



Qualis Group, Qualis Commercial, Qualis Management, Qualis Living

# Finance and Performance Monitoring Quarterly Report

Year 3, Quarter 4, (1<sup>st</sup> July 2022 – 30<sup>th</sup> September 2022)

**Authors:** Tim Sanderson, Senior Finance Consultant and Frances Malone, Finance Business Partner

**Decisions Required:** To approve the report and note the actions.

1. To note the figures and performance highlighted in this report.
2. To support the key actions set out through Section 5 of this report.



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## 1. Purpose of this report

- 1.1 The Qualis Group Board receives monthly financial reports direct by email.
- 1.2 The Group Board receives a quarterly Finance and Performance Report that tracks the success of the Group against the agreed Business Plan and Budget.
- 1.3 The Quarterly Finance and Performance report may include amendments to the agreed Business Plan and Budget that require Group Board approval, and in some instances, further approval from the Shareholder.
- 1.4 The Quarterly Finance and Performance Report is issued to the Shareholder, which is a requirement set out in the Shareholder Agreement.
- 1.5 Performance measures contained within this report are consistent with Group KPIs and other formal reports.
- 1.6 Comments shown in red are for the attention of the Group Board only and will be excluded from the version of the report sent to the Shareholder.

## 2. Monitoring finance and operational performance indicators

- 2.1 The key performance indicators are set out below. They are top level indicators of the financial health of the group of companies.
- 2.2 The following colour coded performance flags are used:

Colour	Overall Performance	Detailed Measure
	Cyan, exceptional performance	Over twice the budgeted amount
	Green, good performance	Positive performance up to twice the budgeted amount
	Amber, poor performance but will be remedied next quarter	Negative performance variance of between 5% and 10% of the expected figure
	Red, poor performance but will be remedied in two further quarters	Negative performance variance of between 5% and 10% of the expected figure
	Black, poor performance requiring immediate Board level intervention	Negative performance variance in excess of 10% of the expected figure





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2.3 Direction of travel indicators are shown as arrows, either up for improved performance or down for deteriorating performance. An equal sign indicates no change in the reported trend.

### 3. Key financial performance indicators

3.1 The top-level indicators are shown above including performance and trend flags.

Indicator	Target £	Actual £	Variance £	Performance
Cash in Bank	6,000,000	990,000	-5,100,000	
Profit/(loss) before taxation	1,639,318	-44,362	-1,683,680	

3.2 The cash position is below the target of £6 million by £4,843,207. The main contributory factors behind this are as follows:

- Failure to acquire additional investment properties that meet criteria, which is a result of new Public Works Loan Board restrictions and economic factors.

3.3 The income and expenditure position for the period is £1,683,680 under budget due to the factors listed below for each company:

- As above

### 4. Budget and business plan amendments this quarter

4.1 There have been no agreed amendments to the 2021/22 Budget.



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## 5 Company financial performance, income, and expenditure.

The income and expenditure summaries for the each of the Qualis companies within the group are shown below:

### 5.1 Qualis Group

Month	Sales	Costs	Net Profit
Oct-21	196,406	(209,304 )	(12,898 )
Nov-21	187,716	(148,318 )	39,398
Dec-21	192,040	(172,372 )	19,668
Jan-22	192,040	(219,687 )	(27,647 )
Feb-22	192,040	(187,064 )	4,976
Mar-22	193,815	(191,120 )	2,695
Apr-22	192,290	(180,215 )	12,075
May-22	192,290	(145,001 )	47,289
Jun-22	192,290	(177,716 )	14,574
Jul-22	192,290	(156,198 )	36,092
Aug-22	192,290	(179,393 )	12,897
Sep-22	192,248	(198,928 )	(6,680 )
		<b>TOTAL</b>	<b>142,440</b>
		<b>TARGET</b>	<b>32,262</b>
		<b>VARIANCE</b>	<b>110,178</b>

Items to note:

- The main reason for the positive variance is an underspend on budgeted salaries of £65,000. There are other minor variances across various cost codes.
- From 1<sup>st</sup> October 2022, Qualis Group will apply a 5% margin when recharging its overheads to the other three operational companies in the Group, in accordance with professional advice.

Key actions

- None



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## 5.2 Qualis Commercial

Month	Sales	Costs	Net Profit
Oct-21	160	(160 )	0
Nov-21	965,922	(61 )	965,861
Dec-21	61	(457,432 )	(457,371 )
Jan-22	254,546	(267,044 )	(12,498 )
Feb-22	13,546	(379,967 )	(366,421 )
Mar-22	222,235	240,750	462,985
Apr-22	2,096	28,833	30,930
May-22	2,096	(53,564 )	(51,468 )
Jun-22	2,096	(53,264 )	(51,168 )
Jul-22	2,096	(75,907 )	(73,810 )
Aug-22	2,096	(916,961 )	(914,864 )
Sep-22	2,096	628,096	630,192
		<b>TOTAL</b>	<b>162,368</b>
		<b>TARGET</b>	<b>0</b>
		<b>VARIANCE</b>	<b>162,368</b>

Items to note:

- The original budget assumed a break even position as all costs would be either recharged to EFDC (for schemes that where Qualis is acting as advisor) or recharged to Qualis Living for sites that it owns and has planning permission.
- Roundhills costs have been recharged to Qualis Living on the basis that planning permission will soon be obtained.
- There is a £308,000 positive variance in respect of loan interest that is now being borne by Qualis Living as owner of the assets. A corresponding variance arises in that company.
- £85,000 has been incurred in respect of Qualis Homes, relating to set up costs, including branding, marketing advertising.

Key actions

- None



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### 5.3 Qualis Management

Month	Sales	Costs	Net Profit
Oct-21	588,438	(595,370 )	(6,931 )
Nov-21	576,311	(609,829 )	(33,518 )
Dec-21	536,003	(505,302 )	30,701
Jan-22	558,722	(507,645 )	51,077
Feb-22	558,112	(542,056 )	16,056
Mar-22	593,715	(600,383 )	(6,668 )
Apr-22	775,252	(763,894 )	11,358
May-22	824,479	(855,922 )	(31,443 )
Jun-22	719,118	(706,126 )	12,992
Jul-22	811,354	(829,746 )	(18,392 )
Aug-22	739,525	(672,448 )	67,077
Sep-22	450,153	(457,142 )	(6,989 )
		TOTAL	85,319
		TARGET	60,457
		VARIANCE	24,861

Items to note:

- Good financial performance for the year.
- A £32,000 positive variance from improved processes and cost control for out of hours activities.
- A £60,000 accrual has been made for potential financial settlement of a contractual dispute.

Key actions

- None



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#### 5.4 Qualis Living

Month	Sales	Costs	Net Profit
Oct-21	111,839	(56,939 )	54,900
Nov-21	136,101	(52,295 )	83,806
Dec-21	250,702	(351,863 )	(101,162 )
Jan-22	294,657	(168,738 )	125,919
Feb-22	203,151	(161,321 )	41,830
Mar-22	202,689	(589,612 )	(386,923 )
Apr-22	206,547	(187,647 )	18,900
May-22	203,046	(288,364 )	(85,318 )
Jun-22	214,544	10,977	225,521
Jul-22	203,501	(442,088 )	(238,587 )
Aug-22	203,596	(291,336 )	(87,740 )
Sep-22	138,238	(223,873 )	(85,635 )
		TOTAL	(434,489 )
		TARGET	1,546,599
		VARIANCE	(1,981,087 )

Items to note:

- There continues to be a negative variance due to the failure to acquire new investment properties that provide a surplus after servicing debt. The net negative variance is £740,000.
- As noted above, there is a £308,000 negative interest variance in Qualis Living on some of the property loans. This was originally envisaged to be borne by Qualis Commercial, so a corresponding variance arises in that company.
- There was a marginal revaluation deficit in respect of the three investment properties in the September 2022 valuation report.

Key actions

- None



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## 6. Balance Sheets

6.1 A summary view of the balance sheets of the group companies is shown below.

Balance Sheet as at 30 Sep 2022 Period to C12	All Company Consolidated Balance Sheet	
		<b>All Datasets</b>
		<b>Actual YD</b>
		<b>This Yr £</b>
<b>Fixed Assets</b>	Freehold Property	£44,474,521
	Office Equipment Net book value	£75,790
	Motor Vehicles Net book value	£48,998
	<b>Total Fixed Assets</b>	<b>£44,599,309</b>
<b>Current Assets</b>	Debtors Control Account	£2,687,302
	Other Debtors & Prepayments	£302,602
	Accrued Income	£150,106
	Natwest Current Account	£989,790
	WIP Project Cost's	£10,535,809
	<b>Total Current Assets</b>	<b>£14,665,609</b>
<b>Current Liabilities</b>	Creditors Control Account	£2,098,200
	Other Creditors & Accruals	£1,466,195
	<b>Total Current Liabilities</b>	<b>£3,564,395</b>
<b>Total Assets less Current Liabilities</b>		<b>£55,700,523</b>
<b>Long Term Liabilities</b>	Loans received EFDC	£59,450,333
<b>Net Assets</b>		<b>(£3,749,810)</b>
<b>Capital Employed</b>	Profit and Loss Account	<b>(£3,705,448)</b>
<b>Unposted Profit</b>	Retained Profit /Loss	<b>(£44,362)</b>
<b>Total Capital Employed</b>		<b>(£3,749,810)</b>





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Detailed Breakdown of Assets by Company					
Asset Breakdown	Qualis Group	Qualis Management	Qualis Living	Qualis Commercial	Total
Freehold Property	0	0	44,474,521	0	44,474,521
Office Equipment	70,627	5,163	0	0	75,789
Motor Vehicles	0	48,998	0	0	48,998
					44,599,309
Debtors Control Account	1,042,406	1,654,355	(14,701)	5,032	2,687,091
Prepayments	97,710	191,614	4,187	9,298	302,813
WIP Project costs			8,010,111	2,525,697	10,535,809
Accrued Income	0	130,929	19,177	0	150,106
Recharges	0	0	(0)	0	0
Bank Account	44,059	153,729	52,802	739,200	989,790
					14,665,609
<b>Total Assets</b>	<b>1,254,802</b>	<b>2,184,787</b>	<b>52,546,097</b>	<b>3,279,227</b>	<b>59,264,918</b>

## 7. Loans

- 7.1 Drawdowns from the construction loan facility is behind the business plan and budget assumption, this is principally due to planning and construction related delays. The primary impact of delays is on the Shareholder who benefits from a margin from loans to Qualis. Note - advance drawdowns are not permitted due to the certification process.
- 7.2 Delays acquiring additional investment property has also reduced debt requirements, which again impacts the Shareholder.
- 7.3 In total, borrowing during the 2021-2022 financial year is £52m less than budget (as shown in the tables below).
- 7.4 For loans that have not been formally agreed, including the £35m regeneration facility, current volatility of interest rates presents further challenges with the search for investments that will provide surplus cash after servicing loans.
- 7.5 The 2022-2023 Business Plan and Budget provides a less optimistic growth forecast and a more conservative assumption for loan drawdown and investment activity.
- 7.6 The 2021-2022 Business Plan and Budget assumed loan drawdowns as follows:

Loan description	Q1 £m	Q2 £m	Q3 £m	Q4 £m
Asset Purchase	17			
Construction	6	6	6	6
Regeneration	10	5	5	5
Working Capital (Revolving)	1			1
External				5
<b>Total</b>	<b>34</b>	<b>11</b>	<b>11</b>	<b>17</b>
<b>Grand Total</b>				<b>73</b>



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7.7 The actual draw down of loans in the period is shown below:

Loan description	Q1 £m	Q2 £m	Q3 £m	Q4 £m
Asset Purchase	15			
Construction		5		1
Regeneration				
Working Capital (Revolving)				
External				
Total	15	5	0	1
Grand Total				21

## 8. Summary going concern statement

The underlying trend of the performance of all Qualis companies is considered satisfactory and all Qualis companies should be considered “going concerns”.