

CITY BUILDING (CONTRACTS) LLP

Members' Report and Financial Statements
Registered number: SO301080
Year ended 31 March 2018

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Members' report

The members present their report and audited financial statements for the year ended 31 March 2018.

Principal Activity

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

Designated Members

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

Members' 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

City Building (Glasgow) LLP entered into various agreements with Glasgow City Council, GCC LLP Investments Ltd and Wheatley Housing Group Ltd ("Wheatley") to the effect that GCC LLP Investments Ltd ceased to be a member of the LLP and Wheatley became a new member, forming a 30 year 50/50 joint venture with Glasgow City Council, with effect from 1 April 2017.

As a result, the repairs and investment work for Wheatley previously undertaken by City Building (Contracts) LLP was undertaken by City Building (Glasgow) LLP. Glasgow City Council repairs work continued to be carried out by City Building (Glasgow) LLP but capital work is carried out by City Building (Contracts) LLP.

Those employees engaged in non-JV work were transferred under TUPE to City Building (Contracts) LLP on 1 April 2017.

Financial Results for the Year

It is highly rewarding to report that the LLP delivered strong results despite adverse economic pressures in certain elements of the market in which City Building operates. Turnover increased as a result of reallocation of work to £86.2m (2017 - £74.9m). As a result we have achieved a healthy £4.2m return to Glasgow City Council representing 4.9% of turnover. The undernoted table shows the comparison with 2017:

	2018	2017
	£000	£000
Reported (Loss)/		
Profit for the year	(5,975)	50
Additional pensions costs- IAS19	(5,975)	-
Discount to members	4,193	--
	<hr/>	<hr/>
Underlying profit	4,193	50

The underlying profit increased by £4.143 million over 2017 mainly due to the services now provided by City Building(Contracts) LLP being included in these results. City Building (Glasgow) LLP charged City Building (Contracts) a Management Fee. For 2017-18 this Management Fee was a charge of £5,521k (2017 – £1,297K).

The net liabilities of City Building (Contracts) LLP at 31 March 2018 were £(16.9m) (2017 - £nil). This is primarily a result of the net pension deficit of £(17.5m) (2017 - (£nil) in the Strathclyde Pension Fund (Local Government Pension Scheme). An actuarial loss of £11.5m (2017 – nil) was experienced during the year as a result of a changes in accounting assumptions. This liability arises as a result of employees being transferred under TUPE from City Building (Glasgow) LLP

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 facilities 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 LLP 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 2017 which was to determine employer contribution levels from 1 April 2019. Currently these levels remain the same and while management acknowledges that the current pension liability could result in increased contribution levels at some time in the future, it does not consider that there is any major impact on the on-going business trading position.

Administrative Expenses

These have increased to £9,266k (2017 – £1,312k) partly due to additional pension costs under IAS19 of £5,975k (2017- nil) and also because of increased overhead re-charge.

OUR STRATEGIC FOCUS

City Building (Contracts) LLP was awarded the Queen's Award for Enterprise: Sustainable Development 2018 – the only Scottish company to receive such an accolade.

The Queen's Award for Enterprise constitutes the greatest honour to be bestowed on a business and our workforce can be rightly proud of their achievements.

It is a huge honour to receive such a prestigious award from the Queen, recognising the hard work and commitment to our customers and communities in which we serve and it is a celebration of our ability to innovate and create sustainable employment and training opportunities.

Not only is City Building the only organisation in Scotland to have received this award twice in the last ten years, they are also the only Scottish organisation to be awarded this year both of which is a testament to everyone.

In particular we were recognised for:

- Sustainable Development
- Sustainable Employment and Training
- Sustainable Procurement
- Sustainable Performance
- Environmental Sustainability

We continue to deliver our brand in our chosen markets. We continue to develop City Buildings' 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 60 new apprenticeships during this financial year, 97% of our apprentices retained in jobs with us on completion of their qualifications.

We work with Glasgow City Council to support the delivery of its Strategic Plan inclusive of the priority themes. Supporting economic growth aspirations, we combine commercial success with socially and environmentally responsible practices, giving life changing opportunities to those far removed from the labour market.

The impact of our business operations on society is measured through two recent independent studies.

The first undertaken by the Fraser of Allander Institute assessed the scale of our contribution to the Glasgow economy as well as the general impact our socially

responsible training and employment practices, community work and charity activities, have on the city.

Some of the findings included:

- City Building, through its economic impact, supports a total of 3,877 jobs in Glasgow.
- For every two City Building jobs, a further 1.44 are created.
- For every £1 paid to employees, an additional £0.71 in wages is generated across Glasgow.
- By employing 2,253 people, one in eight Glasgow construction jobs is provided by City Building.
- City Building employs 1 in every 120 people in the city.
- 73.5% of supplier expenditure is with Glasgow's SMEs.
- Employees contributed voluntary work valued at £2 million 2015/16.

The second report an insight analysis on the diversity of our workforce was undertaken by GenAnalytics. This landmark report which was produced to assist us in our diversity drive found that almost half of our employees live in geographical areas identified as being the three most deprived in Scotland.

According to the study, 49% of our workforce lives in postcode areas contained within the top three areas of the Social Index of Multiple Deprivation (SIMD). Almost a quarter – 24% - is from the most impoverished postcodes which are ranked as SIMD 1 by the index.

The report also found that we employ 16 times more females (32%) in craft trade roles than the industry average (2%) while its senior management team is 50% female. The median gender pay gap is 3.6% compared with a Scottish average of 16%.

Amongst the key findings of the report are:

- Over half – 56% - of employees have been working at City Building for more than 10 years.
- The average salary at City Building is £27,805 compared with the average Scottish salary of £22,918.
- Apprentices count for 13% of the total workforce
- Nine per cent of City Building's apprentices are female compared with 2% of Modern Apprentice starts in the Scottish construction sector last year.
- Ninety-nine per cent of all apprentices live in Glasgow with 38% coming from the most deprived areas in Scotland.
- Four per cent of apprentices come from an ethnic minority background compared with 2% of apprentices across Scotland.

Underlining the unique social ethos at the heart of City Building, we have been judged as being the best employer/workplace in Scotland by a national HR award network. We have also increased our market positioning within the top 100 construction companies in the UK.

External, independent validation of our performance is central to a culture of continuous improvement across the board.

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

- **The Queen's Award for Enterprise: Sustainable Development 2018**
- **Quality, Health & Safety and Environmental accreditation ISO 9001, ISO 14001, and ISO 18001**
- **EFQM** Recognised for Excellence 4 Star Accreditation
- **Glasgow Business Awards – The Environmental Team – Green Champions**
- **Glasgow Guarantee – Fairer Employer**
- **Glasgow Guarantee - Apprentice Challenge**
- **Glasgow Guarantee - Best Apprentice in Construction**
- **The Herald and GenAnalytics Diversity Recruitment of Talents**
- **The Herald and GenAnalytics Diversity Youth Employment**
- **Hr NATIONAL Network – Best Employer/Workplace**
- **Hr NATIONAL Network – Corporate Responsibility**
- **Johnstone's Trade – UK Young Decorator of the Year**
- **SkillBuild Scotland – Painting and Decorating Senior Finalist**
- **Glasgow Business Awards – Sustainable Development Finalist**
- **Glasgow Business Awards – Excellence in Customer Service Finalist**
- **The Herald and GenAnalytics Diversity Star Performer Finalist**
- **Hr NATIONAL Network – Organisational Development Finalist**
- **Hr NATIONAL Network – Employee Engagement Finalist**
- **Vibes 2016 Management Awards Finalist**
- **Reserve Forces Employer Silver Award winner**
- **Carer Positive Employer Award winner**

INVESTING IN SKILLS AND LEADERSHIP

Our business is successful because of the individuals who deliver our services. We manage our talent and continue to invest in our people whether it is our current workforce development, trainees or apprentices. We continue to rely on the innovation, hard work and commitment of our workforce and thank them for their continued dedication.

CUSTOMER SERVICE EXCELLENCE

We are setting new standards for our customer service based on our values of excellence, honesty, ambition, trust and community. We are refreshing our customer charter and care standards and are exploring the process of seeking a formal accreditation.

CONSTRUCTION DIVISION

Market conditions continued to be challenging for the construction sector as a whole. Revisions to programme start dates and the completion of existing projects resulted in turnover of £74.006 million.

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" initiative which targets women into construction and the black minority ethnic community to 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.

As part of the £300 million new build framework with the Wheatley Housing Group Limited we have completed 71 Houses and Flats at Liddesdale Road, Glasgow.

For Glasgow City Council's Education Services we have completed Broomhill Primary School (18 classrooms), Clyde Campus (30 classrooms) and Gowanbank Campus (28 classrooms). All three completed ahead of the contractual completion date and within or under budget.

We are currently working on the new Sighthill Community Campus (28 classrooms) and Dalmarnock Primary School (14 classrooms)

For Social Work Services we have completed the Riverside Care Home (120 Bedrooms) and working on two others at Leithland (120 Bedrooms) and Blawarthill (70 Bedrooms) as well as a Children's Unit in the City.

For the 2018 Championships and Glasgow Life we have completed works at Tollcross International Swimming Centre and constructed a BMX bike track in Knightswood and a mountain bike trail at Cathkin Braes.

A number of the components and furniture for the above new build comes from our manufacturing factory RSBi. In recent years we have made strategic investments in our technology capabilities, our manufacturing capabilities, our processes and our workforce at our manufacturing factory RSBi. The result of this investment has created additional new ways of working and greater innovation with products and services

As a contractor we have successfully entered into new areas of work based on both the quality of our work and the community and social benefits that we offer.

With our main strength being in the depth of our service provision we can operate as a main contractor, sub-contractor or as part of a working partnership.

City Building (Contracts) is confident that our stance will be validated and that our order book will allow the company to continue to grow over the course of the forthcoming year.

REPAIRS AND MAINTENANCE DIVISION

Following a strong year for the Repairs and Maintenance Division with turnover of £7.706 million we continue to implement a revised and refreshed approach to our Housing Association tendering strategy.

At the forefront of everything we do is a clear responsibility to set new standards of efficiency and accountability. That's why we have worked hard to align services, processes and standards with our other clients where we have enhanced and improved our commercial approach particularly in the delivery of Registered Social Landlords (RSL) Repairs and Maintenance contracts, generating value and delivering a service aligned with the Scottish Housing Regulators' Charter Measures.

This modern and progressive approach has enabled us to secure contract extensions with several key clients, and secure new contracts too.

We have secured Scottish Business Pledge accreditation which is a values-led partnership between the Scottish Government and business. It is a shared ambition of boosting productivity, competitiveness, sustainable employment, workforce engagement and development.

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.

INVESTMENT DIVISION

Market conditions continue to be challenging for the construction sector as a whole. However being awarded the £10m works from Glasgow City Council as part of the Community Asset Fund has provided a significant boost to revenue, as well as delivering a wide range of economic and community benefits across the whole City.

These Community spaces include local libraries and community centres and add to the existing refurbishment of a number of sports centres.

CORPORATE SERVICES DIVISION

The 245 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 50,000 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 120 school pupils gaining work experience in construction and manufacturing. In addition, we have contributed £20,500 to corporate charities and our employee-led charity fundraising raised £9,201.52 which included raising funds during our World Environmental Day.

RISK MANAGEMENT

City Building (Contracts) LLP 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. We have recently established a new framework to supply more than 70 construction and trades services involving 136 Glasgow-based companies, with 82.5% of the successful businesses described as SMEs.

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.

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

City Building (Contracts) 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.

Our Values

City Building is committed to “Building a Sustainable Future” for our clients, partners and employees.

Our mission is to contribute excellence in construction, repairs, maintenance, manufacturing and training to customers, our employees, suppliers and the local communities in which we work.

Our unique social ethos will continue to underpin everything we do and will drive the creation of training and employment opportunities for a diverse range of people, including minority and other under-represented groups across Glasgow and beyond.

We will continue to contribute to build a better society by using socially inclusive practices, and delivering effective, accountable products and services which offer value for money and enhance the quality of life, safety and wellbeing of our stakeholders.

Our values, which are embraced by all employees, are:

Excellence: to deliver quality in everything we do.

Honesty: to promote, at all times, honesty in our communication with all stakeholders, promoting partnerships and sustainability.

Ambition: to do more for our clients and partners and provide more opportunities for our employees and stakeholders as part of our change and growth strategies, succession planning and sustainability.

Trust: to be trusted by our employees, clients and partners.

Community: to build more sustainable communities through social, economic and community engagement.

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.

ENVIRONMENTAL AND SUSTAINABILITY

City Building recognises the significant impact that our activities have on environmental issues such as climate change; resource depletion and water quality affect us all. These matters remain priorities for Government. Over the past five years, with an increase in business, we have reduced annual waste production by 10.65% or 1,246.58 tonnes. Across the business, 93% of the waste is re-used or recycled therefore minimising waste being sent to landfill.

Although we have an excellent recycling rate, we are now incorporating the circular economy principles into our business strategy and have implemented a number of waste minimisation policies.

INVESTMENT FOR NEW BUSINESS DEVELOPMENT

City Building (Contracts) LLP 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.

Outlook 2018-19

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.

With both a highly skilled workforce and a strong, experienced management team City Building (Contracts) is confident that it will continue to secure new contracts through the 2018-2019 financial year for both itself and its clients resulting in a further increased profits.

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 Glasgow City Council as its member through its Construction Division.

In accordance with the agreements between the LLP and Glasgow City Council, the annual discount to members, £4.193m (2017 - £nil), 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

This is the last year of the current appointment of KPMG LLP. A new appointment will be approved by the Members prior to the end of the period for appointment of auditors in accordance with Section 487 of the Companies Act 2006.

The financial statements were authorised for issue on 5^h September 2018

Approved by the members and signed by

Graham Paterson

For and on behalf of

GCC LLP Investments Ltd
Designated member
Registered Number: SO301080
Registered Office: 350 Darnick Street, Glasgow G21 4BA

20th September 2018

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), 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 its profit or loss 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;
- assess the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

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

Opinion

We have audited the financial statements of City Building (Contracts) LLP ("the LLP") for the year ended 31 March 2018 which comprise the Profit and loss account and other comprehensive income, balance sheet, statement of changes in equity, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, of the state of affairs of the LLP as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the LLP in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The members are responsible for the other information, which comprises the members' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

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

Matters on which we are required to report by exception

Under the Companies Act 2006 as applied to limited liability partnerships we are required 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; or
- the members were not entitled to prepare financial statements in accordance with the small limited liability partnerships' regime.

We have nothing to report in these respects.

Members' responsibilities

As explained more fully in their statement set out on page 13, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the LLP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the LLP or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the members of the 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.

Andrew Shaw (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

319 St Vincent Street

Glasgow

G2 5AS

Date 28th September 2018

Profit and loss account and other comprehensive income
for the year ended 31 March 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	2	86,192	74,924
Cost of sales		<u>(82,772)</u>	<u>(73,572)</u>
Gross profit	3	3,420	1,352
Administrative expenses		<u>(9,266)</u>	<u>(1,312)</u>
Operating (loss) /profit	4	(5,846)	40
Interest receivable and similar income	7	-	10
Interest payable and similar charges		<u>(129)</u>	<u>-</u>
(Loss)/Profit on ordinary activities before and after taxation being profit for the financial year before members remuneration and profit share		<u>(5,975)</u>	<u>50</u>
(Loss)/Profit for the period available for discretionary division among members		<u>(5,975)</u>	<u>50</u>

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

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

**Other Comprehensive Income
for year ended 31 March 2018**

	Note	2018 £000	2017 £000
Profit for the year		(5,975)	50
Other comprehensive income			
Re-measurement of the net defined benefit liability		(11,483)	-
Other comprehensive income for the year, net of income tax		(11,483)	-
Total comprehensive income for the year		(17,458)	50

Balance Sheet
at 31 March 2018

	<i>Note</i>	2018 £000	2017 £000
Fixed assets	9	8	-
Current assets			
Stock and work in progress	10	19	-
Debtors	11	18,047	7,949
Cash in hand and in bank		11,688	7,191
		<hr/>	<hr/>
		29,754	15,140
Creditors: amounts falling due within one year	12	<u>(28,816)</u>	<u>(14,540)</u>
Net current assets		<u>938</u>	<u>600</u>
Total assets less current liabilities		946	600
Provisions for liabilities and charges	13	<u>(346)</u>	<u>-</u>
Net assets before pension fund (deficit)		600	<u>600</u>
Pension fund deficit		<u>(17,458)</u>	<u>-</u>
Net (liabilities)/assets		<u><u>(16,858)</u></u>	<u><u>600</u></u>
 Members' interest			
Members' capital		1	1
Other reserves		<u>(16,859)</u>	<u>599</u>
Members' (deficit)/surplus		<u><u>(16,858)</u></u>	<u><u>600</u></u>

These financial statements were approved by the members on 5th September 2018 and were signed on their behalf by:

Graham Paterson
For and on behalf of

GCC LLP Investments Ltd
Designated member
Registered Number: SO301080

20th September 2018

Statement of Changes in Equity

	Members capital £000	Other reserves £000	Total equity £000
Balance at 1 April 2016	1	549	550
Total comprehensive income for the year			
Profit or loss	-	50	50
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	1	599	600
	<hr/>	<hr/>	<hr/>

Statement of Changes in Equity

	Members capital £000	Other reserves £000	Total equity £000
Balance at 1 April 2017	1	599	600
Total comprehensive income for the year			
Profit or loss	-	(5,975)	(5,975)
Other comprehensive income for the year	-	(11,483)	(11,483)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	1	(16,859)	(16,858)
	<hr/>	<hr/>	<hr/>

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*").

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. There have been no transition related adjustments raised.

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

Going concern

The financial statements have been prepared on the going concern basis because management considers that City Building (Contracts) LLP will continue to be cash generative in the following 12 months. This is based on the contracts which the LLP has for the forthcoming period and prior experience of the general profitability of the work being undertaken.

Turnover recognition

Turnover 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.

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.

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.

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.

Stock

Stock is valued at the lower of cost and net realisable value in line with the requirements of FRS102.

Retirement benefits

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.

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

2 Turnover

Turnover represents the invoiced value of goods and services supplied within the principal activities of the LLP and is net of VAT.

3 Gross Profit

The activities of the LLP are broken down as follows:

Year ended 31 March	Construction Activities		Repairs and Maintenance Activities		Manufacturing		Total	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Turnover	74,006	4,039	7,706	66,533	4,480	4,352	86,192	74,924
Gross profit/(loss)	<u>3,308</u>	<u>(401)</u>	<u>112</u>	<u>1,875</u>	<u>-</u>	<u>(122)</u>	<u>3,420</u>	<u>1,352</u>
Common administrative costs							<u>(9,266)</u>	<u>(1,312)</u>
Operating profit/(loss)							<u>(5,846)</u>	<u>40</u>
Interest receivable							-	10
Interest payable							<u>(129)</u>	<u>-</u>
(Loss)/profit before taxation							<u>(5,975)</u>	<u>50</u>

4 Operating profit

	2018 £000	2017 £000
<i>Operating profit is stated after charging:</i>		
Auditor's remuneration	20	4
other services relating to taxation	2	2

5 Staff numbers and cost

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

	2018 Number	2017 Number
Direct operatives	360	-
Administration	10	-
	<u>370</u>	<u>-</u>
	2018 £000	2017 £000
Staff costs for the above persons were:		
Wages and salaries	12,488	-
Social security costs	1,260	-
Pension costs	4,126	-
	<u>17,874</u>	<u>-</u>

6 Particulars of members

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

7 Other interest receivable and similar income

	2018	2017
	£000	£000
Other interest receivable	-	10
	-	10

8. Other interest payable and similar charges

	2018	2017
	£000	£000
Interest on defined benefit scheme obligation	(1,738)	-
Expected return on pension assets	1,609	-
	(129)	-

9 Fixed assets

	Plant & Equipment	Total
	£000	£000
Cost		
At 1 April 2017	-	-
Additions	8	8
	8	8
At 31 March 2018		
Depreciation		
At 1 April 2017	-	-
Charge for the year	-	-
	-	-
At 31 March 2018		
Net book value		
At 31 March 2018	8	8
At 31 March 2017	-	-

Finance Lease

	2018	2017
	£000	£000
At Cost	-	-
Depreciation	-	-
	-	-

10 Stock and work in progress

	2018	2017
	£000	£000
Raw materials and consumables	19	-
	19	-

11 Debtors

	2018	2017
	£000	£000
Trade debtors	3,226	7,156
Amounts due by group undertakings	749	-
Amounts due by parent	12,372	-
Value added tax	981	-
Prepayments and accrued income	719	793
	<u>18,047</u>	<u>7,949</u>

12 Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Trade creditors	10,997	19
Amounts owed to parent	4,354	-
Amounts owed to other group undertakings	8	9,726
Taxes and social security	341	4,789
Accruals and deferred income	13,116	6
	<u>28,816</u>	<u>14,540</u>

13 Provisions for liabilities and charges

	Total
	£000
Balance at beginning of the year	-
Charged to profit and loss account	<u>(346)</u>
	<u>(346)</u>

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

14 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 2017.

	2018	2017
	£000	£000
Present value of funded defined benefit obligations	(82,104)	-
Fair value of plan assets	64,646	-
Net liability	<u>(17,458)</u>	-

Movements in present value of defined benefit obligation

	2018	2017
	£000	£000
At 1 April	-	-
Current service cost	3,975	-
Interest cost	1,738	-
Contribution by scheme participants	617	-
Actuarial losses/(gains) arising from changes in financial assumptions	12,396	-
Actuarial losses/(gains) arising from changes in demographic assumptions	1,054	-
Effect on settlements/curtailments	62,324	-
	82,104	-

Movements in fair value of plan assets were as follows:

	2018	2017
	£000	£000
At 1 April	-	-
Interest Income	1,609	-
Re-measurement: return on plan assets less interest income	1,967	-
Contributions by employer	1,874	-
Contributions by members	617	-
Benefits paid	-	-
Effect of settlements/curtailments	58,579	-
At 31 March	64,646	-

Expenses recognised in the profit and loss account

	2018	2017
	£000	£000
Current service cost	3,975	-
Past Service cost	129	-
Net interest on defined benefit pension plan obligation	-	-
Actuarial losses/(gains) arising from changes in financial assumptions	-	-
Actuarial losses/(gains) arising from changes in demographic assumptions	-	-
Effect on settlements	-	-
At 31 March	4,104	-

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

	2018	2017
	£000	£000
Administrative expenses	9,266	1,312
Other interest payable and similar charges	129	-
	9,395	1,312

The total amount recognised in Other Comprehensive Income in respect of actuarial gains and (losses) is (£11,483,000) (2017- £nil).

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

	Fair value	
	2018	2017
	£000	£000
Equities	44,773	-
Corporate bonds	7,485	-
Property	5,853	-
Other	6,535	-
	64,646	-
Actual return on plan assets	1,967	-

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

	2018
	%
Discount rate	2.7
Expected rate of return on plan assets	3.8
Future salary increases	3.5
Inflation/pension increase rate	2.3

In valuing the liabilities of the pension fund at 31 March 2018, mortality assumptions have been made as indicated below.

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 3.5% p.a.

Current pensioner aged 65: 21.4 years (male), 23.7 years (female)

Future retiree upon reaching 65: 23.4 years (male), 25.8 years (female)

History of plans

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

	2018	2017	2016	2015
	£000	£000	£000	£000
Present value of scheme liabilities	(82,104)	-	-	-
Fair value of scheme assets	64,646	-	-	-
Net asset	(17,458)	-	-	-

The LLP expects to contribute approximately £1,874,000 to its defined benefit plan in the next financial year.

15 Ultimate parent organisation

The LLP's ultimate parent undertaking is Glasgow City Council, one of its designated members, as this is 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.