



**MEETING:** Qualis Boards  
**DATE:** 29/04/2024  
**TITLE:** Finance Report to March 2024  
**PRESENTED BY:** Andy Howarth, Group Finance Director  
Frances Malone, Finance Manager  
**ACTION:** TO NOTE the contents of the report

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**1. Recommendation**

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

**1.0 Executive Summary**

1.1 Group performance against the Business Plan is shown at section 3.

1.2 The Group management accounting consolidated income deficit for the period to March 2024 is £877k, with a positive net variance to budget of £298k arising from positive income variances in both QPS and QCL. The results in this paper form the basis for the statutory audit and are subject to amendment.

1.3 The final position is an improvement on the January forecast deficit of £1.1m for the year and is better than the budget and business plan.

1.4 The final financial position shows a reduced investment coupled with a lower debt drawdown, which is also reflected in the cash flow statement. The asset values also reflect the downward valuation of the investment assets included in the September accounts. The valuation as at 31<sup>st</sup> March is yet to be received.

1.5 Group assets and WIP are analysed at section 4.

1.6 Group debt as at the end of March of £94.3m is further broken down at section 5.

1.7 Appendix 1 provides a breakdown of the results by company.

1.8 Appendix 2 provides a detailed balance sheet.

## 1.9 Group Performance

- 1.10 The Group management accounting position as at the March 2024 is as shown below with a total consolidated deficit of £877k, with a positive net variance to budget of **£298k**, which also out-performs recent forecasts due to improved surplus in QPS and the final agreement on performance fees for the EFDC commercial portfolio in QCL.

Income	Six months to March 2024		
	Actual £k	Budget £k	Variance £k
Revenue	13,381	11,421	1,960
Expenditure	(12,513)	(11,132)	(1,381)
Moved to WIP	442	507	(65)
<b>Surplus</b>	<b>1,310</b>	<b>796</b>	<b>515</b>
Interest	(2,187)	(1,971)	(217)
<b>Surplus/ (Deficit)</b>	<b>(877)</b>	<b>(1,175)</b>	<b>298</b>

- 1.11 It should be noted that favourable operating variances have more than compensated for the unfavourable interest variance. The loan interest forecast calculations have been thoroughly reviewed and re-modelled for the updated business plan.
- 1.12 The Group balance sheet shows the impact of the September asset revaluation with the revaluation deficit shown separately in reserves. This reduction in value had not been anticipated when the Business Plan was prepared.
- 1.13 Asset values also reflect reduced development spend due to a late start on Cartersfield; St Johns costs limited to block G; and Pyrles delayed due to delays in planning approval (granted in March 2024). The reduced spend is matched with reduced loan drawings. The underlying deficit position is slightly better than expected, but the net asset movement reflects the revaluation of assets.

Financial Position	As at March 2024		
	Actual Mar-24 £k	Plan Mar-24 £k	Variance Mar-24 £k
Assets & WIP	80,647	93,445	(12,798)
Cash, Working Capital	1,838	2,744	(906)
Loan Balances	(94,309)	(102,907)	8,598
Provisions	(859)	(681)	(178)
<b>Net Assets</b>	<b>(12,683)</b>	<b>(7,399)</b>	<b>(5,284)</b>
I&E deficit	(6,591)	(6,722)	131
Revaluation deficit	(6,092)	(677)	(5,415)
<b>Reserves</b>	<b>(12,683)</b>	<b>(7,399)</b>	<b>(5,284)</b>

- 1.14 The business plan will be updated with the closing balance sheet position.
- 1.15 This reduced investment expenditure and loan drawings are also illustrated in the variances to the planned cash flows in the cash flow analysis below.
- 1.16 The Group cash flows for the period in comparison with the Business Plan can be summarised as follows:

Cash Flow	Six months to March 2024		
	Actual Mar-24 £k	Plan Mar-24 £k	Variance Mar-24 £k
Operating surplus	1,310	720	590
<b>Movements in Debtors and Creditors</b>	(306)	(1,001)	695
<b>Net Operating Income</b>	1,004	(281)	1,285
Investing Activities: Development	(12,469)	(19,567)	7,098
Financing Activities:			
Loans Repaid	(1,736)	(1,614)	(122)
Interest Paid	(2,187)	(1,949)	(239)
Debt drawn	15,525	24,000	(8,475)
Net Cash Flow	137	590	(453)

2.0 **Assets analysis**

2.1 Qualis investments shown on the balance sheet are included in the investment assets and Work in Progress lines which have a combined value of over £80m:

<b>Property</b>	<b>Value, £</b>
Investment Assets	40,080,741
Work in Progress	40,472,941
<b>Total Assets</b>	<b>80,553,682</b>

2.2 Work in Progress is disclosed in current assets and is treated for accounting purposes as stock or inventory which will be completed and sold.

2.3 The full breakdown by project is presented in the table below. The values shown in the table reflect the September revaluation of the Birchwood, Greenfields and Wycke Hill properties and the movement of the completed Cottis Yard development from work in progress to assets.

2.4 Interest that had been moved to WIP in prior periods has been allocated to active development schemes: Cottis, which is now complete and Springwood Grove.

2.5 The team and central costs accrued over the last three years are shown on the last line of the table and will be allocated across schemes in development in due course.

<b>Assets &amp; WIP</b>	<b>March 2024</b>	<b>Last Quarter</b>	<b>Additions</b>
Birchwood Building	10,950,000	10,950,000	0
Greenfields House	7,200,000	7,200,000	0
Wycke Hill	6,120,000	6,120,000	0
Springwood Grove	13,354,640	11,198,389	2,156,251
Cottis Yard	16,407,884	16,426,680	-18,796
Cottis Lane B	1,388,000	1,388,000	0
St John's Road	12,635,094	12,143,907	491,187
Roundhills	2,411,996	2,364,743	47,253
Pyrles Lane	349,974	258,325	91,649
Hemnall Street	524,178	516,646	7,532
Cartersfield	5,095,212	598,188	4,497,024
Centric Parade	18,355	18,355	0
Other schemes	180,800	216,221	-35,422
Dev Team Costs	3,917,549	3,695,359	222,190
<b>Total Assets</b>	<b>80,553,682</b>	<b>73,094,812</b>	<b>4,283,500</b>

## 1.17 Loans

2.6 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 QGL and the loan schedule is as follows.

Loans Summary by Company	Term	Facility	Drawn	Repaid	Balance	Available
		£m	£m	£m	£m	£m
Working Capital Loan	5	6.0	8.5	(3.4)	5.1	0.9
Investment Asset Purchase	10	30.0	30.0	-	30.0	-
Development Advance Loan	5	6.0	6.0	(0.4)	5.6	0.4
Construction Loan	30	97.0	41.3	(1.4)	39.9	57.1
EFDC Asset Purchase	30	14.8	14.8	(1.1)	13.7	-
EFDC Asset Purchase (Hemnal)	30	2.0	-	-	-	2.0
<b>Total Loans</b>		<b>155.8</b>	<b>100.6</b>	<b>(6.3)</b>	<b>94.3</b>	<b>60.4</b>

2.7 The Working Capital loan is a revolving credit loan.

2.8 The Investment Asset Purchase Loan of £30m correlates to the Investment Assets in the first three lines of the asset analysis in Paragraph 4.5 above.

2.9 The EFDC Asset Purchase Loan represents the initial purchase of the EFDC development sites.

2.10 The Development Advance Loan and the Construction Loan combined facility is £103m and these loans have funded the development of the development assets as itemised in Paragraph 4.5 above.

## 1.18 Appendix 1: Group and Company Financial Performance

### 1.19 Consolidated Group

1.19.1 The Group management accounting position as at the year-end is as shown below with a total consolidated deficit of £877k, with a positive net variance to budget of £298k.

1.19.2 QCL development management costs continue to be transferred to Work in Progress (WIP).

1.19.3 Group interest costs were slightly higher than the operating budget, but no finance costs have yet been capitalised. The WIP currently carried on the balance sheet includes an element of finance costs from prior years. The final treatment of these costs will be resolved as schemes complete.

Group	YTD			YTD		
	QGL £k	QPS £k	QCL £k	Group £k	Budget £k	Variance £k
Revenue	1,145	9,723	2,513	13,381	11,421	1,960
Expenditure	(1,091)	(9,358)	(2,063)	(12,513)	(11,132)	(1,381)
Moved to WIP			442	442	507	(65)
<b>Surplus</b>	<b>54</b>	<b>364</b>	<b>892</b>	<b>1,310</b>	<b>796</b>	<b>515</b>
Interest	0	-	(2,187)	(2,187)	(1,971)	(217)
<b>Surplus/ (Deficit)</b>	<b>54</b>	<b>364</b>	<b>(1,295)</b>	<b>(877)</b>	<b>(1,175)</b>	<b>298</b>

### 1.20 Qualis Group Ltd

1.20.1 The QGL surplus of £54k is generated from intra-group transactions which reflect the recharge of central costs to the group companies and should not show any significant variances.

Qualis Group	YTD			Full YR		
	Actual £k	Budget £k	Variance £k	Forecast £k	Budget £k	Variance £k
Revenue	1,145	1,323	(178)	1,173	1,323	(150)
Expenditure	(1,091)	(1,260)	169	(1,117)	(1,260)	143
<b>Net Surplus</b>	<b>54</b>	<b>63</b>	<b>(9)</b>	<b>56</b>	<b>63</b>	<b>(7)</b>

### 2.0 Qualis Property Solutions Ltd

2.0.1 Again, there has been a greater through-put of activity than anticipated in the approved budget, with more work streams and higher value jobs contributing to the higher turnover.

2.0.2 Performance within the different workstreams has been variable, but the overall performance, has been that effective and QPS has delivered a surplus on the programme that is better than budget.

Qualis Property Solutions	YTD			Full YR		
	Actual £k	Budget £k	Variance £k	Forecast £k	Budget £k	Variance £k
Revenue	9,723	8,365	1,358	8,859	8,365	495
Expenditure	(9,358)	(8,236)	(1,122)	(8,500)	(8,236)	(263)
<b>Net Surplus</b>	<b>364</b>	<b>128</b>	<b>236</b>	<b>359</b>	<b>128</b>	<b>231</b>

### 2.1 Qualis Commercial Ltd

2.1.1 Most areas have performed in line with budget except for car park income and interest costs.

Qualis Commercial	YTD			Full YR		
	Actual £k	Budget £k	Variance £k	Forecast £k	Budget £k	Variance £k
<b>Revenue</b>	2,513	1,733	780	1,983	1733	251
<b>Expenditure</b>	(2,063)	(1,635)	(428)	(1,762)	-1635	(127)
<b>Moved to WIP</b>	442	507	(65)	457	507	(50)
<b>Surplus before Interest</b>	<b>892</b>	<b>605</b>	<b>288</b>	<b>679</b>	<b>605</b>	<b>74</b>
Interest	(2,187)	(1,971)	(217)	-2207	-1971	(236)
<b>Net Surplus</b>	<b>(1,295)</b>	<b>(1,366)</b>	<b>71</b>	<b>(1,528)</b>	<b>(1,366)</b>	<b>(162)</b>

2.1.2 Additional contract activity and costs gives rise to some of the income and expenditure variances, but the most significant positive variance is due to EFDC commercial portfolio performance fees. The budget prudently included a notional value of £100k for performance fees. The final fees agreed are £447k. The budget for 2024/25 also included notional fees of £100k but fees payable of £165k have already been agreed.

2.1.3 Loan interest represents the full cost experienced but no costs have been moved to capital projects in this financial year.

## 2.3 Appendix 2: Group Balance Sheet

### All Company Combined Balance Sheet as of 31<sup>st</sup> March 2024

		£
<b>Fixed Assets</b>	Investment Assets	40,080,741
	Office Equipment Net Book Value	61,565
	Motor Vehicles Net Book Value	32,056
	<b>Total Fixed Assets</b>	<b>40,174,362</b>
<b>Intangible Assets</b>	Debtors Unpaid Share Capital	4
	<b>Total Intangible Assets</b>	<b>4</b>
<b>Current Assets</b>	Debtors Control Account	4,669,502
	Other Debtors and Prepayments	515,259
	WIP Project Costs	40,472,941
	Accrued Income	448,874
	Deferred Income	(446,070)
	Natwest Current Account	1,876,276
	<b>Total Current Assets</b>	<b>47,536,783</b>
<b>Current Liabilities</b>	Creditors Control Account	3,795,409
	Other Creditors and Accruals	1,430,309
	<b>Total Current Liabilities</b>	<b>5,225,717</b>
<b>Total Assets Less Current Liabilities</b>		<b>82,485,431</b>
<b>Long Term Liabilities</b>	Loans Received EFDC	100,577,500
	Loan Repayments	(6,268,495)
	Net EFDC Loans	94,309,005
	Provision for Deferred Tax	859,314
<b>Total Long Term Liabilities</b>		<b>95,168,319</b>
<b>Net Assets</b>		<b>(12,682,888)</b>
<b>Capital Employed</b>		
	Share Capital	4
	Profit and Loss Account	(6,590,510)
	Loss on Revaluations	(6,092,382)
<b>Total Capital Employed</b>		<b>(12,682,888)</b>