



MEETING: Qualis Group Board Meeting
DATE: 10 May 2023
TITLE: **March Finance Report**
PRESENTED BY: Andy Howarth, Interim Finance Director
 Frances Malone, Finance Manager
ACTION: To NOTE the contents of the report

2. Recommendation

1.1 This report is to review and note and no decisions are required.

2.0 Executive Summary

2.1 As at the end of March only QGL is ahead of budget, but QPS and QCL are both producing surpluses. QLL is reporting adverse variances primarily due to optimistic budget setting for new business streams that either have not materialised or are not producing anticipated income. The combined loss stands at £351k, £200k worse than budget. QCL Project costs and overheads have been moved to WIP to bring the P&L into line with budget assumptions.

2.2 Group assets and WIP are analysed at paragraph 5.

2.3 Group debt of £68m is further broken down at Paragraph 6.

2.4 The group cash balances at the end of the month were £2.3m. A high level 4-year cash projection has been completed and shared with EFDC as a basis for discussing how Qualis cashflow will be supported by loans drawn up until development projects complete.

3.0 Company Financial Performance

2.5 Qualis Group Ltd

2.5.1 Essentially this reflects the recharge of central costs to the group companies and should not show any significant variances. The remaining year is forecast to budget which is why the YTD variances are the same as the full year variances.

| Group | YTD | | | Full YR | | |
|-------------|-----------|-----------|----------|-----------|-----------|----------|
| | Actual | Budget | Variance | Forecast | Budget | Variance |
| Revenue | 1,235,579 | 1,266,004 | (30,425) | 2,501,575 | 2,532,000 | (30,425) |
| Expenditure | 1,178,196 | 1,237,647 | 59,451 | 2,352,549 | 2,412,000 | 59,451 |
| Profit/Loss | 57,383 | 28,357 | 29,026 | 149,026 | 120,000 | 29,026 |

2.0 Qualis Property Solutions Ltd

2.0.1 The full year forecast result is now expected to be lower than budget at £270k and there are still risks to be managed over the second half of the year including the onboarding of the Grounds Maintenance contract. The GM contract is in the full year budget for the second half of the year but was prudently assumed to produce a break-even position. This contract commenced on 1st May.



| Property Solutions | YTD | | | Full YR | | |
|--------------------|-----------|-----------|-----------|------------|------------|-----------|
| | Actual | Budget | Variance | Forecast | Budget | Variance |
| Revenue | 5,670,325 | 5,428,758 | 241,567 | 12,541,243 | 12,321,222 | 220,021 |
| Expenditure | 5,596,855 | 5,304,516 | (292,339) | 12,271,680 | 11,979,341 | (292,339) |
| Profit/Loss | 73,470 | 124,242 | (50,772) | 269,563 | 341,881 | (72,318) |

2.1 Qualis Commercial Ltd

2.1.1 The budget included an assumption that Work in Progress would be shown as operating costs with income transferred to cover these costs. This approach has been reviewed and the accounting entries for the year to date now show the transfer to WIP within the expenditure section and not as income. The income shown relates to fees received.

2.1.2 The approach now used moves all project costs to WIP, but there could be future write offs to P&L as abortive costs if we establish that a scheme will not proceed.

| Commercial | YTD | | | Full YR | | |
|-------------|--------|---------|-----------|----------|-----------|-------------|
| | Actual | Budget | Variance | Forecast | Budget | Variance |
| Revenue | 34,716 | 882,000 | (847,284) | 69,433 | 1,764,000 | (1,694,567) |
| Expenditure | 0 | 842,000 | 842,000 | 0 | 1,684,000 | 1,684,000 |
| Profit/Loss | 34,716 | 40,000 | (5,284) | 69,433 | 80,000 | (10,568) |

2.2 Qualis Living Ltd

2.2.1 The forecast takes the realistic view that the budget investment income of £309k from newly acquired investments will not be achieved in this financial year.

2.2.2 The full year budget also included £300k of parking income expected to occur from July to September, which will probably start later than expected, possibly in September, and not be fully effective until the next Qualis financial year. Only £125k is included in the forecast together with other unbudgeted temporary car park income at St Johns.

2.2.3 The anticipated income for managing the EFDC portfolio was included in budget at £700k comprising a base fee of £500k with a share of £200k relating to income growth from lease reviews and renewals. However, the EFDC budget for this activity was less than £300k. We are expecting to reach a compromise position with a lower base fee and a sensible share of the growth. The forecast now includes £450k for this activity.

2.2.4 The forecast still assumes positive net favourable expenditure variances of c£30k.

2.2.5 Forecast interest costs of £2.5m have been accrued to budget but there is still an exercise to complete to establish a policy for costs capitalised on development schemes included in WIP.

| Living | YTD | | | Full YR | | |
|-------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | Actual | Budget | Variance | Forecast | Budget | Variance |
| Revenue | 1,336,073 | 1,540,500 | (204,427) | 2,762,593 | 3,378,000 | (615,407) |
| Expenditure | 1,852,361 | 1,885,163 | 32,802 | 3,739,830 | 3,770,326 | 30,496 |
| Profit/Loss | (516,288) | (344,663) | (171,625) | (977,238) | (392,326) | (584,912) |

2.3 Combined Profit / (Loss)

| | | | | | | |
|---------------------|-----------|-----------|-----------|-----------|---------|-----------|
| Overall Profit/Loss | (350,718) | (152,064) | (198,655) | (489,216) | 149,555 | (638,771) |
|---------------------|-----------|-----------|-----------|-----------|---------|-----------|

4.0 Balance Sheets

2.0 The summary combined Balance sheet is as follows

| All Company Combined Balance Sheet as at 31 Mar 2023 | | £ |
|---|----------------------------------|--------------------|
| Fixed Assets | Freehold Property | 44,464,331 |
| | Office Equipment Net book value | 73,427 |
| | Motor Vehicles Net book value | 42,420 |
| | Total Fixed Assets | 44,580,178 |
| Intangible Assets | Debtors - Unpaid share capital | 4 |
| Current Assets | Debtors Control Account | 2,303,679 |
| | Other Debtors & Prepayments | 321,903 |
| | Accrued Income | 284,158 |
| | Deferred Income | (287,875) |
| | Natwest Current Account | 2,280,583 |
| | WIP Project Costs | 17,965,581 |
| | Total Current Assets | 22,868,028 |
| Current Liabilities | Creditors Control Account | 2,710,063 |
| | Other Creditors & Accruals | 387,247 |
| | Total Current Liabilities | 3,097,310 |
| Total Assets less Current Liabilities | | 64,350,900 |
| Long Term Liabilities | Loans received EFDC | 72,302,500 |
| | Loan Repayments | (3,831,443) |
| | Provision for Deferred Tax | 1,689,369 |
| Total Long Term Liabilities | | 70,160,426 |
| Net Assets | | (5,809,526) |
| Capital Employed | Share Capital | 4 |
| | Profit and Loss Account | (5,458,813) |
| Unposted Profit | Retained Profit /Loss | (350,718) |
| Total Capital Employed | | (5,809,526) |

2.1 Assets analysis

2.2 The asset values shown in the combined balance sheet can be analysed by company as follows:

| Asset Breakdown | Qualis Group | Qualis Management | Qualis Living | Qualis Commercial | Total |
|-------------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| Freehold Property | 0 | 0 | 44,464,331 | 0 | 44,464,331 |
| Office Equipment | 68,931 | 4,496 | 0 | 0 | 73,427 |
| Motor Vehicles | 0 | 42,420 | 0 | 0 | 42,420 |
| | | | | | 44,580,178 |
| Debtors Control Account | 528,664 | 1,695,888 | 56,892 | 22,235 | 2,303,679 |
| Prepayments | 105,281 | 205,948 | 2,887 | 7,787 | 321,903 |
| WIP Project costs | 0 | 0 | 14,539,189 | 3,426,392 | 17,965,581 |
| Accrued Income | 0 | 64,758 | 219,400 | 0 | 284,158 |
| Deferred Income | 0 | 0 | (287,875) | 0 | (287,875) |
| Recharges | 0 | 0 | 0 | 0 | 0 |
| Bank Account | 853,128 | 427,141 | 996,299 | 4,015 | 2,280,583 |
| | | | | | 22,847,324 |
| Total Assets | 1,556,003 | 2,440,650 | 59,991,123 | 3,460,429 | 67,448,206 |

2.3 The key lines to note in the assets analysis are the Property and Work in Progress lines which can be further analysed by asset/scheme as follows.

| Combined Assets & WIP | Inv Assets | Dev Assets | WIP | Total |
|------------------------------|-------------------|-------------------|-------------------|-------------------|
| | £ | £ | £ | £ |
| Birchwood Building | 14,225,000 | | | 14,225,000 |
| Greenfields House – Coventry | 8,640,000 | | | 8,640,000 |
| Wycke Hill – Maldon | 6,820,000 | | | 6,820,000 |
| Cottis Lane | | 3,477,092 | 5,757,150 | 9,234,242 |
| Conder | | 2,057,116 | 2,725,417 | 4,782,533 |
| St John's Road | | 7,849,619 | 3,708,265 | 11,557,884 |
| Roundhills | | 1,395,508 | 845,577 | 2,241,085 |
| Pyrles Lane | | | 167,043 | 167,043 |
| Cartersfield | | | 204,712 | 204,712 |
| Centric Parade | | | 6,500 | 6,500 |
| Hemnall Street | | | 493,646 | 493,646 |
| Bakers | | | 24,290 | 24,290 |
| Construction Loan | | | 150,000 | 150,000 |
| Development Advance Loan | | | 351,000 | 351,000 |
| EFDC Asset Purchase Loan | | | 542,025 | 542,025 |
| Qualis Homes Ltd | | | 58,728 | 58,728 |
| Temporary Car Park | | | 22,776 | 22,776 |
| OVERHEADS | | | 2,908,452 | 2,908,452 |
| Total Assets | 29,685,000 | 14,779,335 | 17,965,581 | 62,429,915 |

2.4 The shading in the table matches the shading in the loan analysis below to represent the correlation between loans drawn and project costs incurred.

2.5 There is still further analysis to be completed as there is a significant amount of unallocated Overhead that needs to be apportioned across the schemes. Furthermore, the expenditure itemised by loan source, which represents “capitalised” interest should be further analysed and also apportioned by scheme.

2.6 Project costs formerly reported in the current year in QC P&L have now been incorporated in WIP.

6.0 Loans

2.7 There are no loans recorded within QPS and QCL. The loan facilities are designed to enable borrowing in QGL which can then be on-leased to the other group companies. The Group debt is effectively being carried within QLL and the loan schedule is as follows.

| Loans Summary | Term | Facility | Drawn | Repaid | Balance | Available |
|-------------------------------|------|----------------|---------------|----------------|---------------|---------------|
| | Yrs | £k | £k | £k | £k | £k |
| Working Capital Loan | 5 | 6,000 | 8,550 | (2,550) | 6,000 | 0 |
| Investment Asset Purchase | 10 | 30,000 | 30,000 | 0 | 30,000 | 0 |
| Development Advance Loan | 5 | 6,000 | 6,000 | (400) | 5,600 | 400 |
| Construction Loan | 30 | 62,000 | 13,000 | (267) | 12,733 | 49,267 |
| EFDC Asset Purchase | 30 | 14,753 | 14,753 | (615) | 14,138 | 0 |
| EFDC Asset Purchase (Hemnall) | 30 | 2,030 | 0 | 0 | 0 | 2,030 |
| Regeneration Loan | - | 35,000 | 0 | 0 | 0 | 35,000 |
| Total Loans | | 155,783 | 72,303 | (3,831) | 68,471 | 86,697 |

2.8 The Working Capital loan has now been fully utilised, including further drawings to repay a historic debt for secondment fees to EFDC. A repayment holiday has been agreed on this loan whereby the January and July principal repayment instalments have been postponed.

2.9 The Investment Asset Purchase Loan of £30m correlates to the first three lines in the asset analysis in Paragraph 5 above.

2.10 The EFDC Asset Purchase Loan represents the initial purchase of the EFDC development assets.

2.11 The Development Advance Loan and the Construction Loan combined facility is £68m with a 30-year term. The advance loan is repayable over 5 years. The two loans combined have funded the project cost WIP itemised in Paragraph 5 above.