Cordia (Services) LLP

Members' report and financial statements
Registered number S0302144
For the year ended 31 March 2016

Contents

• Members' report

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

Principal Activity
The principal activities of Cordia (Services) LLP are catering services, facilities management (FM) and care services.

These financial statements are the seventh statutory financial statements for Cordia (Services) LLP and represent the results of the year of trading from 1 April 2015 until 31 March 2016.

The partnership provides a complex and varied range of services and employs 7,089 staff (4,740 full time equivalents) in 8,253 positions with a number of staff having more than one role.

Designated Members
Cordia (Services) LLP had two members during the period, Glasgow City Council and GCC LLP Investments Ltd, both of whom are designated members.

Members' Capital
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 in the year ended 31 March 2016.

Business Review
Business Structure
Cordia (Services) LLP provides care services to its sister organisation Cordia (Care) LLP and services to its subsidiary Cordia (Contracts) LLP. In the reported financial year, Cordia (Contracts) LLP engaged in trading activities principally in the areas of catering, training and development, installation and repair of stair lifts and alarm monitoring services. All other business was transacted through Cordia (Services) LLP. The overall business structure remained consistent in 2015/16.

Financial Results for the Period
In the year ended 31 March 2016, Cordia (Services) LLP had a total comprehensive income for the year of £14.9 million including a remeasurement of the net defined pension liability of £22 million. The loss on ordinary activities before tax was £7 million meaning no profits were available for discretionary distribution to members. This result includes the adjustments required in respect of FRS102 'recognition of pension costs' totalling £5.4 million to recognise the additional costs of pension per the actuarial report. (See note 3).

The underlying, pre-FRS 102 results of Cordia (Services) LLP demonstrate the partnership had a challenging year generating an operating loss before the pension adjustments of £1.5 million, this was worse than expected because of continuing challenges within home care, both the catering and facilities management sectors performed profitably. No bulk credit was issued this financial year to the LLP's principal customer.

No distribution was made to members for the period. Net current liabilities were (£0.3 million (2015 – assets £1.4 million) and total net assets attributable to members were £15.2 million (2015 - £0.2 million). This is as a result of an increase in the pension asset in the Strathclyde Pension Fund of £16.5 million.

Cordia (Services) LLP's financial statements have been prepared on a going concern basis.

Cordia (Services) LLP showed a net increase in business turnover of £2 million in the reported financial year. This was principally due to:

- Catering turnover increased by £1.8 million. Income in the school meal service grew by £1.7 million following the full year effect of the implementation of Scottish Government policy on free school meals for primary one to three school children.

- Facilities turnover fell by £0.2 million due to efficiencies within the janitorial service reducing costs and subsequently the charge to Glasgow City Council
- Care turnover increased by £0.4 million. Turnover increased by £1.8 million because of the introduction of assessment services within care, but this was offset by reductions in home care income of £2.4 million due to a block budget agreement for income with Glasgow City Council capping income at a maximum level.

New revenue growth in other care areas remained strong with continued growth in the managed stair lift service and provision of aids for daily living of 2.5%, and the help at home care service grew by 13% from 2014/15 to £2.8 million of turnover.

Administrative Expenses
These include the operational management and administrative payroll costs, head office premise expenses and other support costs.

Depreciation is included at a value of £81,000.

Care Division
This was again a challenging year for the care division due to the continuing changes in service requirements, to address this efficiently an extensive service reform program has been developed as part of Transforming Glasgow for care services and is being implemented over the next 24 months. The program which was launched in April 2016 aims to reduce losses during 2016/17 and plans to return the division to profitability in 2017/18. The division successfully delivered on its objectives to its principal customer during the year, reducing service levels in homecare services by 6.1% ; the service reforms are now being actioned to bring expenditure in the area into line with future budgeted income levels, the service reform program during 2015/16 saw over 1000 staff change shift patterns to improve continuity of care but not all expected benefits were realised due to increased staff absence levels during the period of change and a delay in implementing technology to assist with workforce scheduling and visit monitoring. The technology is now scheduled for deployment during 2016/17. The division performed well in all its other business areas. The actual segmental loss was £8 million which includes the actuarial pension adjustment of £3.2 million. The underlying operational segmental loss was £4.8 million. The service reform program aims to increase capacity within the home care model and improve the service and continuity of care to service users. Reablement continues to be a success in achieving these aims, reablement encourages independence in the home, 42% of service users completing the programme following discharge from hospital no longer require any service after six weeks and those who do require a continuing service have seen an average 20% reduction in service levels, this will increase capacity within the city to address future demographic issues. The partnership will continue to deliver these successful outcomes in partnership with Glasgow City Council.

The division continues to demonstrate and develop effective partnership working in the EquipU area of the operation despite a challenging financial environment for local authorities and health authorities. This service provides a framework for the integrated assessment and provision of equipment to the elderly and those who are vulnerable or infirm in Glasgow Health and Social Care Partnership area and five other local authority areas around the West of Scotland. Further growth in the division was achieved in the procurement, installation, removal and maintenance of stairlifts for six local authorities, the two sectors grew by a further 2.5% in the financial year.

The continuing development of new business and the remodelling of the division has been successful and enabled the partnership to offset some of the losses in the traditional home care service.

Catering Division
The division performed strongly in a challenging economic environment.

In schools catering, the Scottish Government policy introducing free school meals to all Primary 1 to 3 pupils has been in place since January 2015. Total meal uptake by pupils in primary schools for 2015/16 increased to 69% (2015 – 63%) with over 4.65 million meals provided in the year, the overall uptake is anticipated to grow further during 2016/17. Free meal uptake in secondary schools fell from 65% of entitled pupils to 62.4% and there was a reduction in overall usage of the service to 43.8% from 47.1% of all pupils, although disappointing it was against a back drop of a further 20p increase in the meal price applied by Glasgow City Council from August 2015. The partnership will work with our partners in schools to implement new initiatives and products to return to growth in numbers during 2016/17.

Encore Hospitality Services (Encore) performed well in the commercial market, turnover remained strong following on from the success of the Commonwealth Games during 2014. Sales increased by 1.6% in the year and the partnership returned £0.73 million to Glasgow City Council and its arm's length external organisations (ALEOs) in royalties.

The catering division overall had a profit of £2 million, this was after the additional adjustment to pension costs of £0.7 million, the operational profit was £2.7 million.

Facilities Management Division

The main focus in this division was cost efficiencies. There were efficiency savings delivered to Glasgow City Council in both cleaning and janitorial services. These meant turnover reduced by £0.2 million as charges to the principal customer were reduced. The division overall had a loss of £0.2 million but this was after additional pension adjustments of £0.8 million. The operating profit of the division was £0.6m.

Risk Management

Cordia (Services) LLP recognises the importance of the management of corporate risk and applies appropriate corporate governance to ensure it is successfully monitored and managed.

The overall pressure on public finances continues to be the dominant risk to the LLP. Budget pressures and service reduction within Glasgow City Council has an effect as the LLP provides key services to this main client grouping. Cordia continues to monitor the change in business operation and address the mitigation of risk proactively.

Cash flow management procedures are in place to ensure that resources are managed effectively. This management of resources has ensured that the company has never been required to use its bank overdraft facilities.

A risk register is maintained and is regularly reviewed by an audit committee which is chaired by an elected member of the Cordia (Services) LLP Board. The audit committee meets three times annually and reports findings to the Cordia (Services) LLP Board. An internal audit function also carries out regular audits of business functions and these are reported both to the audit committee and the Board.

The business is subject to further enhanced governance procedures and it reports to Glasgow City Council's professional standards and scrutiny committee twice yearly.

Employees

Cordia (Services) LLP is an Equal Opportunities employer and is committed to eliminating discrimination, victimisation, bullying and harassment amongst our workforce. Our Equal Opportunities Policy and Equality and Diversity Programme are in place to ensure our staff will be treated fairly and with dignity and respect at all times.

Our commitment to equality is supported by a legal duty to provide all services and employment opportunities fairly and to adhere to all relevant codes of practice. We welcome our responsibilities as an employer, as a provider of services, and value the legislation that supports our policy commitments to equality and fairness.

Consultation with stakeholders is a key element in ensuring that continuous improvement in service provision is achieved and maintained. Cordia (Services) LLP is responsive to the needs of its communities, citizens, customers and other stakeholders, and its plans and priorities are based on such an understanding. Involving key stakeholders in the decision-making process will continue to help to identify future policy and service priorities, and improvements that are required.

Cordia (Services) LLP is a large organisation delivering a range of diverse services through a large workforce. Given the logistical issues in communicating with staff around the city, the organisation utilises a number of methods to communicate with staff. These include:

- The Cordia website (www.cordia.co.uk), provides a range of information on the services provided as well as news, facts, blogs and contact details of relevant personnel. Indeed, the "Contact Us" section is specifically designed to enable individuals to enquire and comment on aspects of service delivery;
- Staff Newsletters - "The Cordia View" and 'Ezine' regularly keep staff updated on the organisation's successes and challenges, and informs of progress being made in respect of projects in which Cordia is involved;
- Staff briefings – these are regular face-to-face performance briefing meetings with all relevant managers and staff.
- Staff Roadshows – these face-to-face information sharing sessions with frontline staff are organised by management and are held in venues within local communities throughout the city; and
- Regular scheduled meetings and discussion with trade unions.

By adopting a consistent, strong and stable internal communications strategy, employees will be more focused on business objectives, will operate according to the LLP's values, and will feel empowered to be more effective.

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'. Cordia (Services) LLP transacts with one of its members, Glasgow City Council.

Investment for New Business and Growth

In this financial year investment has been made and work carried out to further develop the business environment for growth.

Cordia has continued discussions with strategic commercial partners to further develop the EquipU service and stair-lift installation service to new markets.

Cordia recognises the pressures on its principal customers' budgets and is looking to expand its customer base. In the Care Division the LLP aims to increase service levels with private clients with the continued growth of Help at Home.

Members' report *(continued)*

Cordia has been successful in developing business through extending existing partnerships and this has been underpinned by its reputation of successfully managing large workforce contracts where budgets are tight and sound financial management and high-use of innovative technologies is required. Strategic development is two-fold; increasing business externally through Cordia (Contracts) LLP and extending partnerships with established customers. This strategy will continue into the next financial year.

Continued investment in the Cordia brand has seen it become highly visible and established in the communities served by the LLP. This has been done with tight budgets.

Forward planning and strategic opportunities

Cordia (Services) LLP continues to develop services in accordance with the contents of its business plan 2016/2017.

Opportunities exist to extend business across a number of sectors and activities and specifically:

- Glasgow City Council and its ALEOs
- Clyde Valley local authorities
- Commercial catering contracts
- Commercial training provision contracts

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 aware, there is no relevant audit information of which the Partnership's auditor is 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 Partnership'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 6 June 2016.

Approved by the members and signed on 25 August 2016 by

Andrew Clark
For and on behalf of
GCC LLP Investments Limited
Designated member

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 LLP 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 LLP financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 judgments 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.

ABCD

KPMG LLP
191 West George Street
Glasgow
G2 1LJ
United Kingdom

Independent auditor's report to the members of Cordia (Services) LLP

We have audited the financial statements of Cordia (Services) LLP for the year ended 31 March 2016 set out on pages 9 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), Including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 with 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 profit 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 as applied to limited liability partnerships 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
[ ] 2016

Profit and Loss Account
for the year ended 31 March 2016

	Note	**Year ended 31 March 2016 £000**	Restated Year ended 31 March 2015 £000
Turnover	*2*	**142,568**	140,559
Cost of sales		**(136,540)**	(130,388)
Gross profit	*2*	**6,028**	10,171
Administrative expenses		**(7,571)**	(9,660)
Operating (loss)/profit	*3*	**(6,916)**	(2,985)
Other interest receivable and similar income	*5*	**19**	292
Interest payable and similar charges		**(134)**	
Profit/(loss) on ordinary activities before and after taxation being profit for the financial year before members' remuneration and profit shares		**(7,031)**	(2,693)
Members' remuneration charged as an expense	*7*	**-**	-
Profit/(loss) for the financial year available for discretionary division among members		**(7,031)**	(2,693)

Other Comprehensive Income
for the year ended 31 March 2016

	Note	**2016 £000**	2015 £000
Profit/(loss) for the year		**(7,031)**	**(2,693)**
Other comprehensive income			
Remeasurement of the net defined benefit liability (asset)		**21,999**	(6,084)
Total comprehensive income for the year		**14,968**	(8,777)

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

Balance Sheet
at 31 March 2016

	Note	2016 £000	Restated 2015 £000
Fixed assets	*8*	**555**	341
Current assets			
Stock	*9*	**958**	991
Debtors	*10*	**7,596**	9,930
Cash at bank and in hand		**2,921**	3,295
		11,475	14,216
Creditors: amounts falling due within one year	*11*	**(11,787)**	(12,821)
Net current assets		**(312)**	1,395
Total assets less current liabilities		**243**	1,736
Provisions for liabilities			
Pension and similar obligations	*12*	**14,953**	(1,508)
Net assets attributable to members		**15,196**	228
Members' other interests			
Members' capital		**1**	1
Other reserves			
Pension reserve		**23,405**	1,406
Other reserves		**(8,210)**	(1,179)
Total other reserves		**15,195**	227
Member's funds		**15,196**	228

These financial statements were approved by the members on 6 June 2016 and were signed on its behalf by:

Andrew Clark
For and on behalf of
GCC LLP Investments Limited
Designated member

Company registered number: S0302144

Statement of Changes in Equity
for the year ended 31 March 2016

	Members capital	Pension reserves	Other reserves	Total equity
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2014	1	7,490	1,514	9,005
Total comprehensive income for the period				
Profit or loss			(2,693)	(2,693)
Other comprehensive income		(6,084)		(6,084)
Total comprehensive income for the period		(6,084)	(2,693)	(8,777)
Balance at 31 March 2015	**1**	**1,406**	**(1,179)**	**228**

	Members capital	Pension reserves	Other reserves	Total equity
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2015	1	1,406	(1,179)	228
Total comprehensive income for the period				
Profit or loss			(7,031)	(7,031)
Other comprehensive income		21,999		21,999
Total comprehensive income for the period		21,999	(7,031)	14,968
Balance at 31 March 2016	**1**	**23,405**	**(8,210)**	**15,196**

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.

1.1. ***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 16.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 Cordia (Contracts) 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 14.

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

Judgements made by the Members in the application of those accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 15.

1.2. ***Measurement convention***

The financial statements are prepared on the historical cost basis.

1.3. ***Going concern***

The LLP’s business activities, together with the factors likely to affect its future development, performance and position, are set out in the members’ report on page 2.

The members have considered the cash position of the company for the period of at least 12 months from the date of signing the accounts. The company has no external borrowing and the cash flow forecasts show that the company can operate within its available funds for the foreseeable future. Thus, the members continue to adapt the going concern basis of accounting in preparing the annual financial statements.

1.4 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 if accounted for as an allocation of profits. Unallocated profits and losses are included within 'other reserves'.

Notes (continued)

1 Accounting policies (continued)

1.5 ***Members' capital***

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

1.6 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.

1.7 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.8 Tangible fixed assets

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings. In accordance with parent company guidelines, assets purchased in excess of the *de minimis* level of £6,000 are included in the balance sheet as fixed assets. Depreciation is applied in the year from 1 April based on historical cost 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:

IT Systems	4 years
Plant and Equipment	5 years
Fixtures and Fittings	10 years

Assets disposed of, or taken out of use will be fully written off in year of disposal or removal from use. Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.9 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.

1.10 Turnover and income recognition

Income is recognised in the accounting period to which it relates exclusive of VAT. Income from grants, 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. Where a bulk credit is provided to Glasgow City Council this is accounted for as a reduction in turnover.

Turnover represents the invoiced value of goods and services supplied under the principal activities of the LLP.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.12 Employee benefits

Defined benefit plans

All existing and new members of staff have the option of joining the defined benefit pension scheme; Strathclyde Pension Fund ("the Fund"). A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The LLP's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The LLP determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments. Assets and liabilities of the Fund are held separately from those of the LLP.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Fund's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The LLP recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

1.13 **Provisions**

A provision is recognised in the balance sheet when the LLP has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Notes *(continued)*

2 Gross profit

The activities of the LLP are broken down as follows:

	Care		Catering		Facilities		Admin		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000	**£000**	£000
Turnover										
Total sales	**75,294**	74,902	**38,812**	36,989	**27,455**	27,646	**1,007**	1,021	**142,568**	140,558
Operating (loss)/profit										
Segment (loss)/profit	**(7,999)**	(4,272)	**2,012**	1,051	**(236)**	753	**(693)**	(517)	**(6,916)**	(2,985)

	2016	2015
Operating (loss)	**(6,916)**	(2,985)
Other interest receivable	**19**	37
Net interest on pension assets / liabilities	**(134)**	255
Profit/(loss)	**(7,031)**	(2,693)

3 Operating profit/(loss)

	2016	2015
	£000	£000
Operating profit/(loss) is stated after charging:		
Operating lease payments	**1373**	1416
Depreciation and other amounts written off fixed assets	**81**	72
Auditor's remuneration:		
Audit of these financial statements	**23**	23
Taxation compliance services	**4**	4

Pension adjustment:

In accordance with FRS 102 the current service cost is calculated by the actuary each year based upon the increase in the present value of the defined benefit obligation resulting from the employee service in the current period. This can differ from what the employer is currently paying in cash contributions based on the certified rates at the last formal valuation. As set out in note 11 the current service cost for 2016 is £13.2 million (2015: £10.1 million) and the corresponding cash contributions by the LLP were 2016: £7.9 million (2015: £6.6 million). The pension adjustment above can be applied to the LLP's divisions as follows: Care £3.2 million; Catering £0.7 million and facilities management £0.8 million.

Given the services provided and the ownership by Glasgow City Council management focus on the 'cash cost' of the pensions provided to their employees and have therefore presented the operating profit before the pension adjustment on the profit and loss account. The pension adjustment represents the difference between the current service cost calculated by the actuary and the contributions payable by the LLP during the period.

Notes *(continued)*

4 Staff numbers and costs

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

	Number of employees (FTE)	
	2016	2015
Direct operatives	**4462**	4519
Administration	**278**	285
	4,740	4,804

The aggregate payroll costs for the above persons were:

	2016	2015
	£000	£000
Wages and salaries	**97,073**	94,928
Social security costs	**5,357**	5,246
Pension costs	**13,412**	9,899
	115,842	110,073

5 Other interest receivable and similar income

	2016	2015
	£000	£000
Other interest receivable	**19**	37
Net return on pension assets/liabilities	**(134)**	255
	(115)	292

6 Particulars of members

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

Notes *(continued)*

7 Fixed assets

	IT Systems £000	Plant & Equipment £000	Fixtures & Fittings £000	Total £000
Cost				
At 1 April 2015	216	134	273	623
Additions	102		193	295
At 31 March 2016	**318**	**134**	**466**	**918**
Depreciation				
At 1 April 2015	163	67	52	282
Charge for the year	27	27	27	81
At 31 March 2016	**190**	**94**	**79**	**363**
Net book value				
At 31 March 2016	**128**	**40**	**387**	**555**
At 31 March 2015	53	67	221	341

8 Stock

	2016 £000	2015 £000
Raw materials and consumables	**958**	992

9 Debtors

	2016 £000	2015 £000
Trade debtors	**2,646**	2,484
Amounts owed by group undertakings	**3,804**	6,080
Value added tax		
Prepayments and accrued income	**989**	1,249
Other debtors	**157**	117
	7,596	9,930

Notes *(continued)*

10 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Trade creditors	**1,671**	1,748
Amounts owed to group undertakings	**236**	878
Other taxation and social security	**2,094**	1,921
Other creditors	**1,271**	1,651
Value added tax	**1,614**	945
Accruals and deferred income	**4,900**	5,678
	11,786	12,821

11 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		
Fair value of plan assets	**(221,242)**	(208,889)
Present value of unfunded defined benefit obligations	**206,289**	210,397
Net liability/(asset)	**(14,953)**	1,508

Movements in present value of defined benefit obligation

	2016	2015
	£000	£000
At 1 April	**210,397**	170,209
Current service cost	**13,243**	10,102
Past service costs	**419**	234
Interest cost	**6,927**	7,517
Curtailment	**0**	0
Remeasurement: Actuarial losses/(gains)	**(23,269)**	23,107
Contributions by members	**2,311**	2,052
Benefits paid	**(3,739)**	(2,824)
Estimated benefits paid	**0**	0
At 31 March	**206,289**	210,397

Notes *(continued)*

11 **Pension costs** *(continued)*

Movements in fair value of plan assets were as follows:

	2016	2015
	£000	£000
At 1 April	**208,889**	177,699
Remeasurement: return on plan assets less interest income	**(1,270)**	17,023
Interest income	**6,793**	7,772
Contributions by employer	**8,258**	7,167
Contributions by members	**2,311**	2,052
Benefits paid	**(3,739)**	(2,824)
At 31 March	**221,242**	208,889

Expenses recognised in the profit and loss account

	2016	2015
	£000	£000
Current service cost	**13,243**	10,102
Losses on settlements and curtailments	**0**	0
Past service cost	**419**	234
Net interest on defined benefit pension plan obligation	**134**	(255)
At 31 March	**13,796**	10,081

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

	2016	2015
	£000	£000
Cost of sales	**(136,540)**	(130,387)
Administrative expenses	**(12,944)**	(13,156)
Other interest receivable and similar income	**19**	292
	(149,465)	(143,251)

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains is £21,999,000 (2015 – actuarial loss of £6,084,000). The cumulative actuarial losses recognised in the statement of total recognised gains and losses are £8,173,000 (2015 - £30,172,000).

Notes *(continued)*

11 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	**159,613**	156,995
Corporate bonds	**30,184**	27,613
Property	**23,768**	19,085
Other	**7,677**	5,196
	221,242	208,889

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

	2016	2015
	%	**%**
Discount rate	**3.5**	3.2
Expected rate of return on plan assets	**3.5**	3.5
Future salary increases	**4.2**	4.3
Inflation/pension increase rate	**2.2**	2.4

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 4.3% 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)*

11 Pension costs *(continued)*

History of plans

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

	2016	2015	2014	2013
	£000	£000	£000	£000
Present value of scheme liabilities	**(206,289)**	(210,397)	(170,209)	(147,685)
Fair value of scheme assets	**221,242**	208,889	177,699	160,503
Net asset	**14,953**	(1,508)	7,490	12,818

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

12 Subsequent events

There were no subsequent events requiring adjustment or disclosure within the financial statements.

13 Operating lease commitments

	2016	2015
	£000	£000
Total commitments to operating leases	**3,693**	4,485

14 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.

15 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)*

16 Explanation of transition to FRS 102 from old UK GAAP

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

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

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 GAPP to FRS 102 has affected the LLP's financial position and financial performance is set out in the following tables.

	Note	**Profit/(Loss) for the [31/03/15] £000**	**Equity as at [31/03/2015] £000**	**Equity as at [01/04/2014] £000**
Amount under old GAAP		**378**	**228**	**9005**
Reserves movement - pensions		(3071)	0	0
Amount under FRS 102		**(2,693)**	**228**	**9005**