

Limited Liability Partnership Registration No: OC427026



Porters Place Southend-on-Sea LLP

Annual Report and Financial Statements

Year ended 31 March 2022

Porters Place Southend-on-Sea LLP
Year ended 31 March 2022

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Legal and Administrative Details

Designated Members	Southend on Sea City Council Swan BQ Limited
Registered office	Sanctuary House Chamber Court Worcester Worcestershire WR1 3ZQ
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 2022

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 2022.

The Partnership is a joint venture whose Designated Members are Swan BQ Limited and Southend on Sea City 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.

Results

The Partnership has recorded a loss of £18,448,000 in 2022 (2021: £1,077,000 profit). The loss is due to fair value adjustments on the Junior Loan Facility plus a write down of work in progress of £7,367,000 to £nil.

Basis of Preparation of the Financial Statements

The financial statements have been prepared on a basis other than a going concern. Accordingly, appropriate adjustments have been made to the financial statements. Details of matters relevant to the Members' assessment of the application of the going concern basis, plus appropriate adjustments made are given in note 2 to the financial statements.

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.

Porters Place Southend-on-Sea LLP
Year ended 31 March 2022

Members' Report (continued)

Disclosure of information

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 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.

In preparing this report, the Members have taken advantage of the small LLPs exemption in Part 5 of the 2008 Regulations.

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

DocuSigned by:



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Alan Richards
For Southend on Sea City Council
Designated Member
25 July 2023

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

We have audited the financial statements of Porters Place Southend-on-Sea LLP (the 'limited liability partnership') for the year ended 31 March 2022, which comprise which comprise the Statement of Comprehensive Income, the Reconciliation of Members' Interests, the Statement of Financial Position 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 2022 and of its loss 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.

Emphasis of matter – basis of preparation of the financial statements

We draw attention to Note 2 to the financial statements, which describes the basis of preparation of the financial statements. As described in that note, the cash position of the limited liability partnership is such that if no further injection of cash is received from external parties soon the limited liability partnership will be unable to continue trading, as such the limited liability partnership would not be able to remain in operational existence. With no source of funding, the members would have no realistic alternative but to liquidate the limited liability partnership and accordingly the members have prepared the financial statements on a non-going concern basis of accounting. Our opinion is not modified in this respect of this matter.

Other information

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

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 themselves. 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; or
- the members were not entitled to prepare the financial statements in accordance with the small limited liability partnerships' regime.

Responsibilities of members

As explained more fully in the members' responsibilities statement set out on page 2, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 limited liability partnership and determined the most significant are those related to the financial reporting framework, being FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006 as applied to limited liability partnerships;
- 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 and whether they had any knowledge of actual, suspected or alleged fraud;
- We assessed the susceptibility of the limited liability partnership's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. Audit procedures performed by the engagement team included:
 - Evaluation of the processes and controls established to address the risks related to irregularities and fraud;
 - Challenging assumptions and judgments made by management in its significant accounting estimates;
 - Identifying and testing of unusual journal entries; and
 - Identifying and testing related party transaction.
- 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;
- The engagement partner's 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;
 - knowledge of the industry in which the limited liability partnership operates;

- understanding of the relevant legal and regulatory frameworks specific to the limited liability partnership;
- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud including through procedures and internal controls in the preparation of the 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.

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: 25/7/2023

Porters Place Southend-on-Sea LLP
Year ended 31 March 2022

Statement of Comprehensive Income

	Notes	Year ended 31 March 2022	Year ended 31 March 2021
		£'000	£'000
Administrative expenses		(45)	(15)
Write off of work in progress		(7,367)	-
Operating loss	7	(7,412)	(15)
Finance income	8a	1,430	1,508
Finance costs	8b	(12,466)	(416)
(Loss)/profit on ordinary activities before members' remuneration and profit shares		(18,448)	1,077
Members' remuneration charged as an expense		-	-
Total Comprehensive Income for the year		(18,448)	1,077

There were no gains or losses in either year other than those included in the Statement of Comprehensive Income above.

The notes on pages 9 to 15 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
Balance at 31 March 2020	-	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
Loss for the financial year	-	(18,448)	(18,448)	-	-	-	(18,448)
Introduced by members	-	-	-	2,230	-	2,230	2,230
Balance at 31 March 2022	-	(7,541)	(7,541)	3,325	-	3,325	(4,216)

Porters Place Southend-on-Sea LLP
Year ended 31 March 2022

Statement of Financial Position

	Notes	2022 £'000	2021 £'000
Current assets			
Work in progress	9	-	4,557
Debtors: amounts receivable in less than one year	10	116	94
Debtors: amounts receivable greater than one year	10	-	8,621
Cash at bank and in hand		22	87
		<u>138</u>	<u>13,359</u>
Creditors: amounts falling due within one year	11	(4,354)	(262)
		<u>(4,216)</u>	<u>13,097</u>
Net current (liabilities)/assets attributable to members			
		(4,216)	13,097
Creditors: amounts due after more than one year	12	-	(1,095)
		<u>-</u>	<u>(1,095)</u>
Net (liabilities)/assets		<u>(4,216)</u>	<u>12,002</u>
Represented by:			
Loans and other debts due to members after more than one year			
Members' capital classified as debt	13	3,325	1,095
Members' other interests			
Other reserves		(7,541)	10,907
		<u>(7,541)</u>	<u>10,907</u>
		<u>(4,216)</u>	<u>12,002</u>
Total Members' interests			
Loans and other debts due to members		3,325	1,095
Members' other interests		(7,541)	10,907
		<u>(4,216)</u>	<u>12,002</u>

The notes on pages 9 to 15 form part of these financial statements.

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions applicable to partnerships subject to the small LLPS regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

These financial statements were approved and authorised for issue by the Members on 25 July 2023 and were signed on its behalf by:

DocuSigned by:

Alan Richards

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Alan Richards
For Southend on Sea City Council
Designated member

Limited Liability Partnership Registration Number: OC427026

Porters Place Southend-on-Sea LLP
Year ended 31 March 2022

Notes to the Financial Statements

1. Partnership Information

The financial statements for Porters Place Southend-on-Sea LLP for the year ended 31 March 2022 were authorised for issue by the Board of Members on 21 July 2023. Porters Place Southend-on-Sea LLP is incorporated and domiciled in England and Wales. The average number of members in the year was two.

2. Basis of Preparation

The financial statements, incorporating the financial statements of the Partnership, have been prepared under the historical cost convention unless specified within these accounting policies. The financial statements have been prepared in accordance with the provisions applicable to partnerships subject to the small LLPS regime and in accordance with the provisions of FRS 102 Section 1A - small entities, The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 and the Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships, December 2018.

In preparing the financial statements, the Members have taken advantage of the following disclosure exemptions available under the small LLPs regime:

- The requirement to prepare a cash flow statement; and
- Financial instruments disclosures.

Basis of Preparation of the Financial Statements

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 July 2024.

The cash position of the Partnership is such that if no further injection of cash is received from external parties soon the entity will be unable to continue trading, as such the entity would not be able to remain in operational existence. With no source of funding, the members would have no realistic alternative but to liquidate the Partnership. Therefore, the Members have chosen to adopt a non-going concern basis of accounting in preparing the financial statements. Accordingly, appropriate adjustments have been made to the financial statements to prepare them on a basis other than going concern.

Adjustments made include:

- a) Impairment of work in progress down to recoverable value less costs to sell as at the date of approval of these financial statements, rather than the value as at 31 March 2022. This is a departure from the standard rules set out in the requirements of FRS 102 due to the financial statements being prepared on a non-going concern basis.
- b) Reclassification of all non-current loans and grant liabilities to current liabilities.
- c) The future cash flows associated with the fair value of the derivative financial asset have been adjusted to reflect the position as at the date of approval of these financial statements, rather than the position as at 31 March 2022. This is a departure from the standard rules set out in the requirements of FRS 102 due to the financial statements being prepared on a non-going concern basis.
- d) The value of the Junior Loan Facility has been adjusted to the amounts repayable as at the balance sheet date, rather than fair value. This is a departure from the standard rules set out in the requirements of FRS 102 due to the financial statements being prepared on a non-going concern basis.

No provision has been made for the estimated costs of liquidation of the Partnership as a decision to liquidate has not yet been made by the Members.

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.

Porters Place Southend-on-Sea LLP
Year ended 31 March 2022

Notes to the Financial Statements (cont)

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 was 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). 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.

As at the financial year end, the fair value of the derivative asset balance has been adjusted in line with expected cash flows associated with these financial statements being prepared on a non-going concern basis as detailed in note 2.

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 City Council. The total fair value of the derivative asset at inception of the loan agreements was £11,538k and £nil as at 31 March 2022 (2021: £8,621k). The total fair value of the loan amounts due as at 31 March 2022 was £3,242k (2021: £2,190k). The fair value of the loan has been adjusted to the repayable amount of £6,650,000 as at the balance sheet date, this is based on the loan recognised as being imminently repayable in line with the financial statements being prepared on a non-going concern basis.

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. However, given the status of these accounts being prepared on a non-going concern basis, work in progress is revalued based on its fair value less costs to sell, as at the date of approval of these financial statements of £nil as detailed in note 2.

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 and Junior Loan interest, 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.

Porters Place Southend-on-Sea LLP
Year ended 31 March 2022

Notes to the Financial Statements (cont)

Work in progress

Work in progress consists of costs and capitalised interest incurred on the regeneration project. As at the financial year end, the work in progress balance has been impaired down to its recoverable value less costs to sell as detailed in note 2.

Trade creditors

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

Government grants

Government grants include grants receivable from the Homes England. Capital grants received are accounted for under the accruals method within creditors and recognised in income as properties are sold. Grants relating to revenue are recognised as income over the same period as the expenditure to which they relate once reasonable assurance has been gained that any conditions associated with the grant have been met.

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 (2021: £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 (2021: nil).

Porters Place Southend-on-Sea LLP
Year ended 31 March 2022

Notes to the Financial Statements (cont)

7. Operating loss

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Operating loss is stated after charging:		
Auditor's remuneration for the audit of the financial statements of the Partnership	(32)	(3)
	<u>(32)</u>	<u>(3)</u>

8. Finance income/(costs)

	2022 £'000	2021 £'000
a. Finance income		
Gain on the movement in fair value of financial instruments	1,430	1,508
	<u>1,430</u>	<u>1,508</u>
b. Finance costs		
Loss on the movement in fair value of financial instruments	(12,361)	(416)
Junior Loan Interest for the year	(104)	-
Bank Charges	(1)	-
	<u>(12,466)</u>	<u>(416)</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 City Council, which are treated as non-basic financial instruments (notes 12 and 13) and the movement in the associated derivative asset (note 10). Of the £12,361,000 loss on movement of fair value of financial instruments above, £3,408,000 relates to adjusting the fair value of the junior loan facility balance to repayable value (note 11, 12 and 13) and £8,953,000 relates to adjusting the derivative asset to £nil (note 10), owing to the non-going concern basis of preparation as described in note 2.

9. Work in progress

	2022 £'000	2021 £'000
Project development costs	-	4,557
	<u>-</u>	<u>4,557</u>

An impairment charge of £7,367,000 has been recognised to write down work in progress to its recoverable value less costs to sell as at the date of approval of these financial statements of £nil, owing to the non-going concern basis of preparation as described in note 2.

Porters Place Southend-on-Sea LLP
Year ended 31 March 2022

Notes to the Financial Statements (cont)

10. Debtors

	2022 £'000	2021 £'000
Debtors within one year		
VAT receivable	115	70
Prepayments	1	24
	<u>116</u>	<u>94</u>
	<u><u>116</u></u>	<u><u>94</u></u>
Due within more than year		
Derivative asset measured at fair value	-	8,621
	<u>-</u>	<u>8,621</u>
	<u><u>-</u></u>	<u><u>8,621</u></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 of 10.2% as at 31 March 2022 (2021: 9.6%).

The fair value of the derivative asset was reassessed as at the date of approval at the financial statements as described in note 2. The value has been adjusted to £nil as a result of the Junior Loan Facility being reclassified to a current liability in line with the non-going concern basis of preparation.

11. Creditors: amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	461	153
Accruals	68	109
Junior Loan Facility at fair value from:		
- Swan Housing Association Limited	3,325	-
Grant Awarded – Homes England	500	-
	<u>4,354</u>	<u>262</u>
	<u><u>4,354</u></u>	<u><u>262</u></u>

All long term liabilities were transferred to short term at the end of the financial year, owing to the status on going concern. See note 12 for further details.

12. Creditors: amounts falling due after one year

	2022 £'000	2021 £'000
Junior Loan Facility at fair value from:		
- Swan Housing Association Limited	-	1,095
	<u>-</u>	<u>1,095</u>
	<u><u>-</u></u>	<u><u>1,095</u></u>

Porters Place Southend-on-Sea LLP
Year ended 31 March 2022

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 City 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%. The applicable interest rate in the year was 1.72% for period to 22 January 2022 and 2.49% from this date to the year end date.

The Junior Loan Facility is treated as a non-basic financial instrument under FRS 102 section 12, as the interest basis is not considered to meet the basic condition in FRS 102 11.9 (a)(ii).

An amount of £3,325,000 was drawn down on the loan as at 31 March 2022 (2021: £2,250,000). The fair value has been determined to be £1,621,000 as at 31 March 2022 (2021: £1,095,000), based on a market rate of interest of 10.2% as at 31 March 2022 (2021: 9.6%). The fair value of the loan has been adjusted to the repayable amount of £3,325,000 as at the balance sheet date, owing to the non-going concern basis of preparation as described in note 2.

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

All long term liabilities were transferred to short term at the end of the financial year, owing to the status on going concern.

13. Members' capital classified as debt

	2022 £'000	2021 £'000
Junior Loan Facility at fair value from:		
- Southend on Sea City Council	3,325	1,095
	<u>3,325</u>	<u>1,095</u>

The Junior Loan Facility is for £14,999,999 with accrued interest paid quarterly, from Southend on Sea City 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%. The applicable interest rate in the year was 1.72% for period to 22 January 2022 and 2.49% from this date to the year end date.

The Junior Loan Facility is treated as a non-basic financial instrument under FRS 102 section 12, as the interest basis is not considered to meet the basic condition in FRS 102 11.9 (a)(ii).

An amount of £3,325,000 was drawn down on the loan as at 31 March 2022 (2021: £2,250,000). The fair value has been determined to be £1,621,000 as at 31 March 2022 (2021: £1,095,000), based on a market rate of interest of 10.2% as at 31 March 2022 (2021: 9.6%). The fair value of the loan has been adjusted to the repayable amount of £3,325,000 as at the balance sheet date, owing to the non-going concern basis of preparation as described in note 2.

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 2022

Notes to the Financial Statements (cont)

14. Members' transactions

Transactions with the controlling parties during the year were as follows

	Professional Fees		Interest Paid	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Southend on Sea City Council	71	50	52	36
Swan BQ Limited	-	-	-	-
	<u>71</u>	<u>50</u>	<u>52</u>	<u>36</u>

15. Control

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

16. Related parties

Swan New Homes Limited is considered to be a related party by virtue of being under the same common control as Swan BQ Limited. During the year the LLP was charged £589,759 (2021: £589,759) from Swan New Homes Limited relating to project development costs. At the 31 March 2022 there was £58,976 (2021: £58,976) due to Swan New Homes Limited.

Swan Housing Association is considered to be a related party by virtue of being under the same common control as Swan BQ Limited. During the year the LLP was charged £nil (2021: £3,000) from Swan Housing Association relating to audit fees paid by Swan Housing Association on behalf of the LLP, and was charged £52,000 (2021: £36,000) in interest on the Junior Loan Facility issued from Swan Housing Association. At the 31 March 2022 there was £nil (2021: £nil) due to Swan Housing Association.