

CITY BUILDING (GLASGOW) LLP

Members' report and financial
statements

Registered number SO300990
For the year ended 31 March 2016

Contents

| | |
|---|----|
| Members' report | 1 |
| Statement of members' responsibilities in respect of the Members' Report and the financial statements | 9 |
| Profit and Loss Account and other comprehensive income | 12 |
| Other Comprehensive Income | 13 |
| Balance Sheet | 14 |
| Statement of Changes in Equity | 15 |
| Notes | 16 |

Members' report

The members present their report and audited financial statements for the year ended 31 March 2016.

Principal Activity

The principal activities of City Building (Glasgow) LLP are Repairs and Maintenance operations, Construction, and Manufacturing.

City Building (Glasgow) LLP had two members during the period, Glasgow City Council and GCC Investments Ltd., both of whom were designated members.

Members' Drawings and Capital

No distribution was made to the members for the year.

There was no movement on members' capital within the year. Current policy is not to make repayment of members' capital. No additional members' contributions to capital were made and no cash drawings were made against members' capital.

Business Review

At a time of considerable economic, political and social change, City Building continues to take a truly unique approach – combining industry-leading performance with a central social ethos which helps set new, higher standards for responsible business practice.

Financial Results for the Year

Considering that certain elements of the market in which City Building operates continued to face adverse economic pressures, we are pleased to report that the company delivered strong results. Indeed, despite a slight fall in turnover to £208.0m (2015 - £215.0m), we have delivered a healthy £5.29m return to Glasgow City Council, representing 2.5% of turnover, up slightly from the previous year's figure of 2.3%.

These results include services provided by our sister company, City Building (Contracts) LLP, to allow it to deliver its contracts in accordance with a call off agreement. It is also agreed that the LLP can charge City Building (Contracts) a Management Fee. For 2015-16 this Management Fee was a credit of £574k (2015 - £4.9k).

The net liabilities of City Building at 31 March 2016 were (£16.1m) (2015 - (£153.2m)). This is primarily a result of the net pension deficit of (£17.0m) (2015 - (£154.0m)) in the Strathclyde Pension Fund (Local Government Pension Scheme). Actuarial gain of (£148.3m (2015 - (£42.0m)) was experienced during the year as a result of a reduction in the salary increase rate.

The financial statements have been prepared on a going concern basis as, despite there being a substantial negative net worth as a result of the pension position, any shortfall within that area is guaranteed by Glasgow City Council and therefore the company has sufficient net current assets to meet its future liabilities as they fall due.

It is important to note that, whilst the net pension liability remains an identified risk for management, the net liability does not fall due in any one year. As stated above, any shortfall is itself guaranteed by Glasgow City Council, and the members believe the LLP

exposure is limited to annual contributions. The company currently meets all current annual contributions determined by the Scheme Trustees as requiring to be made to the pension fund.

The Strathclyde Pension Fund was subject to a triennial valuation as at 31 March 2014 which was to determine employer contribution levels from 1 April 2016. Currently these levels remain the same and while management acknowledge that the current pension liability could result in increased contribution levels at some time in the future, they do not consider that there is any major impact on the on-going business trading position.

Administrative Expenses

These have increased to £18.5m (2015 - £17.0m), up by £1.5m, primarily due to IAS19 costs.

Our Credentials in the Marketplace

We continue to develop City Building's brand in our chosen markets. We have won, in competition, over £1.3 billion worth of new business, sustaining employment for our workforce. As well as delivering 70 new apprenticeships during this financial year, 86% of our apprentices are retained in jobs with us on completion of their qualifications.

Underlining the unique social ethos at the heart of City Building, we have been judged one of the top businesses in Scotland for Equality and Diversity by the Glasgow Business Awards and have increased our market positioning within the top 100 construction companies in the UK from number 62 to 53, according to industry data collated by the journal Construction News.

External, independent validation of our performance is central to a culture of continuously driving forward our performance across the board.

In the past 12 months, we have received specific recognition from a range of industry and business organisations, with over a dozen major plaudits, including:

- The Queen's Award for Enterprise: Sustainable Development
- Quality, health & safety and environmental accreditation ISO 9001, ISO 14001, and ISO 18001
- EFQM Recognised for Excellence 4 Star Accreditation
- Investors in Young People Gold Award.
- Trades House Apprentice of the Year Award
- Association of Gas Safety Awards Scottish Social Housing Contractor of the Year.
- Finalist, Herald Property Awards - Best Regeneration Project
- Finalist, Herald Property Awards - Affordable Housing Development
- Scottish Business Awards - shortlisted in Employer of the Year Category
- Scotland's Modern Apprenticeship Awards - Finalist in the Large Employer of the Year category
- SQA Star Awards - Finalist in the Lifelong Learning Centre Category
- Reserve Forces Employer Silver Award winner

- Carer Positive Employer Award winner
- Commonwealth Construction Apprentice of the Year

Construction Division

Market conditions continued to be challenging for the construction sector as a whole. However, being awarded the £250m works from Glasgow City Council Education Services to rebuild or refurbish a number of educational facilities across the city provides a significant boost to revenues, as well as delivering a wide range of economic and community benefits across the whole city.

This programme of work is being delivered in partnership with Glasgow City Council Education Services in a sympathetic manner in order to minimise classroom downtime and general disruption to pupils. Our team has excelled across the year meeting and exceeding timescale constraints and we look forward to the continuing delivery of this contract through the coming year. In addition, new construction and major refurbishments across the Council's estate provision continued with large scale new build and refurbishment including Toryglen Elderly Care Home, Broomhill Primary School, Clyde Campus School, Dalmarnock Nursery, Glendale Primary School, Gowanbank Campus School, Legacy Elderly Care Home, Linn Crematorium upgrade, North East Day Centre, Pollok House refurbishment, Rowena Nursery, Tontine Building upgrade and a number of other residential homes.

These projects, like others, have allowed us to future proof the skills of our workforce as part of our succession planning strategy and to build an in-depth knowledge of the specific requirements of designing various social care facilities.

Our pilot open book tendering procedure has proven a success. The process includes increased value engineering, recognising the importance of best value and agreed suitable information release schedules in design.

The turnover within the Construction Division for 2016 was £59.0m (2015 - £68.3m).

Together with our sister organisation City Building (Contracts) LLP, the Construction Division continues to be a market leader in providing opportunities which are of significant community and local economic benefit. We are still involved in rolling out various award winning equality initiatives under our "Construction for All" programme which helps more women and members of the black and minority ethnic (BME) community develop their careers in construction. A stark illustration of our commitment is that City Building now employs one-in-four female craft apprentices in Scotland.

Repairs and Maintenance Division

Following a strong year for the Repairs and Maintenance Division, where turnover has increased from £111.9m to £117m, Glasgow City Council and the Wheatley Group are working towards a 50/50 joint venture which will provide improved services to tens of thousands of householders across the city for the next three decades.

The stability this ground-breaking model will deliver also enables both organisations to invest for the long-term benefit of customers and employees, securing the future of 2,000 skilled workers and the creation of a further 2,000 apprenticeships in the decades ahead.

In financial terms, a guaranteed 30 years of secured works worth £2.7 billion will generate a further £225 million for the City's wider economy every year.

At the forefront of everything we do is a clear responsibility to set new standards of efficiency and accountability. That's why we've been working hard to align services, processes and standards with internal Glasgow City Council departments. We're also working much closer with our ALEO colleagues at City Property LLP, Glasgow Life and ACCESS to ensure we help deliver significant on-going savings and service improvements to Glasgow City Council.

As well as providing day-to-day maintenance, City Building also provides a facility management service including lift and alarm maintenance and installation services, asbestos and legionella identification and removal services.

These vital and specialist services are now increasingly being delivered with the help of mobile technology. This focus on improving efficiency and service has resulted in customer satisfaction levels of 97%.

We are able to undertake traditional stonemasonry building conservation projects and are well placed to build on the success of previous projects undertaken on prestigious high profile landmark buildings in Glasgow.

In addition, we lead by example in terms of our environmental strategy and addressing our own carbon footprint. Our strategy is annually reviewed and ensures our legal compliance, particularly with SEPA regulated Pollution Prevention and Control permits and waste management licences. Our Environmental Management System is accredited to ISO 14001:2004 and audited by BSI.

Manufacturing Division - RSBi

RSBi is one of the most forward-thinking social enterprises in the UK, combining commercial success with socially-inclusive practices. It employs 260 people, 50% of whom have a disability, including HM Forces veterans from recent conflicts in Afghanistan and Iraq.

(RSBi) experienced a reduction in turnover to £25.0m (2015 - £27.0m), a 7.4% decrease, mainly due to the completion of a major office rationalisation programme, for which RSBi manufactured much of the furniture.

This year RSBi became the first supported business in Scotland to secure the Scottish Government's Scottish Business Pledge accreditation.

Our on-going strategy of investing in people, plant and equipment enables us to supply an enormous range of quality products across the Council family at a competitive price, underpinning the success of the business as a whole.

As well as manufacturing high quality kitchens, school and office furniture, windows and curtain walling, the timber kits manufactured by RSBi are integral to the construction of new houses, schools, care units and offices built by the Construction Division.

New projects secured in the past year include several commissions within the student accommodation market, furniture supply to the NHS, Scottish Prison Service and Scottish Fire & Rescue as well as a range of timber kits for clients such as Dickie & Moore and Deeside Timber Frame.

As the new Scottish Welfare Fund arrangements are now managed by Glasgow City Council, RSBi is pleased to have been chosen as a major supplier under this contract, providing furniture and white goods to some of the most vulnerable people in Scottish society.

The Scottish Government established a national framework for Supported Factories and Businesses to provide products and services to the Scottish public sector and RSBi was successful in two Lots. This framework has already opened up new markets for RSBi and activity levels have increased.

It's a reflection of the scale of our commitment to this important sector that RSBi employs 32% of all 16–24 year-olds working for supported businesses in Scotland.

Corporate Services Division

The 324 apprentices employed at our SQA-accredited training centre at Queenslie not only underpin much of the work carried out by our Construction and Repair & Maintenance Divisions, but the outstanding quality of the training they receive enhances their career prospects for decades to come.

With an apprentice “pass out rate” of 94% in the past year, almost a third above the national sector average, our apprenticeship programme is one of the most highly-rated in the country. However, it is only one element of the investment we make in our people, which also covers degree and post-graduate qualifications.

In the past year alone, we have carried out 25,000 hours of training across a myriad of disciplines, from construction, health & safety and manual handling to scaffold inspections, asbestos awareness and first aid.

Our inclusive approach to community engagement is not just the “right thing to do”, but also makes business sense. In all major projects, we actively involve local people in our decision-making processes – after all, they are the ones who will be benefitting from these projects for years to come. Not only do we provide local employment, apprenticeships and sponsorship of local projects and events but we also undertake community-based apprenticeship projects, further strengthening the links between our workforce and our customers.

This year, 70 communities, charities and third sector organisations benefitted from our work, including numerous Community Apprentice Projects undertaken for local charities,

projects and community organisations as well as over 100 school pupils gaining work experience in construction and manufacturing. In addition, we have contributed £30,000 to corporate charities and our employee-led charity fundraising raised £12,570, helping to support 16 different charities.

Risk Management

City Building applies a significant level of corporate governance to the management of business risk and has in place a formal structured risk review process. The risk register is a live document and quarterly reviews are reported to Glasgow City Council and through our own Audit Committee, which is chaired by an elected Board member.

The stability of the UK construction market appears to have improved over the year and our previous concerns with regard to the viability of sub-contractors has diminished.

The Repairs and Maintenance sectors will continue to be driven in part by efforts to reduce energy costs by the installation of energy efficient measures and/or renewable energy generation technologies and City Building is well placed to take advantage of any opportunities in this area.

That apart, we are continually engaged in seeking out new business development opportunities to bolster current contracts.

City Building has worked hard to ensure our cash management procedures are rigorous enough to enable us to manage this resource effectively and we are pleased to report that financial projections forecast a further cash positive position for the forthcoming financial year.

Regular reviews of our business operations and procedures are undertaken by our own Internal Audit Team and those of Glasgow City Council, the results of which are reported to the Audit Committee and subsequently to the Board.

Corporate Social Responsibility

“Building a Sustainable Future” is more than a trite slogan for us. We are acutely aware that we’re providing valuable skills to the workforce of tomorrow and generating sustainable economic and social benefits in our local communities and beyond. Our strong focus on continuous training for all employees, including apprentices and tradespeople, will help us to develop responsible citizens for the future.

City Building is committed to:

- Delivering lasting employment opportunities to local people, including those with a disability and / or from minority groups
- Engaging directly with local community groups, housing associations and other agencies to ensure we maximise opportunities to improve local areas and overall wellbeing
- Continuing our work on youth citizenship programmes to deliver positive communities,

- Investing in green technologies to ensure the future of both our workforce and the environment,
- Increasing the number of apprentices and tradespeople trained in renewable technologies to ensure we have a multi-skilled workforce for the future,
- Combining commercial success with socially and environmentally responsible practices to give life-changing opportunities to those far removed from the labour market,
- Working in partnership with a range of organisations including RNIB, Glasgow's Helping Heroes and the Ministry of Defence to ensure that people of all abilities are encouraged to reach their full potential.

Our strong commitment to sustainable development will ensure that we continue to leave positive and lasting legacies for future generations in local communities across the city.

Investment for New Business Development

City Building is committed to investing in the business to support its development and growth. In line with other construction companies, we ensure our marketing budget is directed towards increasing new business opportunities.

During the year we have developed our relationships with new Housing Associations, resulting in further contractual gains. We have committed further funds to cement these relationships with upgrades to the main Repairs and Maintenance system and new servers to increase the speed and efficiency of our IT structure.

Outlook 2016 – 17

The Members are of the considered opinion that the core business operations continue to be in a position to deliver a profitable outcome for the forthcoming financial year, in particular the proposed Joint Venture with the Wheatley Group will bring new opportunities.

With both a highly skilled workforce and a strong, experienced management team City Building (Glasgow) is confident it will continue to secure new contracts through the 2016-17 financial year and that it will continue to deliver operational and financial success for both itself and its clients resulting in a further increased return of profits to Glasgow City Council.

Transactions with members

No remuneration of members occurred during the period. The members' share in the profit or loss for the period is accounted for as an allocation of profits, with unallocated profits and losses included within Other Reserves. City Building transacts with one of its members, Glasgow City Council, through its Construction and Repair and Maintenance Divisions.

In accordance with the Operating Agreement between the LLP and Glasgow City Council, and in line with previous years, the annual discount to Glasgow City Council, £5.29m

(2014 - £5.08m), was provided for within these accounts in respect of the profits made on contracts and services provided during the year.

Disclosure of information to Auditor

The Members who held office at the date of approval of this Members report confirm that, so far as they are each aware, there is no relevant audit information of which the Partnership's auditor are unaware, and each Member has taken all the steps that they ought to have taken as a Member to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The financial statements were authorised for issue on 10th August 2016.

Approved by the members and signed by

Graham Paterson

For and on behalf of

GCC LLP Investments Ltd
Designated member

10th August, 2016

Registered number: SO300990

Statement of members' responsibilities in respect of the Members' Report and the financial statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under Regulation 8 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the LLP and of the profit or loss of the LLP for that period. In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the LLP will continue in business.

Under Regulation 6 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008, the members are responsible for keeping adequate accounting records that are sufficient to show and explain the LLP's transactions and disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that its financial statements comply with those regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the LLP and to prevent and detect fraud and other irregularities.

The members are responsible for the maintenance and integrity of the corporate and financial information included on the LLP's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

KPMG LLP
191 West George Street
Glasgow
G2 2LJ
United Kingdom

Independent auditor's report to the members of City Building (Glasgow) LLP

We have audited the financial statements of City Building (Glasgow) LLP for the year ended 31 March 2016 set out on pages 12 to 30. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP'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 LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

As explained more fully in the Members' Responsibilities Statement set out on page 7, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the LLP as at 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Philip Charles (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
191 West George Street
Glasgow
G2 2LJ

XXX August 2016

**Profit and Loss Account and other comprehensive income
 for the year ended 31 March 2016**

| | <i>Note</i> | 31 March 2016 £000 | Restated 31 March 2015 £000 |
|---|-------------|-----------------------------------|--|
| Turnover | 2 | 208,440 | 215,037 |
| Cost of sales | | (195,999) | (202,554) |
| | | <hr/> | <hr/> |
| Gross profit | 3 | 12,441 | 12,483 |
| Administrative expenses | | (18,471) | (17,041) |
| | | <hr/> | <hr/> |
| Operating (loss) | 4 | (6,030) | (4,558) |
| Other interest receivable and similar income | 6 | 18 | (4,501) |
| Interest payable and similar charges | | (5,211) | (4) |
| | | <hr/> | <hr/> |
| (Loss) on ordinary activities before and after taxation being profit for the financial year before members' remuneration and profit shares | | (11,223) | (9,063) |
| Members' remuneration charged as an expense | 8 | - | - |
| | | <hr/> | <hr/> |
| (Loss) for the financial year available for discretionary division among members | | (11,223) | (9,063) |
| | | <hr/> <hr/> | <hr/> <hr/> |

Other Comprehensive Income
for year ended 31 March 2016

| | 2016 | Restated |
|---|------------------------|------------------------|
| | £000 | 2015 |
| | | £000 |
| (Loss) for the year | <u>(11,223)</u> | <u>(9,063)</u> |
| Other comprehensive income | | |
| Remeasurement of the net defined benefit liability (asset) | 148,327 | (42,018) |
| | <u>148,327</u> | <u>(42,018)</u> |
| Other comprehensive income for the year, net of income tax | | |
| | <u>137,104</u> | <u>(51,081)</u> |

All of the LLP's operations are classed as continuing.

There is no difference between the loss) on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents.

Balance Sheet
at 31 March 2016

| | Note | 2016 | 2015 |
|---|-------------|-------------------------------|-------------------------|
| | | £000 | £000 |
| Fixed assets | 9 | 2,443 | 2,140 |
| Current assets | | | |
| Stock and work in process | 10 | 2,673 | 2,589 |
| Debtors | 11 | 39,105 | 37,447 |
| Cash in hand and in bank | | <u>4,226</u> | <u>3,379</u> |
| | | 46,004 | 43,415 |
| Creditors: amounts falling due within one year | 12 | <u>(45,011)</u> | <u>(43,254)</u> |
| Net current assets | | <u>993</u> | <u>161</u> |
| Total assets less current liabilities | | 3,436 | 2,301 |
| Creditors: amounts falling due after more than one year | 13 | (346) | (521) |
| Provisions for liabilities and charges | 14 | <u>(2,149)</u> | <u>(927)</u> |
| Net assets before pension fund (deficit) | | 941 | 853 |
| Pension fund (deficit) | 16 | <u>(17,006)</u> | <u>(154,022)</u> |
| Net (liabilities) | | <u><u>(16,065)</u></u> | <u><u>(153,169)</u></u> |
| Members' interest | | | |
| Members' capital | | 1 | 1 |
| Pension reserve | | (740) | (149,067) |
| Other reserves | | (15,326) | (4,103) |
| Total other reserves | | <u>(16,066)</u> | <u>(153,170)</u> |
| Members' deficit | | <u><u>(16,065)</u></u> | <u><u>(153,169)</u></u> |

These financial statements were approved by the members on 10th August 2016 and were signed on their behalf by:

Graham Paterson
For and on behalf of

GCC LLP Investments Ltd
Designated member
Registered number:
SO300990

XX August 2016

Statement of Changes in Equity

| | Members capital £000 | Pension reserves £000 | Other reserves £000 | Total equity £000 |
|--|----------------------------|-----------------------------|---------------------------|----------------------|
| Balance at 1 April 2014 | 1 | (102,988) | 899 | (102,088) |
| Total comprehensive income for the period | | | | |
| Profit or (Loss) | - | - | (9,063) | (9,063) |
| Other comprehensive income | - | (42,018) | - | (42,018) |
| Transfers to/ (from) the pension reserve | - | (4,061) | 4,061 | - |
| Total comprehensive income for the period | - | (46,079) | (5,002) | (51,081) |
| Balance at 31 March 2015 | 1 | (149,067) | (4,103) | (153,169) |
| | | | | |
| | Members capital £000 | Pension reserves £000 | Other reserves £000 | Total equity £000 |
| Balance at 1 April 2015 | 1 | (149,067) | (4,103) | (153,169) |
| Total comprehensive income for the period | | | | |
| Profit or (Loss) | - | - | (11,223) | (11,223) |
| Other comprehensive income | - | 148,327 | - | 148,327 |
| Total comprehensive income for the period | - | 148,327 | (11,223) | 137,104 |
| Balance at 31 March 2016 | 1 | (740) | (15,326) | (16,065) |

Notes **(forming part of the financial statements)**

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Limited Liability Partnership's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards under the historical cost accounting rules and in accordance with the Statement of Recommended Practice 'accounting by limited liability partnerships' ("LLP SORP").

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied.

In the transition to FRS 102 from old UK GAAP, the LLP has made measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 20. The LLP's financial statements are fully consolidated in the group financial statements prepared and published by Glasgow City Council. This entitles the LLP to use the exemption from the preparation of a cash flow statement and related notes, and key management personnel compensation as stated in FRS 102.

As the LLP is a wholly owned subsidiary of Glasgow City Council, the LLP has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group as related parties.

The LLP has taken advantage of the exemption allowed in s400 of the Companies Act 2006 to prepare group accounts incorporating the results of its subsidiary undertaking City Building (Glasgow) LLP, as the results of the LLP and its subsidiary are consolidated into its ultimate parent undertaking, Glasgow City Council, details of which are provided in note 15.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

The LLP has net liabilities of £16.0 million at the balance sheet date. These arise from its obligations in respect of the inclusion of Strathclyde Pension Fund liabilities of £17.0 million which fall due in future years in accordance with the accounting treatment required by IAS19 'retirement benefits'. The net pension fund liability is dependent on

market economic conditions and represents the specific circumstances as at the balance sheet date.

The LLP is, required to service the annual cash contributions payable to the pension scheme. These are determined every three years as a result of the formal triennial actuarial valuation. The next formal valuation is due as at 31 March 2017. Based on the LLP's business plan for the short to medium term, management are of the view that the trading performance of the LLP will be such as to enable the LLP to continue to meet the annual contributions to the pension fund as they fall due. In the longer term, beyond the scope of the next triennial actuarial valuation, as the LLP participates in a multi-employer local government pension scheme, any actions to address the longer term funding position in respect of the LLP will necessarily be undertaken in conjunction with the parent member, Glasgow City Council, which is also a participant member in the Strathclyde Pension Fund.

Accordingly, it has been considered appropriate to continue to adopt a going concern basis for the preparation of these financial statements because the members believe that the LLP will generate sufficient profits and maintain net current assets to meet its ongoing trading requirements.

1. Accounting policies (continued)

Provisions

Provisions are recognised when the LLP has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Members' remuneration and allocation of profits

Members are not remunerated by the LLP. A member's share in the profit or loss for the accounting period is accounted for as an allocation of profits. Unallocated profits and losses are included within 'other reserves'.

Members' capital

The capital requirements of the LLP are determined from time to time by the members. No interest is paid on capital.

Value added tax

The LLP is registered for VAT purposes. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Fixed Assets

In accordance with parent company guidelines, tangible assets purchased in excess of the de-minimus level of £6,000 are included in the balance sheet as fixed assets.

Depreciation

In line with the accounting policies of the parent organisation, depreciation is applied in the year from 1 April based on asset valuations as at 31 March of the previous financial year.

Depreciation is charged on a straight line basis and the useful life of an asset is deemed to be:

| | |
|-----------------------|----------|
| I.T. Systems | 5 years |
| Plant and Equipment | 10 years |
| Fixtures and Fittings | 10 years |
| Buildings | 10 years |

Assets disposed of, or taken out of use, will be fully written off in year of disposal or removal from use.

Taxation

Taxation on all partnership profits is solely the personal liability of individual members. Consequently neither taxation nor related deferred taxation arising in the LLP are accounted for in these financial statements.

Turnover recognition

Turnover from contracts and other services rendered is included to the extent of the completion of the contract or service concerned. Income received in advance is included in the balance sheet within creditors: amounts falling due within one year. Turnover includes services provided to the LLP's sister company, City Building (Contracts) LLP, in accordance with a call-off agreement.

Long-term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous accounting periods. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated as costs incurred, less those transferred to the profit and loss account, after deducting reasonable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Stock

Stock is valued at the lower of cost and net realisable value in line with the requirements of Statements of Standard Accounting Practice 9 *Stocks and long-term contracts* ("SSAP 9").

Retirement benefits

All existing and new members of staff have the option of joining the Strathclyde Pension Fund ("the Fund"). The Fund is a defined benefit pension scheme, providing benefits based on final pensionable pay, which is contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the Fund are held separately from those of the LLP. Fund assets are measured using market values. For quoted securities the current bid price is taken as market value. Fund liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus / deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

2. Turnover

Turnover which is net of VAT, is included to the extent of the completion of the contract or service supplied under the principal activities of the LLP. It is stated after inclusion, in accordance with the Operating Agreement between the LLP and Glasgow City Council, of an annual discount to Glasgow City Council which amounted to £5,285,000 (2014-15: £5,082,000). The annual discount on turnover flows through to gross profit.

Notes (continued)

3 Gross profit

The activities of the LLP are broken down as follows:

| | Construction Activities £000 | Repairs & Maintenance Activities £000 | Other Activities £000 | Manufacturing £000 | Total £000 |
|---------------------------------|---|--|--------------------------------------|-------------------------------|-----------------------|
| Year ended 31 March 2016 | | | | | |
| Turnover | | | | | |
| Total Sales | 61,214 | 119,068 | 7,354 | 26,494 | 214,130 |
| Inter segment sales | (2,235) | (2,040) | (12) | (1,403) | (5,690) |
| Sales to third parties | 58,979 | 117,028 | 7,342 | 25,091 | 208,440 |
| Gross profit | | | | | |
| Segment profit / (loss) | 3,694 | 7,492 | 18 | 1,237 | 12,441 |
| Common administrative costs | | | | | (18,471) |
| Operating (loss) | | | | | (6,030) |
| Net interest | | | | | (5,193) |
| (Loss) before taxation | | | | | (11,223) |
| Total Assets | | | | | |
| Segment assets | 9,040 | 25,573 | 1,642 | 3,999 | 40,254 |
| Unallocated assets | | | | | 8,211 |
| Unallocated liabilities | | | | | (64,512) |
| Total net liabilities | | | | | (16,065) |

Assets attributed to the business segments comprise fixed assets, stock, trade receivables and unbilled amounts for work done. Cash is controlled centrally and is not allocated across functions. There is no internal reporting or liabilities by business segment; hence no segmental disclosures are given.

| | Construction Activities £000 | Repairs & Maintenance Activities £000 | Other Activities £000 | Manufacturing £000 | Total £000 |
|----------------------------------|---|--|--------------------------------------|-------------------------------|-----------------------|
| Year ended 31 March 2015 | | | | | |
| Turnover | | | | | |
| Total Sales | 74,005 | 111,951 | 7,806 | 26,974 | 220,736 |
| Inter segment sales | (5,640) | (59) | - | - | (5,699) |
| Sales to third parties | 68,365 | 111,892 | 7,806 | 26,974 | 215,037 |
| Gross profit | | | | | |
| Segment profit / (loss) | 4,521 | 6,508 | (16) | 1,470 | 12,483 |
| Common administrative costs | | | | | (17,041) |
| Operating profit / (loss) | | | | | (4,558) |
| Net interest | | | | | (4,505) |
| (Loss) before taxation | | | | | (9,063) |
| Total Assets | | | | | |
| Segment assets | 8,292 | 24,993 | 1,671 | 3,768 | 38,724 |
| Unallocated assets | | | | | 6,833 |
| Unallocated liabilities | | | | | (198,724) |
| Total net liabilities | | | | | (153,169) |

Notes (continued)

4 Operating loss

| | 2016 | 2015 |
|---|--------------|-------------|
| | £000 | £000 |
| <i>Operating (loss) is stated after charging:</i> | | |
| Operating lease payments - | 1,150 | 1,169 |
| Depreciation and other amounts written off fixed assets | 478 | 225 |
| Auditor's remuneration - | 40 | 40 |
| - tax services | 4 | 4 |

5 Staff numbers and cost

The average number of persons employed by the LLP during the year, analysed by category, was as follows:

| | 2016 | 2015 |
|-------------------|---------------------|---------------------|
| | Number | Number |
| Direct operatives | 2,076 | 2,090 |
| Administration | 193 | 193 |
| | <u>2,269</u> | <u>2,283</u> |

| | 2016 | 2015 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Staff costs for the above persons were: | | |
| Wages and salaries | 63,168 | 64,885 |
| Social security costs | 4,481 | 4,760 |
| Pension costs | 15,671 | 13,549 |
| | <u>83,320</u> | <u>83,194</u> |

6 Other interest receivable and similar income

| | 2016 | 2015 |
|---|------------------|-----------------------|
| | £000 | £000 |
| Other interest receivable | 18 | 20 |
| Expected return on pension scheme assets | - | 12,536 |
| Interest on defined benefit scheme obligation | - | (17,057) |
| | <u>18</u> | <u>(4,501)</u> |

7 Other interest payable and similar charges

| | 2016 £000 | 2015 £000 |
|---|-----------------|--------------|
| Finance leases | 28 | 4 |
| Interest on defined benefit scheme obligation | 16,279 | - |
| Expected return on pension assets | <u>(11,096)</u> | <u>-</u> |
| | <u>5,211</u> | <u>4</u> |

8 Particulars of members

The number of members of the LLP for the year was two. No remuneration was paid to either member.

9 Fixed assets

| | Land & Buildings £000 | Plant & Equipment £000 | Total £000 |
|--|-----------------------------|------------------------------|---------------|
| Cost | | | |
| At 1 April 2015 | 450 | 3,412 | 3,862 |
| Additions | - | 781 | 781 |
| Disposals | - | - | - |
| At 31 March 2016 | <u>450</u> | <u>4,193</u> | <u>4,643</u> |
| Depreciation | | | |
| At 1 April 2015 | 315 | 1,407 | 1,722 |
| Charge for the Year | 45 | 422 | 467 |
| Disposals | - | 11 | 11 |
| At 31 March 2016 | <u>360</u> | <u>1,840</u> | <u>2,200</u> |
| Net book value At 31 March 2016 | <u>90</u> | <u>2,353</u> | <u>2,443</u> |
| At 31 March 2015 | <u>135</u> | <u>2,005</u> | <u>2,140</u> |

Finance Lease

Fixed assets stated above include assets held under finance leases as follows:

| | 2016 £000 | 2015 £000 |
|--------------|--------------|--------------|
| At Cost | 1,097 | 1,098 |
| Depreciation | <u>(588)</u> | <u>(475)</u> |
| | <u>509</u> | <u>623</u> |

10 Stock and work in progress

| | 2016 £000 | 2015 £000 |
|-------------------------------|--------------|--------------|
| Raw materials and consumables | <u>2,673</u> | <u>2,589</u> |

11 Debtors

| | 2016 | 2015 |
|--|---------------|---------------|
| | £000 | £000 |
| Trade debtors | 724 | 2,205 |
| Amounts owed by parent | 11,407 | 9,483 |
| Amounts owed by other group undertakings | 22,989 | 21,700 |
| Value added tax | 2,476 | 2,895 |
| Prepayments and accrued income | 1,509 | 1,164 |
| | 39,105 | 37,447 |

12 Creditors: amounts falling due within one year

| | 2016 | 2015 |
|--|---------------|---------------|
| | £000 | £000 |
| Bank loan | - | - |
| Trade creditors | 21,022 | 17,839 |
| Amounts owed to parent | 7,088 | 7,802 |
| Amounts owed to other group undertakings | 157 | 127 |
| Other taxation and social security | 1,239 | 1,432 |
| Other creditors | 1,435 | 2,587 |
| Accruals and deferred income | 14,070 | 13,467 |
| | 45,011 | 43,254 |

13 Creditors: amounts falling due after more than one year

| | 2015 | 2014 |
|----------------------------------|-------------|-------------|
| | £000 | £000 |
| Obligations under finance leases | 241 | 521 |
| Loan | 105 | - |
| | 346 | 521 |

The maturity of obligations under finance leases and hire purchase contracts is as follows:

| | | |
|--------------------|------------|------------|
| Less than one year | 278 | 270 |
| 1-2 years | 241 | 278 |
| 2-5 years | - | 243 |
| Over 5 years | - | - |
| | 519 | 791 |

14 Provisions for liabilities and charges

| | Total £000 |
|--|-----------------------|
| Balance at beginning of period | 927 |
| Utilised during the period | - |
| Released to profit and loss account | - |
| Additions in provision during the period | <u>1,222</u> |
| | <u>2,149</u> |

Provisions relate to warranty on certain works and estimates for potential holiday obligations arising from changes to the Employment Rights Act 1996.

15 Operating lease commitments

At 31 March 2016, the LLP has annual commitments under operating leases as follows:

| | 2016 £000 | 2015 £000 |
|--------------------------|----------------------|----------------------|
| For leases expiring: | | |
| Within one year | 987 | 11 |
| Within two to five years | 154 | 1,141 |
| Over five years | <u>-</u> | <u>-</u> |
| | <u>1,141</u> | <u>1,152</u> |

16. Pension costs

The information disclosed below is in respect of the LLP's share of assets and liabilities within the Strathclyde Pension Fund, in which it is a participating employer. The latest full actuarial valuation was carried out as at 31 March 2014.

| | 2016 | 2015 |
|---|------------------|-----------|
| | £000 | £000 |
| Present value of funded defined benefit obligations | (357,614) | (481,828) |
| Fair value of plan assets | 346,703 | 334,558 |
| | (10,911) | (147,270) |
| Present value of unfunded defined benefit obligations | (6,095) | (6,752) |
| Net (liability) | (17,006) | (154,022) |
| | | |
| Movements in present value of defined benefit obligation | | |
| | 2016 | 2015 |
| | £000 | £000 |
| At 1 April | 488,580 | 391,246 |
| Current service cost | 14,732 | 13,313 |
| Interest cost | 16,279 | 17,057 |
| Contributions by scheme participants | 2,686 | 2,870 |
| Actuarial losses/ (gains) arising from changes in financial assumptions | (148,373) | 58,985 |
| Actuarial losses/ (gains) arising from changes in demographic assumptions | - | 16,824 |
| Other | (2,302) | (7,056) |
| Past service cost (including curtailments) | - | 626 |
| Estimated benefits paid | (7,893) | (5,285) |
| At 31 March | 363,709 | 488,580 |

Notes (continued)

16 Pension costs (continued)

Movements in fair value of plan assets were as follows:

| | 2016 | 2015 |
|---|----------------|-------------|
| | £000 | £000 |
| At 1 April | 334,558 | 288,258 |
| Interest Income | 11,096 | 12,536 |
| Remeasurement: return on plan assets less interest income | (2,348) | 26,735 |
| Contributions by employer | 8,604 | 9,444 |
| Contributions by members | 2,686 | 2,870 |
| Benefits paid | (7,893) | (5,285) |
| | <hr/> | <hr/> |
| At 31 March | 346,703 | 334,558 |
| | <hr/> <hr/> | <hr/> <hr/> |

Expenses recognised in the profit and loss account:

| | 2016 | 2015 |
|---|---------------|-------------|
| | £000 | £000 |
| Current service cost | 14,732 | 13,313 |
| Past service cost | - | 626 |
| Net interest on defined benefit pension plan obligation | 5,183 | 4,521 |
| | <hr/> | <hr/> |
| At 31 March | 19,915 | 18,460 |
| | <hr/> <hr/> | <hr/> <hr/> |

The expense is recognised in the following line items in the profit and loss account:

| | 2016 | 2015 |
|--|---------------|-------------|
| | £000 | £000 |
| Administrative expenses | 14,732 | 13,939 |
| Other interest payable and similar charges | 5,183 | 4,521 |
| | <hr/> | <hr/> |
| | 19,915 | 18,460 |
| | <hr/> <hr/> | <hr/> <hr/> |

The total amount recognised in Other Comprehensive Income in respect of actuarial gains and (losses) is £148,327,000 (2015- (£42,018)).

Notes (continued)

16 Pension costs (continued)

The fair value of the plan assets and the return on those assets were as follows:

| | Fair value | |
|------------------------------|-------------------|---------|
| | 2016 | 2015 |
| | £000 | £000 |
| Equities | 255,195 | 250,918 |
| Corporate bonds | 42,315 | 43,393 |
| Property | 37,246 | 12,439 |
| Other | 11,947 | 8,885 |
| | 346,703 | 334,558 |
| | (2,348) | 26,735 |
| Actual return on plan assets | | |

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

| | 2016 | 2015 |
|--|-------------|------|
| | % | % |
| Discount rate | 3.6 | 3.3 |
| Expected rate of return on plan assets | 3.2 | 6.0 |
| Future salary increases | 2.4 | 4.4 |
| Inflation/pension increase rate | 2.4 | 2.5 |

In valuing the liabilities of the pension fund at 31 March 2016, mortality assumptions have been made as indicated below.

Last full actuarial valuation was performed on 31 March 2014

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

- Salary increases are expected to be 1% p.a. until 31 March 2016 and 2.4% p.a. thereafter
- Current pensioner aged 65: 22.1 years (male), 23.6 years (female)
- Future retiree upon reaching 65: 24.8 years (male), 26.2 years (female)

Notes *(continued)*

16 Pension costs *(continued)*

History of plans

The history of the plans for the current and prior periods is as follows:

| | 2015 £000 | 2014 £000 | 2013 £000 | 2012 £000 |
|-------------------------------------|----------------------------|--------------|--------------|--------------|
| Present value of scheme liabilities | (210,397) | (170,209) | (147,685) | (117,434) |
| Fair value of scheme assets | 208,889 | 177,699 | 160,503 | 134,507 |
| Net asset | (1,508) | 7,490 | 12,818 | 17,073 |

Experience adjustments

| | 2015 (£000/%) | 2014 (£000/%) | 2013 (£000/%) | 2012 (£000/%) |
|--|-----------------------|------------------|------------------|------------------|
| Experience adjustments on scheme liabilities (as a percentage of scheme liabilities) | (6,970) / 3.3% | (5) / 0.003% | 73 / 0.1% | 677 / 0.6% |
| Experience adjustments on scheme assets (as a percentage of scheme assets) | 13,952 / 6.7% | 2,510 / 1.4% | 12,373 / 7.7% | (6,501) / 4.8% |

The LLP expects to contribute approximately £6,865,000 to its defined benefit plan in the next financial year.

17. Post balance sheet events

There were no post balance sheet events requiring adjustment or disclosure within the financial statements.

However, we are monitoring any possible effects on the market following the brexit vote.

18 Ultimate parent organisation

The LLP's ultimate parent undertaking is Glasgow City Council, one of its designated members, as this is the largest group into which the results of the LLP are consolidated. The consolidated group financial statements of Glasgow City Council may be obtained from its registered office at the City Chambers, Glasgow, G2 1DU.

19 Accounting estimates and judgements

Key sources of estimation uncertainty

The LLP believes that there is estimation uncertainty within the defined benefit pension liability which may materially affect the financial results.

Critical accounting judgements in applying the LLP's accounting policies

The LLP uses an expert to be able to make critical accounting judgements to aid the estimation of the pension liability.

Notes *(continued)*

20 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's and Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 and 2 have been applied in preparing the financial statements for the year ended 31 March 2015 and the comparative information presented in these financial statements for the year ended 31 March 2016.

In preparing their FRS 102 balance sheet, the LLP has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected the LLP's financial position and financial performance is set out in the following table.

| | Profit for year ended 31/03/2015 £000 | Equity as at 31/03/2015 £000 | Equity as at 01/04/2014 £000 |
|------------------------------|--|---------------------------------------|---------------------------------------|
| Amount under old GAAP | (4,108) | (153,169) | (102,088) |
| Reserves movement - pensions | (4,955) | | |
| Amount under FRS 102 | (9,063) | (153,169) | (102,088) |