

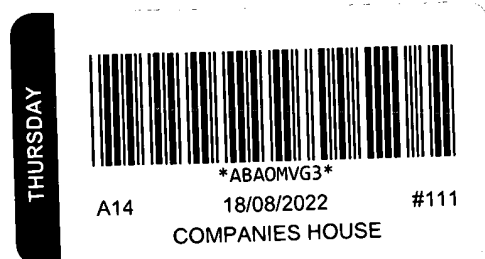
Limited Liability Partnership Registration No: OC427026



Porters Place Southend-on-Sea LLP

Annual Report and Financial Statements

Year ended 31 March 2021



Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Contents of the Annual Report

	Page
Legal and Administrative Details	1
Members' Report	2
Members' Responsibilities Statement	4
Independent Auditor's Report	5
Statement of Comprehensive Income	8
Reconciliation of Members' Interests	8
Statement of Financial Position	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 18

Legal and Administrative Details

Designated Members	Southend on Sea Borough Council Swan BQ Limited
Registered office	Pilgrim House High Street Billericay Essex CM12 9XY
External Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2A 1AG
Solicitors	Devonshires Solicitors LLP 30 Finsbury Circus London EC2M 7DT
Bankers	Royal Bank of Scotland plc 29 East Walk Basildon Essex SS14 1HD
Limited Liability Partnership Registration No	OC427026

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Members' Report

The Members present their report and audited financial statements on Porters Place Southend-on-Sea LLP (the "Partnership") for the year ended 31 March 2021.

The Partnership is a joint venture whose Designated Members are Swan BQ Limited and Southend on Sea Borough Council. The relevant percentages of each Member's interest are 50% respectively. Control is exercised pursuant to a Limited Liability Partnership Agreement dated 24 April 2019. The Partnership is for a fixed 30-year term.

Principal Activity

The principal activity of the Partnership is that of property development and the provision of new neighbourhood facilities at a development formerly known as the Queensway estate, Southend, Essex. The development known as Better Queensway will comprise of up to 1760 homes, a realigned Queensway road, improved public realm and commercial uses.

The site is being developed in 4 phases. Phase 1A is due to complete in 2026. An outline planning application was approved in March 2021, with formal planning consent issued in September 2021. A reserved matters application for Phase 1A was submitted in December 2021. The highways tender was issued in April 2022. The development scheme and the business plan are currently in the process of being revised, with a view to obtaining updated planning permission, which is expected by December 2022.

Results

The Partnership has recorded a profit of £1.1m and a restated loss of £1.7m in 2020. The financial statements for the period ended 31 March 2020 were restated following a re-assessment of the treatment of the Junior Loan Facilities with Swan Housing Association Limited and Southend on Sea Borough Council to classify these as non-basic financial instruments. See note 18 for further details on the financial statement impact of the prior period adjustment.

Key Performance Indicators

During the year the Partnership incurred costs relating to the masterplan of the scheme and preparation for planning permission, and as such all associated costs were capitalised against the development.

KPI	2020/21	2019/20
Work in progress	£4,557,000	£1,835,000
Junior Loan Facilities – balance drawn	£4,500,000	£1,500,000

Going Concern

For the purposes of assessing the appropriateness of preparing the Partnership's accounts on a going concern basis, the Members have considered the funding arrangements, financial forecasts and other aspects of its financial position in the period to 30 September 2023.

The Partnership is currently in the process of revising the Better Queensway development scheme and the business plan, with a view to obtaining updated planning permission, which is expected by December 2022. The Partnership has sufficient funding through grant funding and existing facilities until the new plan is approved and commenced on site. However, Swan Housing Association is currently going through a merger with Orbit Group that is planned for the 1 October 2022. The availability of the Junior Loan Facility funding from Swan Housing Association and ongoing support from the JV partner is dependent on the completion of the merger. The partnership will also seek further external funding to fund the development once the revised planning permission has been granted, which is expected to be required during the going concern assessment period.

The Members have concluded that the combination of these circumstance represent a material uncertainty that may cast significant doubt upon the Partnership's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless, after considering the uncertainties described above, the Members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months following the approval of the financial statements. Therefore, the Members continue to adopt the going concern basis of accounting in preparing the financial statements.

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Members' Report (continued)

Risk Management

The Partnership has developed a risk register. It is reviewed and updated by the Board of Members on a quarterly basis. The principal risks affecting the Partnership at the current stage of its business are general economic slowdown leading to a forecast drop in property sales, recruiting and retaining key personnel and employment of contractors and planning /development risk related to the development of site.

The ongoing recovery from Covid-19 and trade in a post Brexit operating environment continues to be monitored by the Directors but is not currently expected to materially impact the Company's prospects and opportunities.

Approved by the Board of Members and signed on their behalf by:



Jeremy Vickers
For Swan BQ Limited
Designated Member
11 August 2022

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Members' Responsibilities Statement

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

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 102 'The Financial Reporting' Standard applicable in the UK and Republic of Ireland). The financial statements are required by law to 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 accounting 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.

The members are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the LLP and enable them to ensure that the financial statements comply with the 2008 Regulations. They are also responsible for safeguarding the assets of the LLP and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The members confirm that:

- so far as each member is aware, there is no relevant audit information of which the LLP's auditor is unaware; and
- the members have taken all the steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that the LLP's auditor is aware of that information.

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

Approved by the Board of Members and signed on their behalf by:



Jeremy Vickers
For Swan BQ Limited
Designated Member
11 August 2022

Independent auditor's report to the members of Porters Place Southend-on-Sea LLP

Opinion

We have audited the financial statements of Porters Place Southend-on-Sea LLP (the 'limited liability partnership') for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, the Reconciliation of Members' Interests, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the limited liability partnership's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements, which indicates Swan Housing Association is currently going through a merger with Orbit Group that is planned for the 1 October 2022. The availability of the Junior Loan Facility funding from Swan Housing Association and ongoing support from the JV partner is dependent on the completion of the merger. The partnership will also seek further external funding to fund the development once the revised planning permission has been granted, which is expected to be required during the going concern assessment period. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the limited liability partnership's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities

We are responsible for concluding on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the limited liability partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the limited liability partnership to cease to continue as a going concern.

The responsibilities of the members with respect to going concern are described in the 'Responsibilities of members for the financial statements' section of this report.

Independent auditor's report to the members of Porters Place Southend-on-Sea LLP (continued)

Other information

The members are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

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

Responsibilities of members for the financial statements

As explained more fully in the members' responsibilities statement, the members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the limited liability partnership'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 the members either intend to liquidate the limited liability partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

Independent auditor's report to the members of Porters Place Southend-on-Sea LLP (continued)

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the entity and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting framework-FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Companies Act 2006 as applied to limited liability partnerships.
- We assessed the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the engagement team included:
 - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - Challenge assumptions and judgements made by management in its significant accounting estimates;
 - Identifying and testing journal entries; and
 - Identifying and testing related party transactions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the entity's operations, including the nature of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the entity's control environment, including management's knowledge of relevant laws and regulations and how the limited liability partnership is complying with those laws and regulations, the adequacy of procedures for authorisation of transactions, and procedures to ensure that possible breaches of law and regulations are appropriately resolved.
- We enquired of management about the limited liability partnership's policies and procedures relating to the identification, evaluation and compliance with laws and regulations and the detection and response to the risks of fraud and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, whether they were aware of any instances or non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Use of our report

This report is made solely to the limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Joanne Love
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 17/8/2022

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Statement of Comprehensive Income

	Notes	Year ended 31 March 2021	23 April 2019 to 31 March 2020 Restated (note 18)
		£'000	£'000
Administrative expenses		(15)	(9)
Operating loss	7	(15)	(9)
Finance income	8a	1,508	802
Finance costs	8b	(416)	(2,501)
Profit/(loss) on ordinary activities before members' remuneration and profit shares		1,077	(1,708)
Members' remuneration charged as an expense		-	-
Profit/(loss) for the financial year being total comprehensive expense for the year		1,077	(1,708)

All of the Partnership's operations are classified as continuing. There were no gains or losses in either year other than those included in the Statement of Comprehensive Income above.

The notes on pages 11 to 18 form part of these financial statements.

Reconciliation of Members' Interests

	Members' capital (classified as equity)	Other reserves	Total	Members' capital (classified as debt)	Other amounts	Total	Total Members' Interests
At incorporation	-	-	-	-	-	-	-
Loss for the financial year (Restated)	-	(1,708)	(1,708)	-	-	-	(1,708)
Introduced by members (Restated)	-	-	-	349	-	349	349
Capital contribution (Restated)	-	11,538	11,538	-	-	-	11,538
Balance at 31 March 2020 (Restated)	-	9,830	9,830	349	-	349	10,179
Profit for the financial year	-	1,077	1,077	-	-	-	1,077
Introduced by members	-	-	-	746	-	746	746
Balance at 31 March 2021	-	10,907	10,907	1,095	-	1,095	12,002

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Statement of Financial Position

	Notes	2021 £'000	2020 £'000 Restated (note 18)
Current assets			
Work in progress	9	4,557	1,835
Debtors: amounts receivable in less than one year	10	94	148
Debtors: amounts receivable greater than one year	10	8,621	9,037
Cash at bank and in hand		87	54
		<u>13,359</u>	<u>11,074</u>
Creditors: amounts falling due within one year	11	(262)	(546)
		<u>13,097</u>	<u>10,528</u>
Net current assets attributable to members			
		13,097	10,528
Creditors: amounts due after more than one year	12	(1,095)	(349)
		<u>12,002</u>	<u>10,179</u>
Net assets			
		12,002	10,179
Represented by:			
Loans and other debts due to members after more than one year			
Members' capital classified as debt	13	1,095	349
Members' other interests			
Other reserves		10,907	9,830
		<u>12,002</u>	<u>10,179</u>
Total Members' interests			
Loans and other debts due to members		1,095	349
Members' other interests		10,907	9,830
		<u>12,002</u>	<u>10,179</u>

The notes on pages 11 to 18 form part of these financial statements.

These financial statements were approved and authorised for issue by the Members on 11 August 2022 and were signed on its behalf by:



Jeremy Vickers
For Swan BQ Limited
Designated member

Limited Liability Partnership Registration Number: OC427026

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Statement of Cash Flows

	Note	2021 £'000	2020 £'000 Restated
Net cash outflow from operating activities	A	(2,895)	(1,441)
Net cash inflow from financing activities	B	2,928	1,495
		<hr/>	<hr/>
Net change in cash		33	54
Cash at beginning of the year		54	-
		<hr/>	<hr/>
Cash at end of the year		87	54
		<hr/>	<hr/>

A. Reconciliation of loss to net cash outflow from operating activities

	2021 £'000	2020 £'000 Restated
Profit/(loss) for the financial year	1,077	(1,708)
<i>Adjustment for:</i>		
Increase in work in progress	(2,722)	(1,835)
Decrease / (increase) in debtors	54	(148)
(Decrease) / increase in creditors	(212)	551
Finance (income)/costs	(1,092)	1,699
	<hr/>	<hr/>
Net cash outflow from operating activities	(2,895)	(1,441)
	<hr/> <hr/>	<hr/> <hr/>

B. Net cash inflow from financing activities

	2021 £'000	2020 £'000
Increase in Junior Loan Facilities – Southend BC	1,500	750
Increase in Junior Loan Facilities – Swan Housing Association	1,500	750
Interest paid	(72)	(5)
	<hr/>	<hr/>
Net cash inflow from financing activities	2,928	1,495
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 18 form part of these financial statements

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Notes to the Financial Statements

1. Partnership Information

The financial statements for Porters Place Southend-on-Sea LLP for the year ended 31 March 2021 were authorised for issue by the Board of Members on 11 August 2022. Porters Place Southend-on-Sea LLP is incorporated and domiciled in England and Wales. The Partnership's registered office is Pilgrim House, High Street, Billericay, Essex, CM12 9XY. The average number of members in the year was two.

2. Basis of Preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), Companies Act 2006 as applied by LLPs and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, December 2018. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The financial statements have been prepared on an historical cost basis.

Going concern

For the purposes of assessing the appropriateness of preparing the Partnership's accounts on a going concern basis, the Members have considered the funding arrangements, financial forecasts and other aspects of its financial position in the period to 30 September 2023.

The Partnership is currently in the process of revising the Better Queensway development scheme and the business plan, with a view to obtaining updated planning permission, which is expected by December 2022. The Partnership has sufficient funding through grant funding and existing facilities until the new plan is approved and commenced on site. However, Swan Housing Association is currently going through a merger with Orbit Group that is planned for the 1 October 2022. The availability of the Junior Loan Facility funding from Swan Housing Association and ongoing support from the JV partner is dependent on the completion of the merger. The partnership will also seek further external funding to fund the development once the revised planning permission has been granted, which is expected to be required during the going concern assessment period.

The Members have concluded that the combination of these circumstances represent a material uncertainty that may cast significant doubt upon the Partnership's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business. Nevertheless, after considering the uncertainties described above, the Members have a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months following the approval of the financial statements. Therefore, the Members continue to adopt the going concern basis of accounting in preparing the financial statements.

3. Significant judgements and estimates

The preparation of the Partnership's financial statements in conformity with FRS 102 requires the Members to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the significant management judgements made in applying the accounting policies of the Partnership that have the most significant effect on the financial statements.

Classification of loans

The Partnership's loans are required to be classified as either basic or non-basic financial instruments in accordance with the conditions set out under FRS102 section 11.9.

Previously, management assessed the Junior Loan Facilities to be basic financial instruments, however, the classification has been re-assessed during the year ended 31 March 2021 and management has concluded that the loans should be reported as non-basic. The interest rate on the loans is reset annually based on the 11 ½ to 12 year Public Works Loan Board rate. This is judged to create leverage and, therefore, the loan is not considered to meet the basic condition in FRS 102 11.9 (a)(ii).

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Notes to the Financial Statements (cont)

Furthermore, on re-assessment it has been determined that the loans were at a below market rate of interest (as at the date of issue). A derivative asset and capital contribution of £11,538k was recognised for the difference arising on initial recognition, based on the discounting of the loan commitment to present value using a market rate of interest. The balance relating to the loan with Swan Housing Association Limited has been treated as a capital contribution, even though it is not a member of the Partnership. This is due to the fact that management consider that the Partnership only obtained the below market rate of interest on the loan as a result of Swan Housing Association being the parent company of Swan BQ Limited and, therefore, it is in substance a transaction with a member.

See note 18 for further details on the financial statement impact of the prior period adjustment resulting from the re-assessment of the treatment of the Junior Loan Facilities.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liability, income and expenses is provided below. Actual results may be substantially different.

Fair value measurement

Fair value measurements were applied to the derivative asset and loan amounts due on the Junior Loan Facilities with Swan Housing Association Limited and Southend on Sea Borough Council. The total fair value of the derivative asset at inception of the loan agreements was £11,538k and £8,621k as at 31 March 2021 (2020: £9,037k). The total fair value of the loan amounts due as at 31 March 2021 was £2,190k (2020: 698k).

Management utilises the services of a specialist third party treasury advisor to calculate the fair value of its financial instruments. The valuation techniques used involve developing estimates and assumptions consistent with how market participants would price the instrument or asset. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

Work in progress

The assessment that work in progress is carried at the lower of cost or net realisable value. Management assesses the net realisable value of schemes using publicly available information and forecasts an overall profit for the scheme after allowing for all further costs of completion and subsequent disposal of the housing properties.

4. Principal Accounting Policies

Expenditure

Net operating expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms.

Finance income and costs

Finance income and costs relate to the fair value movement in financial instruments, which is charged to profit and loss during the year.

VAT

The Partnership is registered for VAT and consequently its expenditure on taxable activities is shown exclusive of VAT.

Work in progress

Work in progress consists of costs incurred on the regeneration project. This is held at the lower of cost or estimated selling price less costs to complete and sell. Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Trade creditors

Trade creditors on normal terms are not interest bearing and are stated at amortised cost.

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Notes to the Financial Statements (cont)

Financial Instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to profit or loss.

Where loans are determined to be issued at a below market rate of interest, a derivative asset is recognised for the difference arising on initial recognition, based on the discounting of the loans to present value using a market rate of interest. The corresponding credit is recognised as a capital contribution where the loan is either with a member or is determined to be in substance a transaction with a member. At each year end, the derivative asset is revalued to fair value, with the movements posted to profit or loss.

Members' drawings and allocation of profits

It is the Members' intention over the lifetime of the joint venture established through the LLP that they shall share in the Net Profits generated by the joint venture equally. Drawings are treated as payments on account of profit allocation and are only repayable to the LLP in so far as there are insufficient profits to allocate against such drawings. Any drawings in excess of total profits allocated would be included within 'amounts due from members' within debtors.

A Management Board meeting is held to approve any distribution of profits. The distribution of profits is at the discretion of the Management Board. Any losses are not allocated to members but must be eliminated by future profits before profit allocations recommence.

Members' contribution

Aside from initial capital contributions, Members' contribution is via debt funding on a pari passu basis.

Taxation

Tax to be paid on the profits arising in the LLP are a personal tax liability of the members of the LLP and therefore are not included as a tax charge or provision within these financial statements. Tax as presented within these financial statements represents tax arising from other group undertakings.

5. Members' remuneration

None of the Members received any remuneration (2020: nil) or other benefits for their qualifying services to the Partnership. The Partnership did not provide a retirement benefits scheme for its Members in the current year.

6. Staff numbers and costs

The Partnership had no employees during the year (2020: nil).

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Notes to the Financial Statements (cont)

7. Operating loss

	Year ended 31 March 2021 £'000	23 April 2019 to 31 March 2020 £'000
Operating loss is stated after charging:		
Auditor's remuneration for the audit of the financial statements of the Partnership	(3)	(3)
	<u> </u>	<u> </u>

8. Finance income/(costs)

	2021 £'000	2020 £'000
a. Finance income		
Gain on the movement in fair value of financial instruments	1,508	802
	<u>1,508</u>	<u>802</u>
b. Finance costs		
Loss on the movement in fair value of financial instruments	(416)	(2,501)
	<u>(416)</u>	<u>(2,501)</u>

The finance income/(costs) relate to the fair value movement in the Junior Loan Facility amounts due to Swan Housing Association Limited and Southend on Sea Borough Council, which are treated as non-basic financial instruments (notes 12 and 13) and the movement in the associated derivative asset (note 10).

9. Work in progress

	2021 £'000	2020 £'000
Project development costs	4,557	1,835
	<u> </u>	<u> </u>

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Notes to the Financial Statements (cont)

10. Debtors

	2021 £'000	2020 £'000 Restated
Debtors within one year		
VAT receivable	70	130
Other debtors	-	17
Prepayments	24	1
	<u>94</u>	<u>148</u>
Due within more than year		
Derivative asset	8,621	9,037
	<u>8,621</u>	<u>9,037</u>

The derivative asset relates to the difference arising on the commitment for the Junior Loan Facilities that were issued at a below market rate of interest, based on the discounting of the loans to present value using a market rate of interest.

11. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	153	521
Accruals	109	25
	<u>262</u>	<u>546</u>

12. Creditors: amounts falling due after one year

	2021 £'000	2020 £'000 Restated
Junior Loan Facility at fair value from:		
- Swan Housing Association Limited	1,095	349
	<u>1,095</u>	<u>349</u>

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Notes to the Financial Statements (cont)

The Junior Loan Facility is for £14,999,999 with accrued interest paid quarterly, from Swan Housing Association Limited, being the ultimate parent undertaking of Swan BQ Limited, a designated member of the Partnership. Maturity of the facility is the earlier of 12 months following the completion of the sale of the final residential unit; or 31 December 2034. The purpose of this facility and the Junior Loan Facility from Southend on Sea Borough Council (see note 13) is to fund the development at Better Queensway through the planning phase.

The interest rate on the Junior Loan Facility was initially 2.40% per annum, for the first 12 months following the first drawdown date. This is then reset annually by reference to the 11 ½ to 12 year Public Works Loan Board rate plus a margin of 0.2%.

Previously, the Junior Loan Facility was treated as a basic financial instrument. however, the classification has been re-assessed during the year ended 31 March 2021 and has been reclassified as non-basic, as the interest basis is not considered to meet the basic condition in FRS 102 11.9 (a)(ii).

An amount of £2,250,000 was drawdown on the loan as at 31 March 2021 (2020: £1,500,000), with a fair value of £1,095,000 (2020: £349,000)

See note 18 for further details on the financial statement impact of the prior period adjustment resulting from the re-assessment of the treatment of the Junior Loan Facility

This Junior Loan Facility is ranked equally with a similar facility from Southend on Sea Borough Council (see note 13) and in the event of a winding up liquidation will be ranked above all other creditors.

13. Members' capital classified as debt

	2021 £'000	2020 £'000 Restated
Junior Loan Facility at fair value from:		
- Southend on Sea Borough Council	1,095	349
	<u>1,095</u>	<u>349</u>

The Junior Loan Facility is for £14,999,999 with accrued interest paid quarterly, from Southend on Sea Borough Council, a designated member of the Partnership. Maturity of the facility is the earlier of 12 months following the completion of the sale of the final residential unit; or 31 December 2034. The purpose of this facility and the Junior Loan Facility from Swan Housing Association Limited (see note 12) is to fund the development at Better Queensway through the planning phase.

The interest rate on the Junior Loan Facility was initially 2.40% per annum, for the first 12 months following the first drawdown date. This is then reset annually by reference to the 11 ½ to 12 year Public Works Loan Board rate plus a margin of 0.2%.

Previously, the Junior Loan Facility was treated as a basic financial instrument. however, the classification has been re-assessed during the year ended 31 March 2021 and has been reclassified as non-basic, as the interest basis is not considered to meet the basic condition in FRS 102 11.9 (a)(ii).

An amount of £2,250,000 was drawdown on the loan as at 31 March 2021 (2020: £1,500,000), with a fair value of £1,095,000 (2020: £349,000)

See note 18 for further details on the financial statement impact of the prior period adjustment resulting from the re-assessment of the treatment of the Junior Loan Facility

This Junior Loan Facility is ranked equally with a similar facility from Swan Housing Association Limited (see note 12) and in the event of a winding up liquidation will be ranked above all other creditors.

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Notes to the Financial Statements (cont)

14. Analysis of changes in net debt

	At 1 April 2020 Restated	Cash flows	Fair value adjustment	At 31 March 2021
	£'000	£'000	£'000	£'000
Cash and cash equivalents				
Cash at bank and in hand	54	33	-	87
	<u>54</u>	<u>33</u>	<u>-</u>	<u>87</u>
Borrowings				
Debt due after one year	(698)	(3,000)	1,508	(2,190)
	<u>(644)</u>	<u>(2,967)</u>	<u>1,508</u>	<u>(2,103)</u>

15. Members' transactions

Transactions with the controlling parties during the year were as follows

	Professional Fees		Interest Paid	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Southend on Sea Borough Council	50	50	36	2
Swan BQ Limited	-	-	-	-
	<u>50</u>	<u>50</u>	<u>36</u>	<u>2</u>

16. Control

In the opinion of the members there is no ultimate controlling party, as the Members' interest of both Southend on Sea Borough Council and Swan BQ Limited is equal.

17. Related parties

Swan New Homes Limited is considered to be a related part by virtue of being under the same common control as Swan BQ Limited. During the year the LLP was charged £589,759 (2020: £540,612) from Swan New Homes Limited relating to project development costs. At the 31 March 2021 there was £58,976 (2020: £117,952) due to Swan New Homes Limited.

Porters Place Southend-on-Sea LLP
Year ended 31 March 2021

Notes to the Financial Statements (cont)

18. Prior Period Adjustment - Reconciliation of previous reported figures

Previously, management assessed the Junior Loan Facilities to be basic financial instruments. However, the classification has been re-assessed during the year ended 31 March 2021 and management has concluded that the loans should be reported as non-basic. The interest rate on the loans is reset annually based on the 11 ½ to 12 year Public Works Loan Board rate. This is judged to create leverage and, therefore, the loan is not considered to meet the basic condition in FRS 102 11.9 (a)(ii).

Furthermore, on re-assessment it has been determined that the loans were at a below market rate of interest (as at the date of issue). Therefore, a derivative asset and capital contribution should be recognised for the difference arising on initial recognition, based on the discounting of the loan commitment to present value using a market rate of interest.

As a result, the financial statements for the period ended 31 March 2020 have been restated to reflect the revised treatment.

The impact on the financial statements for the period ended 31 March 2020 is as follows:

Statement of Comprehensive Income for the period ended 31 March 2020:

	As previously stated	Adjustment	As restated
	£'000	£'000	£'000
Finance income	-	802	802
Finance costs	-	(2,501)	(2,501)
Loss for the period	(9)	(1,699)	(1,708)

Statement of Financial Position for the period ended 31 March 2020:

	As previously stated	Adjustment	As restated
	£'000	£'000	£'000
Debtors due within more than one year – derivative asset	-	9,037	9,037
Creditors: amounts falling due after one year	(750)	401	(349)
Members' capital classified as debt	(750)	401	(349)
Other reserves – capital contribution	-	(11,538)	(11,538)
Total net assets/Members' interests	741	9,438	10,179

Statement of Cash Flows for the period ended 31 March 2020:

	As previously stated	Adjustment	As restated
	£'000	£'000	£'000
Loss for the financial period	(9)	(1,699)	(1,708)
Finance (income)/costs	-	1,699	1,699
Increase in creditors	546	5	551
Net cash outflow from operating activities	(1,446)	5	(1,441)
Interest paid	-	(5)	(5)
Net cash inflow from financing activities	1,500	(5)	1,495

In addition, the increase in Junior Loan Facilities has Statement of Cash Flows has been updated to separately disclose the amount of £750,000 received from each of Southend on Sea Borough Council and Swan Housing Association Limited, whereas previously the £1,500,000 was disclosed in total.