

(g) Unit pricing policy

The Fund follows AREF's fund pricing recommendations and is priced at the Standard NAV. Any adjustments around the Mid Price (Bid/Offer) would follow AREF's fund pricing recommendations as required.

(h) Cash equivalents

The Manager has treated some assets as Cash equivalents for the purposes of the Balance Sheet disclosure. Investments are regarded as Cash equivalents if they meet all of the following criteria:

- highly liquid investments held in sterling that are readily convertible to a known amount of cash;
- are subject to an insignificant risk of change in value; and
- provide a return no greater than the rate of a three month high quality government bond.

2. Net capital gains

	Year ended 31.03.2019 £'000	Year ended 31.03.2018 £'000
The net capital gains during the period comprise:		
Unrealised gains on investment properties*	4,695	21,418
Unrealised (losses)/gains on collective investment schemes*	(815)	58
Realised (losses)/gains on investment properties*	(12)	3,431
Realised loss – other	–	(49)
Net capital gains	<b>3,868</b>	<b>24,858</b>

\*Where net realised gains include gains/(losses) arising in previous periods, a corresponding (loss)/gain is included in unrealised gains/(losses).

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2019

3. Revenue

	Year ended 31.03.2019 £'000	Year ended 31.03.2018 £'000
Rental revenue	56,414	46,628
Service charge income	4,016	3,505
Income from collective investment schemes	239	277
Interest on The Public Sector Deposit Fund	208	139
Bank interest	70	37
Other revenue	14	487
	<b>60,961</b>	<b>51,073</b>

4. Expenses

	Year ended 31.03.2019 £'000	Year ended 31.03.2018 £'000
i) Property expenses:		
Services charge expenses	5,042	3,984
Property ground rent and empty rates	1,868	844
Other property outgoings	608	849
Property legal and professional fees	576	218
Loan administration fees	301	271
Property valuation fees	151	210
Property repairs and maintenance	122	63
	<b>8,668</b>	<b>6,439</b>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2019

4. Expenses (*continued*)

	Year ended 31.03.2019 £'000	Year ended 31.03.2018 £'000
ii) Management expenses:		
Payable to The Local Authorities' Mutual Investment Trust:		
Manager's periodic charge – see note 1(c)	6,459	5,173
Bad debt	227	–
Investment Property Database fee	39	25
Insurance fee	30	4
Legal fees	30	20
Audit fee	17	17
Depositary fee	15	16
Miscellaneous expenses	13	14
Taxation fees	9	14
	<b>6,839</b>	<b>5,283</b>
Total expenses	<b>15,507</b>	<b>11,722</b>

The above expenses include irrecoverable VAT where applicable.

5. Taxation

The Fund is not subject to capital gains tax. The Fund was approved as an exempt unauthorised unit trust on 1 April 2014 and is not subject to income tax from this date. Prior to this, the Fund was subject to income tax at the basic rate.

	Year ended 31.03.2019 £'000	Year ended 31.03.2018 £'000
Income tax	23	52
Income tax is calculated as follows:		
Net taxable revenue at 20%	–	–
Prior year tax adjustment	23	52
Items not allowable for income tax purposes:		
Revaluation fee at 20%	–	–
Income tax	<b>23</b>	<b>52</b>

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2019

6. Finance Costs: interest and distributions

*Distributions*

Distributions take account of revenue received on the issue of units and revenue deducted on the cancellation of units, and comprise:

	Year ended 31.03.2019 £'000	Year ended 31.03.2018 £'000
30 June – interim distribution	10,919	8,564
30 September – interim distribution	10,876	10,391
31 December – interim distribution	11,644	10,165
31 March – final distribution	11,977	10,179
Distribution for the year	45,416	39,299
<i>Interest</i>		
Interest accrued for the year	15	–
Total finance costs	45,431	39,299
Net revenue for the year	45,416	39,299
Net distribution for the year	45,416	39,299

Details of the distribution per unit are set out in the distribution table on page 59.

There were no unclaimed distributions as at 31 March 2019 (31.03.2018: nil).

7. Investment property

	Year ended 31.03.2019 £'000	Year ended 31.03.2018 £'000
Market value at the start of the year	913,606	651,585
Acquisitions at cost	159,233	241,553
Capitalised expenses	4,674	6,225
Unrealised gains on revaluation	3,880	21,476
Disposals at cost	(12)	(7,233)
Market value at the end of the year	1,081,381	913,606
Historical cost at the end of the year	1,051,136	887,240

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2019

8. Debtors

	Year ended 31.03.2019 £'000	Year ended 31.03.2018 £'000
Property incentives	5,535	2,491
Rents receivable	4,000	920
Property payments recoverable	413	1,323
Accrued revenue	124	137
Prepayments	5	–
Due from the Local Authorities' Mutual Investment Trust	4	–
	<b>10,081</b>	<b>4,871</b>

9. Cash equivalents, cash and bank balances

	Year ended 31.03.2019 £'000	Year ended 31.03.2018 £'000
Cash equivalents – cash in The Public Sector Deposit Fund	44,000	66,200
Cash and bank balances – cash at bank	12,303	11,352
Total cash – cash equivalents, cash and bank balances	<b>56,303</b>	<b>77,552</b>

10. Creditors

	Year ended 31.03.2019 £'000	Year ended 31.03.2018 £'000
Rent received in advance	11,975	10,075
VAT payable	1,662	1,445
Accrued expenses	565	382
	<b>14,202</b>	<b>11,902</b>

11. Loans

Total borrowing at the end of the year was £nil (2018: £nil). The Fund has available an overdraft facility of £30m and rolling credit facility of £30m. Fund has not exceeded the maximum permitted level of gearing.

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 March 2019

#### 12. Financial instruments

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

##### *Market price risk*

Whilst the value of direct property is independently valued on a monthly basis, such valuations are a matter of the valuer's opinion 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.

At 31 March 2019, if the value of investment held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders, and profit or loss, would increase or decrease respectively by approximately £54,069,000 (31.03.2018: £45,680,000).

##### *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*

Under the Scheme of the Fund, 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.

##### *Liquidity risk*

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

##### *Currency risk*

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

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2019

12. Financial instruments (continued)

*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 Fund also invests in cash deposits, the revenue of which may be affected by changes to interest rates. A sensitivity analysis for interest rate risk is not shown as the impact is unlikely to be significant.

The total exposure at 31 March 2019 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	56,303	–	1,091,462	1,147,765

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	26,179	26,179

The total exposure at 31 March 2018 was:

Currency	Floating rate financial assets* £'000	Fixed rate financial assets £'000	Financial assets not carrying interest £'000	Total £'000
Sterling	77,552	–	918,477	996,029

Currency	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities not carrying interest £'000	Total £'000
Sterling	–	–	22,081	22,081

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

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2019

**12. Financial instruments (continued)**

*Interest rate risk (continued)*

All financial liabilities are due to be settled within one year or on demand. There were no derivatives held by the Fund as at 31 March 2019 (31.03.2018, £nil).

**13. Commitments and contingent liabilities**

There were no contingent liabilities as at 31 March 2019 (31.03.2018, £nil). At 31 March 2019 there were no redemption notices outstanding (31.03.2018, nil units).

**14. Trustee remuneration**

The Trustee is controlled by the Members of the Council who receive no remuneration from the Fund. Mr T Salmon who was a Director of the Manager resigned on 1 January 2019. During the period he received remuneration from the Manager, which is disclosed in the Manager's financial statements.

**15. 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. A balance of £4,409 was due from the Trustee at 31 March 2019 (31.3.2018, £nil). There were no outstanding balances due to the Trustee at 31 March 2019 of £nil (31.3.2018, £nil).

Mr Trevor Salmon (Northern Ireland Local Government Officers' Superannuation Committee) was a Member of the Council and the Trust, he resigned on 1 January 2019.



NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2019

16. Turnover of units

The number and net asset value of units in the Fund issued, cancelled and transferred in the year to 31 March 2019 was as follows:

	Number of units	Value £'000	% of NAV
Units issued	44,299,455	144,018	12.84
Units cancelled	82,222	248	0.02

year to 31 March 2018 was as follows:

	Number of units	Value £'000	% of NAV
Units issued	77,801,072	243,722	25.02
Units cancelled	14,455	41	0.00

At 31 March 2019 there were no redemption notices outstanding (31.03.2018, nil).

17. Reconciliation of net cash inflow from operating activities

	Year ended 31.03.2019 £'000	Year ended 31.03.2018 £'000
Net revenue for the year before taxation	45,439	39,351
Increase in accrued revenue	(3,080)	(438)
Increase in debtors	(2,130)	(1,394)
Increase in creditors	2,300	1,765
Net cash inflow from operating activities	42,529	39,284

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2019

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

	Year ended 31.03.2019 £'000	Year ended 31.03.2018 £'000
Net cash at beginning of the year	77,552	68,664
Movement in cash during the year	(21,249)	8,888
Net cash at the end of the year	56,303	77,552

19. Unitholders' funds – reconciliation of units

	Year ended 31.03.2019 Income units	Year ended 31.03.2018 Income units
Opening number of units at beginning of year	323,280,765	245,494,148
Units issued in year	44,299,455	77,801,072
Units cancelled in year	(82,222)	(14,455)
Closing number of units at end of year	367,497,998	323,280,765

20. 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 fair value.

Investment property is held at fair value. The fair value of all investments are derived from valuation techniques using non-observable data.

The Fund's freehold and leasehold investment properties were independently valued by Knight Frank LLP, Chartered Surveyors, acting in the capacity of external valuers. As described in note 1(f), the valuation was to fair value in accordance with the Professional Standards of The Royal Institution of Chartered Surveyors (the 'Red Book'). Knight Frank LLP's opinions were primarily derived from comparable recent market transactions on arm's length terms. The Manager discusses these valuations with Knight Frank LLP at least once every quarter to assess them.

NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2019

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

The fair value of investment property 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.

For the year ended 31 March 2019:

Category	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment property	–	–	1,081,381	1,081,381
	–	–	1,081,381	1,081,381

For the year ended 31 March 2018:

Category	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investment property	–	–	913,606	913,606
	–	–	913,606	913,606

**DISTRIBUTION TABLE**  
for the year ended 31 March 2019

Period ended	Date paid/payable	Dividends paid/payable pence per unit	
		2019	2018
<b>Income units</b>			
30 June	31 July	3.28	3.34
30 September	31 October	3.17	3.77
31 December	31 January	3.32	3.38
31 March	30 April	3.31	3.21
		<b>13.08</b>	<b>13.70</b>

The distributions for income units were paid in the same year, apart from the distribution declared on 31 March, which is payable on 30 April in the subsequent year.

## AIFMD DISCLOSURES

**Manager Remuneration**

The Manager has no employees, but delegates the performance of its services to employees of its parent company, CCLA IM.

Recharges for the services of CCLA IM to the Manager are levied in respect of the year ending on 31 March each year. The recharge for the year to 31 March 2019 was £24,000,000. A recharge of £22,700,000 was levied in the year to 31 March 2018.

The average number of full time equivalent staff of CCLA IM, including temporary staff, for the year ended 31 March 2019 was 124 (year ended 31 March 2018: 121).

During the year ended 31 March 2019 and the prior year, remuneration was paid to CCLA IM staff as shown below. Totals for staff whose actions have a material impact on the risk profile of the Fund ("identified staff") are shown separately.

	Year to 31 March 2019			Year to 31 March 2018		
	Fixed remuneration £000	Variable remuneration £000	Total £000	Fixed remuneration £000	Variable remuneration £000	Total £000
Identified staff	1,190	1,651	2,841	1,155	910	2,065
Other staff	8,876	3,412	12,288	8,564	3,113	11,677
<b>Total</b>	<b>10,066</b>	<b>5,063</b>	<b>15,129</b>	<b>9,719</b>	<b>4,023</b>	<b>13,742</b>

Remuneration above is the total remuneration for CCLA IM; it is not possible to separate the element of that relating only to this fund. The components of remuneration are appropriately balanced and do not create a conflict of interest for the Fund.

## TRUSTEE AND MANAGER

**Members of the Council and the Trust****Chairman**

T Salmon OBE (resigned 1 January 2019)

R. Kemp CBE (appointed 2 January 2019)

**Secretary**

J Fox

**Local Government Association**

T. Beattie

E. Eyre

P. Findlow

A. Naylor

S. Pickup OBE

S. Timoney (resigned 21 March 2019)

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

T Salmon OBE (resigned 1 January 2019)

D. Murphy (appointed 30 January 2019)

**Unitholder Member**

P Clokie OBE

**The Manager**

CCLA Fund Managers Limited

*Authorised and regulated by the Financial Conduct Authority*

Senator House, 85 Queen Victoria Street

London EC4V 4ET

Telephone: 0207 489 6000

Client Service:

Freephone: 0800 022 3505

Email: [clientservices@ccla.co.uk](mailto:clientservices@ccla.co.uk)[www.ccla.co.uk](http://www.ccla.co.uk)**Investment Manager, Administrator and Registrar**

CCLA Investment Management Limited

*Authorised and regulated by the Financial Conduct Authority*

Senator House, 85 Queen Victoria Street

London EC4V 4ET

Telephone: 0207 489 6000

Client Service:

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Email: [clientservices@ccla.co.uk](mailto:clientservices@ccla.co.uk)[www.ccla.co.uk](http://www.ccla.co.uk)**Directors responsible for the Fund**

M Quicke OBE (Chief Executive)

J Bevan (Chief Investment Officer)

A McMillan (Chief Operating Officer –  
retired 19 November 2018)

E Sheldon (Chief Operating Officer –

appointed 19 November 2018,

FCA approval granted 4 December 2018)

A Robinson MBE (Director Market Development)

**Head of Property**

P Hannam

**Company Secretary**

J Fox

**Head of Assurance**

R Plumridge

**Third party Advisers****External Property Valuer**

Knight Frank LLP

55 Baker Street

London W1U 8AN

**Managing Agents**

BNP Paribas Real Estate

5 Aldermanbury Square

London EC2V 7BP

**Depository**

HSBC Bank plc

8 Canada Square

London E14 5HQ

**Banker**

HSBC Bank plc

60 Queen Victoria Street

London EC4N 4TR

**Solicitors**

Farrer &amp; Co LLP

66 Lincoln's Inn Fields

London WC2A 3LH

Hogan Lovells LLP

Atlantic House, Holborn Viaduct

London EC1A 2FG

DLA Piper Scotland LLP

Collins House

Rutland Square

Edinburgh EH1 2AA

**Independent Auditors**

PricewaterhouseCoopers LLP

7 More London Riverside

London SE1 2RT

## ABOUT CCLA

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Founded in 1958, CCLA manages investments for the public sector, charities and religious organisations.

Our purpose is to help our clients maximise their impact on society by harnessing the power of investment markets. This requires us to provide a supportive and stable environment for our staff and deliver trusted, responsibly managed and strongly performing products and services to all organisations, irrespective of their size.

# CCLA

### **CCLA Fund Managers Limited**

Senator House, 85 Queen Victoria Street, London EC4V 4ET

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[www.ccla.co.uk](http://www.ccla.co.uk)

CCLA is the trading name for CCLA Investment Management Limited (Registered in England & Wales No. 2183088) and CCLA Fund Managers Limited (Registered in England & Wales No. 8735639)

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