



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.