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ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

Company Number: 2326563

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ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2007

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ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED

REPORT OF THE DIRECTORS

For the year to 31 March 2007

The directors have pleasure in submitting their Annual Report together with the audited Financial Statements of the company for the year ended 31 March 2007

Principal activity and business review

The company's principal objects are to promote the interests of District Councils and the Association of District Councils and to acquire, provide or make arrangements in respect of any central services or facilities for those bodies

Results and dividends

The profit for the year amounted to £741,281 (2006 £688,410) The directors do not recommend the payment of a dividend

Directors and their interests

The directors during the year ended 31 March 2007 were -

B R Clements
A.W Page
M M T Taylor
C Foote-Wood

None of the directors had any beneficial interest in the shares of the company The Directors act as trustees for the members of the Association of District Councils and represent the interests of that Association and as Directors have registered their interest in the leases granted by the company to the Association

Fixed assets

Details of the Fixed Assets are shown in Note 8 to the Accounts. The directors are of the opinion that market value of the freehold property is not less than £11 725 million

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED

REPORT OF THE DIRECTORS (*Continued*)

For the year to 31 March 2007

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. 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.

Auditors

The directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the relevant provisions. Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

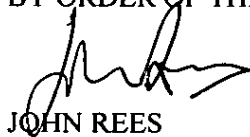
A resolution proposing the re-appointment of Baker Tilly UK Audit LLP, Chartered Accountants will be put to the members at the Annual General Meeting.

Statement as to Disclosure of Information to Auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant information and to establish that it has been communicated to the auditor.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

BY ORDER OF THE BOARD



JOHN REES
Secretary

Registered Office
Local Government House
Smith Square
London, SW1P 3HZ

Dated 22/08/07

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED**

We have audited the financial statements on pages 5 to 11

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Qualified opinion arising from departure from FRS 11 'Impairment of fixed assets and goodwill'

Included in the balance sheet is a freehold property held at net book value of £17,278,471 (2006 £17,303,851). As disclosed in Note 8, the last valuation of the property, carried out in July 2006, valued the property at an open market value of £11,725,000 (2006 £9,800,000). The carrying value of the property in the financial statements has not been impaired by the directors. In our opinion, the directors' treatment is contrary to the requirements of FRS 11 'Impairment of fixed assets and goodwill' and the property should have been impaired in the year ended 31 March 2007. Accordingly, the freehold property value at 31 March 2007 should be reduced by £5,553,471 (2006 £7,503,851) and retained earnings at 31 March 2007 should be reduced by £5,396,571 (2006 £7,346,951). Since the impairment would reduce the property value to market value which is below the directors' estimated residual value, no further depreciation would be chargeable and the profit for the year ended 31 March 2007 would increase by £25,380 (2006 £25,380).

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED**

Except for the financial effect of not making the adjustments referred to in the preceding paragraph, in our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 March 2007 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985

In our opinion the information given in the Directors' Report is consistent with the financial statements

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

1st Floor,

46 Clarendon Road

Watford

WD17 1JJ

28 September 2007

ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED

PROFIT AND LOSS ACCOUNT

For the year to 31 March 2007

	<u>Notes</u>	<u>2007</u> £	<u>2006</u> £
Turnover	2	750,000	712,500
Administrative expenses		(60,559)	(46,160)
		<hr/>	<hr/>
Operating profit	3	689,441	666,340
Other income	5	189,456	199,761
Decrease in value of investments		-	-
Interest payable	6	(137,616)	(177,691)
		<hr/>	<hr/>
Profit for the period before taxation		741,281	688,410
Taxation	7	-	-
		<hr/>	<hr/>
Profit for the year		741,281	688,410
Transfer to Debenture Redemption Fund		(182,196)	(172,118)
		<hr/>	<hr/>
Retained Profit		559,085	516,292
		<hr/>	<hr/>

The operating profit for the year arises from the company's continuing activities.

There are no gains or losses other than those reflected in the profit and loss account.

The notes set out on pages 7 to 11 form an integral part of these Financial Statements.

ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED

BALANCE SHEET

As at 31 March 2007

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
		£	£
Fixed assets			
Tangible fixed assets	8	17,278,471	17,303,851
Current assets			
Cash at Bank		67,989	863,652
Debtors	9	334,211	545,298
		402,200	1,408,950
Creditors Amounts falling due within one year	10	(1,149,006)	(1,130,033)
Net current (liabilities)/assets		(746,806)	278,917
Total assets less current liabilities		16,531,665	17,582,768
Creditors Amounts falling due after more than one year			
Debenture stock and secured loan	11	(9,198,737)	(10,991,121)
		7,332,928	6,591,647
Capital and reserves			
Share capital	12	100	100
Profit and loss account	13	4,259,764	3,700,679
Debenture Redemption Fund	13	3,073,064	2,890,868
Shareholders' Funds	14	7,332,928	6,591,647

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements on pages 5 to 11 were approved by the board of directors and authorised for issue on 22/8/07 and are signed on its behalf by

Margaret M. T. Taylor
Mrs M M T Taylor Director

The notes set out on pages 7 to 11 form an integral part of these Financial Statements.

ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year to 31 March 2007

1 Accounting policies

(a) Basis of Financial Statements

The financial statements have been prepared under the historical cost convention

(b) Depreciation

No depreciation is charged on the original cost of the company's property, since the directors are of the view that the property's residual value is equal to the original cost. Depreciation is therefore only charged on additions to the property as follows

Expenditure on additions to Freehold Building	2% of cost
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(c) Reserves

The Association has policies for the accumulation of Reserves in respect of a Debt Repayment fund which is to fund the future indebtedness in Association of District Councils (Properties) Ltd of redeemable debentures and loans. In order to ensure that the liabilities can be met as they fall due, the Association's constitution has been amended which will ensure that contributions from authorities to 2011 will be sufficient for this purpose

2 Turnover

Turnover represents income receivable from leases granted by the Company. All turnover is generated from continuing activities

3 Operating profit

is after charging

	<u>2007</u>	<u>2006</u>
	£	£
Auditors' remuneration - Baker Tilly UK Audit LLP	4,850	-
- Baker Tilly	-	4,600
	<u> </u>	<u> </u>

4. Employees

The company does not have any employees except the directors. No remuneration is payable to the directors

ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year to 31 March 2007
(Continued)

5 Other income		
This comprises	<u>2007</u> £	<u>2006</u> £
Debenture Fund Receipts	182,196	172,118
Interest Received	7,260	27,643
	<hr/> 189,456	<hr/> 199,761
6 Interest payable		
Loan interest payable greater than five years	<hr/> 136,152	<hr/> 177,691
7 Taxation		
The Company qualifies as a Local Authority under section 519, Income and Corporation Taxes Act 1988 and is therefore exempt from any charge to income or corporation tax		
8 Fixed assets		
	Freehold Property	Total
	£	£
<u>Cost</u>		
Balance at 1 April 2006 and at 31 March 2007	17,536,891	17,536,891
<u>Depreciation</u>		
Balance at 1 April 2006	233,040	233,040
Charge for the year	25,380	25,380
	<hr/> 258,420	<hr/> 258,420
<u>Net Book Value</u>		
At 31 March 2007	<hr/> 17,278,471	<hr/> 17,278,471
At 31 March 2006	<hr/> 17,303,851	<hr/> 17,303,851

In the opinion of the directors, the value of the freehold property has not been impaired. This opinion was considered to remain valid after careful consideration of the professional valuation detailed below.

In July 2006, in accordance with the requirements of the Trust Deed in respect of debenture stock and the mortgage agreement with Municipal Mutual Insurance Limited, the property was valued by consultant surveyors, Dunlop Haywards, whose opinion was that at the 27 July 2006, were they to be sold, the open market value of the property totalled £11,725,000 in accordance with the definition of the open market value contained within The Royal Institution of Chartered Surveyors Appraisal and Valuation Manual of the 1 January 1996 as amended. A debt repayment scheme has been adopted and initial payments made by all Member Authorities of the Association to repay by July 2011 £7.5 million of debentures.

ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year to 31 March 2007
(Continued)

8 Fixed assets (continued)

In the opinion of the Directors the value of the freehold property has not been impaired as it is not the intention of the Directors to sell the property in the immediate future. The Directors intend to maintain and retain the property up until such time as the property can be disposed of without realising a loss on disposal.

9 Debtors	<u>2007</u> £	<u>2006</u> £
Accrued rental income	319,264	356,764
Other debtors	14,947	188,534
	<hr/>	<hr/>
	334,211	545,298
	<hr/>	<hr/>
Included in Accrued Rental income are debtors due in more than one year of	281,764	319,264
	<hr/>	<hr/>
10 Creditors Amounts falling due within one year	<u>2007</u> £	<u>2006</u> £
Amounts due to group undertakings (Association of District Councils)	903,151	903,151
Accruals	7,350	7,000
Other taxes and social security costs	33,574	32,382
Deferred income	193,750	187,500
Other creditors	11,181	-
	<hr/>	<hr/>
	1,149,006	1,130,033
	<hr/>	<hr/>

ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year to 31 March 2007
(Continued)

		<u>2007</u> £	<u>2006</u> £
11	Creditors Amounts falling due after more than one year		
(a)	Zero Coupon First Mortgage Debenture Stock 1996/2011	7,525,000	8,105,000
	<p>The debentures are secured by legal charges over the company's freehold and leasehold property which rank pari passu with the charge shown in (b) below. The debentures do not bear interest but the debenture holders are entitled to participate at redemption in the capital growth of the properties purchased with this finance.</p>		
(b)	Secured Loan	1,273,737	2,486,121
	<p>The loan is repayable in 2011 and is secured by means of a legal charge on the company's freehold property ranking pari passu with the charge shown in (a) above. Interest is charged at the rate of 7% per annum and on repayment of the whole or part of the loan the lender will participate in the capital growth of the property purchased with this finance. The loan may be redeemed in whole or in part at the discretion of the company on giving three months' notice.</p>		
(c)	Syndicated Secured Loan 1996/2011	400,000	400,000
	<p>The loan is secured by a legal charge over the company's freehold property. The loan does not bear interest but lenders are entitled to participate at redemption in the capital growth of the properties purchased with this finance.</p>		
		<u>9,198,737</u>	<u>10,991,121</u>

ASSOCIATION OF DISTRICT COUNCILS (PROPERTIES) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year to 31 March 2007
(Continued)

12 Share capital	2007	2006
	£	£
Authorised		
Equity interests		
1,000 Ordinary shares of £1 each	1,000	1,000
	<hr/>	<hr/>
Allotted, Issued and Called up		
Equity interests		
100 Ordinary shares of £1 each	100	100
	<hr/>	<hr/>
13 Statement of movement on reserves		
	Debenture Redemption Fund	Profit and loss account
	£	£
1 April 2006	2,890,868	3,700,679
Profit for financial year	-	559,085
Debenture Redemption Fund receipts	182,196	-
	<hr/>	<hr/>
31 March 2006	3,073,064	4,259,764
	<hr/>	<hr/>
14 Reconciliation of movements in shareholders' funds		
Shareholders' funds at 1 April 2006	6,591,647	5,903,237
Profit for financial year	559,085	516,292
Debenture Redemption Fund	182,196	172,118
	<hr/>	<hr/>
	7,332,928	6,591,647
	<hr/>	<hr/>
15 Ultimate parent undertaking		

This company is a wholly owned subsidiary undertaking of ADC Trustees Ltd, a company registered in the United Kingdom and Limited by guarantee

The Association of District Councils appoints the directors of ADC Trustees Ltd and manages this company with other group companies on a unified basis and is this company's ultimate parent undertaking.