

CITY BUILDING (GLASGOW) LLP

Members' Report and Financial Statements
Registered number: SO300990
Year ended 31 March 2015

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MEMBERS' REPORT

The members present their report and audited financial statements for the year ended 31 March 2015.

Principal Activity

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

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

Members' drawings and capital

No distribution was made to the members for the year.

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

BUSINESS REVIEW

Business Structure

We are pleased to report that City Building continued to evolve as a business entity during the financial year. The primary business activities remain within Repairs and Maintenance, Construction and Manufacturing.

Financial Results for the Year

Considering that certain elements of the market that City Building service continued to face adverse economic pressures, we are pleased to report that the company delivered strong results.

Our turnover at £215.0m (2014 - £237.3m) has decreased by £22.3m on the previous year. Overall our divisions have generated a net operating loss of £4.6 million. In 2014-15 we have made a revenue discount to Glasgow City Council of just over £5m, a 2.3% return on turnover (2014 - 2.1%).

In accordance with our operating agreement between the LLP and Glasgow City Council, and in line with previous years, an annual discount of £5.08m (2014 - £5.0m), was deducted. This is in respect of profits made on contracts and services provided during the year, demonstrating a very strong performance in difficult market conditions.

The results for the financial year includes services provided to the Company's sister company, City Building (Contracts) LLP, to allow it to deliver its contracts in accordance with a call – off agreement. It is also agreed that the LLP can charge City Building (Contracts) a management fee. For 2014-15 this Management Fee was a credit of £4.9k (2014 £0.32m).

The net liabilities of City Building at 31 March 2015 were £(153.2)m (2014 - £(102.1m)). This is a result of the net pension deficit of £(154.0)m (2014 - £(102.9)m) in the Strathclyde Pension Fund (Local Government Pension Scheme). Actuarial losses of £(46.9)m (2014 - £(15.2)m) were experienced during the year as a result of a further reduction in the net discount rate over the year, the negative impact of which is expected to have outweighed the positive asset return achieved.

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

It should be noted 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, the members believe the LLP's exposure is limited to the annual contributions. The company currently meets the current annual contributions determined by the Scheme Trustees as requiring to be made to the pension fund.

The Strathclyde Pension Fund was subject to a triennial valuation as at 31 March 2014 which was to determine employer contribution levels from 1 April 2015. Currently these levels remain the same but management acknowledge that the current pension position could result in increased contribution levels in the future, however, in the meantime, they do not consider that there is any major impact on the ongoing business trading position

MEMBERS' REPORT (continued)

Administrative Expenses

These have increased to £17.0m (2014 – £15.8m) up by £1.2m, primarily due to FRS 17 costs and the reduction in the City Building (Contracts) LLP Management Fee.

Our credentials in the marketplace

We continue to develop City Building's brand in our chosen markets. We have won, in competition, over £1.2 billion worth of new business, sustaining employment for our workforce. As well as delivering 81 new apprenticeships during this financial year, our record in the retention of time out apprentices stands at 86%, a significant achievement in a very challenging construction industry.

Our clients are at the heart of our business. Our strong customer focus and social ethos is what differentiates us from the other construction companies in the marketplace.

City Building is one of the top 90 businesses in Scotland for Equality and Diversity as well as being recognised as one of the top 100 construction companies in the UK in terms of our turnover.

Our achievements over the years, particularly in the areas of sustainability and employment, culminated in the prestigious Queens Award for Enterprise: Sustainable Development. In addition, we have achieved quality, health and safety and environmental accreditations ISO 9001, ISO 14001, ISO 18001 and EFQM Committed to Excellence.

Our success has also received external recognition from the business community via a number of awards:

- The Glasgow Awards 2015 Employer of the Year winner
- Association of Gas Safety Awards 2015 Scottish Social Housing Contractor of the year.
- Association of Gas Safety Awards 2015 National Social Housing Contractor of the year.
- Glasgow Business Award shortlisted in Green Champion Category
- Glasgow Business Award shortlisted in Sustainable Development Category
- Inspiring City commended in Corporate Social Responsibility category
- Inspiring City Working Together winner
- Scottish Business Award shortlisted in Corporate Social Responsibility
- Reserve Forces Employer Silver Award winner

In addition we have been shortlisted for the following awards:

In four categories for the Scottish Home Awards 2015, which is Scotland's largest independent awards programme for the housing industry and highlights excellence in building, design, marketing and customer care across the house building sector.

- Large Affordable Housing Development of the Year – Maryhill Locks development
- Large Affordable Housing Development of the Year – Marfield Street development
- Small Affordable Housing Development of the Year – Croftfoot Road Development
- Sustainable Development of the Year – Croftfoot Road development

In addition, our apprentices have been shortlisted for a number of awards including the Trades House Apprentice 2015.

Construction Division

Market conditions continued to be challenging for City Building. However the major £250m contract win with Glasgow City Council Education Services to rebuild or refurbish a number of nurseries, primary schools, and additional support for learning schools in the city gives the company a solid base to work on as well as delivering economic benefits for the City.

This programme of work is being delivered in partnership with Glasgow City Council Education Services in a sympathetic manner in order to minimise classroom downtime and general disruption to pupils. Our team have excelled across the year meeting and exceeding timescale constraints and we look forward to the continuing delivery of this contract through the coming year. In addition, new construction and major refurbishments across the Council's Education estate provision continued with large scale new build completed at Garrowhill Primary School and Early Years Centre as well as major refurbishments and improvements at Ashcraig, Crookston, Gadsburn, Gaelic and Merrylee Primary Schools during the year. These schools were technically challenging and bring a modern and future proofed addition to the City's Education portfolio.

MEMBERS' REPORT (continued)

These new buildings have been constructed to the highest possible standard delivering a high quality educational environment, supporting Glasgow City Council's commitment to improving education attainment and a nurturing approach in our schools and nurseries.

City Building has also delivered Hawthorn House, a new state of the art 120 bed care home and day care facility in the north of Glasgow clearly demonstrating our ability to diversify into new and challenging market areas. This Care facility is the first of 5 new care homes and day centres to be delivered by City Building over the next four years, delivering employment and training opportunities, as well as supporting our manufacturing facility Royal Strathclyde Blindcraft Industries (RSBi).

Through our delivery of these contracts our teams have built up an in-depth knowledge on the softer side of social care facilities and this will stand City Building in good stead over the coming years.

These major construction projects combined with the delivery of innovative new build homes for local Housing Associations and the refurbishment of prestigious buildings in the City such as the Mitchell Library sustained employment for our core workforce and created new jobs for our timeout apprentices and the wider job market.

It was also a year of note for our Construction team in seeing delivered projects used during the 2014 Commonwealth Games, with venues at Glasgow Green (Hockey), Scotstoun (Squash) and Commonwealth House, showcasing our skills in both HQ office accommodation and stadia construction to a global audience both at home and on television.

The turnover within the Construction Division for 2015 was £68.3m (2014 - £96.5m). This is mainly due to the completion of contracts in 2014 for the Commonwealth Games.

Together with our sister organisation City Building (Contracts) LLP, the Construction Division continues to be a market leader in providing opportunities which are of significant community and local economic benefit. We are still involved in rolling out various award winning equality initiatives under our "Construction for All" initiative, which targets women into construction and the BME community, resulting in a significant achievement of employing 33% of all female craft apprentices in Scotland registered with Skills Development Scotland.

Our innovative new Post Apprenticeship Transition Programme has been shortlisted for a number of awards.

Repairs and Maintenance Division

Delivering a reactive and planned Repairs and Asset Improvement service to Glasgow City Council, this business area continues to assist Glasgow City Council in delivering and operating world class facilities for a world class City.

We are very proud to have played a key responsive repair role throughout the 2014 Commonwealth Games and look forward to the City hosting more notable competitions and further involvement for City Building in the future.

Our team have this year successfully delivered and further aligned service delivery processes with internal Glasgow City Council departments and are working closer with our ALEO colleagues at both City Property LLP and ACCESS to ensure together we help deliver ongoing savings and service improvements to Glasgow City Council.

The Repairs and Maintenance Division remains stable with turnover increasing to £111.9m, (2014 - £108.6m).

In terms of best value, we continue to contribute to the regeneration of Glasgow by using socially inclusive practices and delivering effective, accountable services which offer value for money and enhance the quality of life, safety and wellbeing of all stakeholders.

As well as providing day to day maintenance, City Building also provides a Facility Management Service including lift and alarm maintenance and installation services, asbestos and Legionella identification and removal services. All of these specialist services are now being delivered or are about to be delivered by increased use of mobile technology keeping Glasgow City Council requirements and mobile working agenda firmly embedded in City Building's service delivery model. We have secured contracts in this area as a result of our high standards of workmanship and highly focused customer orientated approach to service delivery resulting in customer satisfaction levels at 95%.

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

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

MEMBERS' REPORT (continued)

Manufacturing Division - RSBi

Our Manufacturing Division, Royal Strathclyde Blindcraft Industries, (RSBi) experienced an increase in turnover to £26.9m (2014 - £23.9m), a 12.5% increase.

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

Our ongoing strategy of investing in people, plant and equipment, allows us to continue supplying quality products to support our core operations and the wider market.

RSBi manufactures high quality kitchens, school and office furniture and windows, and provides a range of services including document storage and management, the storage of personal belongings and furnishing design, space solutions and manufacture. The introduction of a new curtain walling line will provide RSBi with many opportunities within the construction and refurbishment markets.

The range of products manufactured by RSBi supply our Construction Division with kits for houses, schools, care homes and day care centres and offices and reflects the fact that the Division is an integral part of the City Building operation.

As the market leader in cross public, private and third sector supply and partnership working, RSBi works with a diverse range of clients. We continue to investigate ways of adding additional workstreams and will adapt the business model to suit, new opportunities as they arise securing employment.

This year our new online product catalogue at catalogue.citybuilding.co.uk has increased our market activities as well as opportunities for trade events.

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

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

The future will continue to be challenging for RSBi and its inclusion in the above framework offers additional opportunities. The proposed changes to Reserved Contracts Legislation (Article 19) will need to be monitored over the period.

RSBi in partnership with Kelvin College, provide a range of core classes for all employees, at its factory Learning Centre. These courses include literacy, numeracy and information technology at various levels.

The Learning Centre has been designed to provide the capacity and flexibility to allow for growth in employee participation. The inclusive nature of our provision ensures all employees have access to appropriate learning. Our growth will be sustained by engaging new learners and by providing a progression route for existing learners.

Corporate Services Division

Within our Corporate Services Division we now employ in excess of 350 apprentices at our SQA Accredited Training Centres at Queenslie and Laurieston, providing additional resource to our Construction and Repair and Maintenance Divisions. The apprentice "pass out rate" this year was over 90%, considerably above the national average in our sector of 76%. In addition to our craft trades apprentices we also employ modern apprentices across the business.

City Building directly employs over 2,268 staff and firmly believes that a highly motivated, engaged and skilled workforce is fundamental to its success.

City Building are committed to investing in our staff to ensure that we continue to successfully deliver for our clients and to provide opportunities for our workforce, management and Board to undertake training programmes to help them to the very top of their skill sets. We are proud of the fact that many of our staff have also undertaken professional exams resulting in a variety of qualifications which have benefited the Company. We believe these are the vital skills necessary to deliver commercial success by an organisation of our size and complexity in a highly competitive marketplace.

We deliver a first class training programme for our entire workforce, from trade apprenticeships to degree and post graduate qualifications. In the past year we have carried out 2,500 days training and delivered 25,205 toolbox talks. We are extremely proud of our quality scores, as measured by our clients, and believe it is a testament to the quality of our end product.

City Building is proud of its strong social ethos and believes that community benefits and engagement are vital to the continuing success of the Company. To support that belief we actively encourage the employment of underrepresented

groups and can now state that of the total staff, 10% is female, 1% from the BME community and 9% disabled. City Building is also the largest employer of craft trade apprentices in Scotland.

MEMBERS' REPORT (continued)

Community engagement is a key factor in our business plan and we have worked to interact within different communities on a large variety of projects. It is our policy to actively engage with communities prior to work commencing to gain an understanding of their needs and expectations. We proactively involve them in our decision making processes and, wherever possible, seek to assist the local communities in which we work. Not only do we provide local employment, apprenticeships and sponsorship of local projects and events but we also undertake community based apprenticeship projects.

As a testament to the staff's allegiance during this year, we have organised Long Service Award lunches to celebrate 25,886 years of cumulative service.

City Building works strictly within the confines of the Health and Safety at Work Act 1974, the Management of Health and Safety at Work Act Regulations 1999 and the relevant Construction Regulations. A Health and Safety Management system is in place which is reviewed annually by senior management and promotes a safe and healthy working environment, ensuring the highest standards of health and safety for our employees and anyone else who may be affected by their activities.

City Building is BSI accredited for the Occupational Health and Safety award 18001 across all of its business areas.

Risk Management

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

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.

According to industry insights (January 2015), the construction industry has been one of the main engines of economic growth during 2014, with estimated UK expansion in the sector of around 5% in real terms, the best performance since 2010. Growth is projected to moderate to just below 3% a year on average during the 2015 to 2019 period.

Scotland is projected to see annual average output growth of 1.1% over the 2015 to 2019 period, considerably lower than the UK rate of 2.9%. Average growth rates for new work and repair and maintenance are expected to be similar, at 1% and 1.2% respectively. This output growth rate is only just strong enough to generate marginal employment growth, of 0.1% on average per year, again well below the UK average of 1.5%. The primary reason for the relatively modest annual average output growth in the five years to 2019 is a projected decline in infrastructure activity from 2016 onwards.

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

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

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

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

Corporate Social Responsibility

Our staff are the cornerstone of our business.

At City Building, where we are "Building a Sustainable Future", we are providing skills to the workforce of tomorrow and generating true, economic and sustainable 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,

MEMBERS' REPORT (continued)

- 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 by giving life changing opportunities to those far removed from the labour market, and
- 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 and local communities.

Investment for New Business Development

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

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

Outlook 2015 – 16

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. Whilst contractual delays have had a slight negative impact on construction work within the year it is anticipated that this lower level of activity will be sustained during the year coupled with slight growth in other areas resulting in a further increased return of profits to Glasgow City Council.

MEMBERS' REPORT (continued)

Transactions with members

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

In accordance with the Operating Agreement between the LLP and Glasgow City Council, and in line with previous years, the annual discount to Glasgow City Council, £5.08m (2014 - £5.0m), was provided for within these accounts in respect of the profits made on contracts and services provided during the year.

Disclosure of information to Auditor

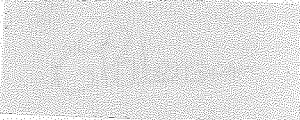
The Members who held office at the date of approval of this Members report confirm that, so far as they are each aware, there is no relevant audit information of which the Partnership's auditor are unaware, and each Member has taken all the steps that they ought to have taken as a Member to make themselves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

Auditor

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

The financial statements were authorised for issue on 18 June 2015.

Approved by the members and signed by



Graham Paterson

For and on behalf of

GCC LLP Investments Ltd
Designated member
Registered number: SO300990

8 July 2015

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

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

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

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

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

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

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



KPMG LLP

191 West George Street
Glasgow
G2 2LJ
United Kingdom

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

We have audited the financial statements of City Building (Glasgow) LLP for the year ended 31 March 2015 set out on pages 10 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the members of the limited liability partnership (LLP), as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as required by Regulation 39 of the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the LLP's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the LLP and the LLP's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the LLP as at 31 March 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008.

Matters on which we are required to report by exception

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

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

Philip Charles (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
191 West George Street
Glasgow
G2 2LJ

10 July 2015

Profit and loss account
 for the year ended 31 March 2015

	Note	2015 £000	2014 £000
Turnover	2	215,037	237,294
Cost of sales		<u>(202,554)</u>	<u>(223,928)</u>
Gross Profit	3	12,483	13,366
Administrative expenses		<u>(17,041)</u>	<u>(15,816)</u>
Operating (loss)	4	(4,558)	(2,450)
Interest receivable and similar income	6	454	20
Interest payable and similar charges	7	<u>(4)</u>	<u>(1,936)</u>
(Loss) on ordinary activities before and after taxation being profit for the financial year before members remuneration and profit share		<u>(4,108)</u>	<u>(4,366)</u>
Members remuneration charged as an expense	8	-	-
(Loss) for the period available for discretionary division among members		<u>(4,108)</u>	<u>(4,366)</u>

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

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

Statement of Total Recognised Gains and Losses
for the year ended 31 March 2015

	Note	2015 £000	2014 £000
(Loss) for the year available for discretionary division among members		(4,108)	(4,366)
Actuarial (losses) on the pension scheme 1 April to 31 March	16	(46,973)	(15,296)
Total recognised (losses) for the year		<u>(51,081)</u>	<u>(19,662)</u>

Balance Sheet
at 31 March 2015

	<i>Note</i>	2015 £000	2014 £000
Fixed assets	9	2,140	1,016
Current assets			
Stock and work in process	10	2,589	2,479
Debtors	11	37,447	46,946
Cash in hand and in bank		3,379	3,671
		<u>43,415</u>	<u>53,096</u>
Creditors: amounts falling due within one year	12	<u>(43,254)</u>	<u>(51,570)</u>
Net current assets		<u>161</u>	<u>1,526</u>
Total assets less current liabilities		<u>2,301</u>	<u>2,542</u>
Creditors: amounts falling due after more than one year	13	(521)	-
Provisions for liabilities and charges	14	<u>(927)</u>	<u>(1,642)</u>
Net assets before pension fund (deficit)		853	900
Pension fund (deficit)	16	<u>(154,022)</u>	<u>(102,988)</u>
Net (liabilities)		<u>(153,169)</u>	<u>(102,088)</u>
Members' interest			
Members' capital		1	1
Pension reserve	16	(154,022)	(102,988)
Other reserves		852	899
Total other reserves		<u>(153,170)</u>	<u>(102,089)</u>
Members' deficit		<u>(153,169)</u>	<u>(102,088)</u>

These financial statements were approved by the members on 18 June 2015 and were signed on their behalf by:

Graham Paterson
For and on behalf of

GCC LLP Investments Ltd
Designated member
Registered number: SO300990

8 July 2015

Reconciliation of Movement in Members' Interest

	Members' capital £000	Pension reserve £000	Other reserves £000	Total other reserves £000	Total Members' interest £000
Balance at 1 April 2014	1	(102,988)	899	(102,089)	(102,088)
Actuarial losses on the pension scheme		(46,973)		(46,973)	(46,973)
Transfers to/(from) the pension reserve		(4,061)	4,061	-	-
(Loss) for the year available for discretionary division among members			(4,108)	(4,108)	(4,108)
Balance as at 31 March 2015	1	(154,022)	852	(153,170)	(153,169)

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").

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 as stated in Financial Reporting Standard 1 *Cash flow statements* ("FRS 1").

As the LLP is a wholly owned subsidiary of Glasgow City Council, the LLP has taken advantage of the exemption contained in Financial Reporting Standard 8 *Related parties* and has therefore not disclosed transactions or balances with entities which form part of the group as related parties.

Group reconstructions, including the transfer of services to and from Glasgow City Council, are accounted for as mergers or demergers in line with the requirements of Financial Reporting Standard 6 *Acquisitions and Mergers*. Assets and liabilities are transferred at their stated value and are not subject to revaluation or fair valuation calculations.

Going concern

The LLP has net liabilities of £153.2 million at the balance sheet date. These arise from its obligations in respect of the inclusion of Strathclyde Pension Fund liabilities of £154.0 million which fall due in future years in accordance with the accounting treatment required by FRS 17 'retirement benefits'. The net pension fund liability is dependent on market economic conditions and represents the specific circumstances as at the balance sheet date.

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

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

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.

Notes (continued)

1 Accounting policies (continued)

Leases

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

Fixed Assets

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

Depreciation

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

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

I.T. Systems	4 years
Plant and Equipment	10 years
Fixtures and Fittings	10 years
Buildings	10 years

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

Taxation

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

Turnover recognition

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

Long-term contracts

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

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

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

Stock

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

Retirement benefits

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

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

Notes (continued)

2 Turnover

Turnover, which is net of VAT, is included to the extent of the completion of the contract or service supplied under the principal activities of the LLP. It is stated after inclusion, in accordance with the Operating Agreement between the LLP and Glasgow City Council, of an annual discount to Glasgow City Council which amounted to £5,082,000 (2013-14: £5,000,000). The annual discount on turnover flows through to gross profit.

3 Gross Profit

The activities of the LLP are broken down as follows:

Year ended 31 March 2015	Construction Activities £000	Repairs & Maintenance Activities £000	Other Activities £000	Manufacturing £000	Total £000
Turnover					
Total Sales	74,005	111,951	7,806	26,974	220,736
Inter segment sales	(5,640)	(59)			(5,699)
Sales to third parties	68,365	111,892	7,806	26,974	215,037
Gross profit					
Segment profit / (loss)	4,521	6,508	(16)	1,470	12,483
Common administrative costs					(17,041)
Operating (loss)					(4,558)
Net interest					450
(Loss) before taxation					(4,108)
Total Assets					
Segment assets	8,292	24,993	1,671	3,768	38,724
Unallocated assets					6,832
Unallocated liabilities					(199,578)
Total net liabilities					(154,022)

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

Year ended 31 March 2014	Construction Activities £000	Repairs & Maintenance Activities £000	Other Activities £000	Manufacturing £000	Total £000
Turnover					
Total Sales	101,265	109,006	8,315	23,945	242,531
Inter segment sales	(4,791)	(446)			(5,237)
Sales to third parties	96,474	108,560	8,315	23,945	237,294
Gross profit					
Segment profit / (loss)	6,988	5,648	-	730	13,366
Common administrative costs					(15,816)
Operating profit					(2,450)
Net interest					(1,916)
Profit before taxation					(4,366)
Total Assets					
Segment assets	16,328	25,938	614	3,743	46,623
Unallocated assets					7,489
Unallocated liabilities					(156,200)
Total net liabilities					(102,088)

Notes (continued)

4 Operating loss

	2015 £000	2014 £000
<i>Operating (loss) is stated after charging:</i>		
Operating lease payments - land and buildings	1,169	1,102
Depreciation and other amounts written off fixed assets	225	226
Auditor's remuneration - audit of these financial statements	40	40
- tax services	4	4

5 Staff numbers and cost

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

	2015 Number	2014 Number
Direct operatives	2,090	2,067
Administration	193	192
	<u>2,283</u>	<u>2,259</u>

	2015 £000	2014 £000
Staff costs for the above persons were:		
Wages and salaries	64,885	62,258
Social security costs	4,760	4,638
Pension costs	13,549	11,121
	<u>83,194</u>	<u>78,017</u>

6 Other interest receivable and similar income

	2015 £000	2014 £000
Other interest receivable	20	20
Expected return on pension scheme assets	17,491	-
Interest on defined benefit scheme obligation	(17,057)	-
	<u>454</u>	<u>20</u>

Notes (continued)

7 Other interest payable and similar charges

	2015 £000	2014 £000
Finance leases	4	-
Interest on defined benefit scheme obligation	-	15,801
Expected return on pension assets	-	(13,865)
	<u>4</u>	<u>1,936</u>

8 Particulars of members

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

9 Fixed assets

	Land & Buildings £000	Plant & Equipment £000	Total £000
Cost			
At 1 April 2014	450	2,063	2,513
Additions	-	1,349	1,349
Disposals	-	-	-
At 31 March 2015	<u>450</u>	<u>3,412</u>	<u>3,862</u>
Depreciation			
At 1 April 2014	270	1,227	1,497
Charge for the Year	45	180	225
Disposals	-	-	-
At 31 March 2015	<u>315</u>	<u>1,407</u>	<u>1,722</u>
Net book value			
At 31 March 2015	<u>135</u>	<u>2,005</u>	<u>2,140</u>
At 31 March 2014	<u>180</u>	<u>836</u>	<u>1,016</u>

Finance Lease

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

	2015 £000	2014 £000
At Cost	1,098	475
Depreciation	(475)	(475)
	<u>623</u>	<u>-</u>

10 Stock and work in progress

	2015 £000	2014 £000
Raw materials and consumables	<u>2,589</u>	<u>2,479</u>

Notes (continued)

11 Debtors

	2015 £000	2014 £000
Trade debtors	2,205	472
Amounts owed by parent	9,483	8,013
Amounts owed by other group undertakings	21,700	30,981
Value added tax	2,895	3,453
Prepayments and accrued income	1,164	4,027
	<u>37,447</u>	<u>46,946</u>

12 Creditors: amounts falling due within one year

	2015 £000	2014 £000
Bank loan	-	500
Trade creditors	17,839	24,141
Amounts owed to parent	7,802	6,617
Amounts owed to other group undertakings	127	143
Other taxation and social security	1,432	1,537
Other creditors	2,587	1,089
Accruals and deferred income	13,467	17,543
	<u>43,254</u>	<u>51,570</u>

13 Creditors: amounts falling due after more than one year

	2015 £000	2014 £000
Obligations under finance leases	521	-
	<u>521</u>	<u>-</u>

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

Less than one year	270	-
1-2 years	278	-
2-5 years	243	-
Over 5 years	-	-
	<u>791</u>	<u>-</u>

14 Provisions for liabilities and charges

	Total £000
Balance at beginning of period	1,642
Utilised during the period	(570)
Released to profit and loss account	(265)
Additions in provision during the period	120
	<u>927</u>

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

Notes (continued)

15 Operating lease commitments

At 31 March 2015, the LLP has annual commitments under operating leases as follows:

	2015 £000	2014 £000
For leases expiring:		
Within one year	11	5
Within two to five years	1,141	1,095
Over five years	-	-
	<u>1,152</u>	<u>1,100</u>

16 Pension costs

The information disclosed below is in respect of the LLP's share of assets and liabilities within Strathclyde Pension Fund, in which it is a participating employer. The latest FRS 17 actuarial valuation was carried out at 31 March 2015 by a qualified independent actuary. The employers' contribution rate payable by the LLP was 306% of the employees' rate until 31 March 2015.

	2015 £000	2014 £000
Present value of funded defined benefit obligations	(481,828)	(385,471)
Fair value of plan assets	<u>334,558</u>	<u>288,258</u>
	(147,270)	(97,213)
Present value of unfunded defined benefit obligations	<u>(6,752)</u>	<u>(5,775)</u>
Net (liability)	<u>(154,022)</u>	<u>(102,988)</u>

Movements in present value of defined benefit obligation

	2015 £000	2014 £000
At 1 April	391,246	346,316
Current service cost	13,313	10,980
Interest cost	17,057	15,801
Curtailment	626	192
Actuarial losses / (gains)	68,753	19,387
Contributions by members	2,870	2,725
Benefits paid	<u>(5,285)</u>	<u>(4,155)</u>
At 31 March	<u>488,580</u>	<u>391,246</u>

Movements in fair value of plan assets

	2015 £000	2014 £000
At 1 April	288,258	263,047
Expected return on plan assets	17,491	13,865
Actuarial gains/(losses)	21,780	4,091
Contributions by employer	9,444	8,685
Contributions by members	2,870	2,725
Benefits paid	<u>(5,285)</u>	<u>(4,155)</u>
At 31 March	<u>334,558</u>	<u>288,258</u>

Notes (continued)

16 Pension costs (continued)

Expense recognised in the profit and loss account

	2015 £000	2014 £000
Current service cost	13,313	10,980
Losses on settlements and curtailments	626	192
Interest on defined benefit pension plan obligation	17,057	15,801
Expected return on defined benefit pension plan assets	(17,491)	(13,865)
Total	13,505	13,108

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

	2015 £000	2014 £000
Administrative expenses	13,939	11,172
Other interest payable and similar charges	-	1,936
Other interest receivable and similar income	(434)	-
	13,505	13,108

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial losses £46,973,000 (2014: £15,296,000). The cumulative actuarial losses recognised in the statement of total recognised gains and losses are £139,439,000 (2014: £92,466,000).

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

	2015 Fair value £000	2014 Fair value £000
Equities	250,918	219,076
Corporate bonds	43,493	34,591
Property	36,801	20,178
Other	3,346	14,413
	334,558	288,258
Actual return on plan assets	38,146	17,956

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

	2015 %	2014 %
Discount rate	3.3	4.3
Expected rate of return on plan assets	3.3	6.0
Future salary increases	4.4*	5.1*
Inflation / pension increase rate	2.5	2.8

* Salary increases are assumed to be 0% p.a. to 31 March 2015 reverting to the long term assumption shown thereafter.

In valuing the liabilities of the pension fund at 31 March 2015, mortality assumptions have been made as indicated below.

Notes (continued)

16 Pension costs (continued)

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:

- 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).

History of plans

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

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Present value of scheme liabilities	(488,580)	(391,246)	(346,316)	(275,550)	(255,989)
Fair value of scheme assets	334,558	288,258	263,047	222,260	220,852
Net (Liability)	(154,022)	(102,988)	(83,269)	(53,290)	(35,137)

Experience adjustments

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Experience adjustments on scheme liabilities / [as a percentage of scheme liabilities]	7,056/(1.4)	(43) / -	(45) / -	15,900 / 7.2	(545) / 0.2
Experience adjustments on scheme assets / [as a percentage of scheme assets]	21,780/6.5	4,091 / 1.4	20,362 / 7.7	(23,428) / (10.5)	1,373 / 0.62

The LLP expects to contribute approximately £15,585,000 to its defined benefit plan in the next financial year.

17 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.

18 Post Balance Sheet Events

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