



DATE: 16 February 2023
TITLE: **Shareholder Finance and Performance Monitoring Quarterly Report**
PRESENTED BY: Andy Howarth, Interim Finance Director
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 the quarter both QML and QGL are ahead of budget, but QCL and QLL are reporting adverse variances due to a mix of both performance issues and budget methodology. The combined loss stands at £736k.

2.2 Group debt stands at £63.4m and is further broken down at Paragraph 6.

2.3 The group cash balances stand at £3.2m, and cash forecasting has been updated to produce a draft schedule of drawdowns to ensure that sufficient cash is always in place. A cash flow forecast will be included with the next Quarterly report.

2.4 During the second quarter a full review will take place to further verify assumptions agreed with the approved budget and to re-forecast the full year expected result. The tables used in the report include full year forecasts, but these are based on Q1 actual performance plus the budget for the remainder of the year and do not yet represent an in-depth reforecast of expected activity.

3.0 Company Financial Performance

2.5 Qualis Group Ltd

2.5.1 Whilst the financial position is acceptable, the budget will be reprofiled during Q2 for any periodic variations in cost behaviour.

Qualis Group Ltd	YTD			Full YR		
	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	627,808	633,007	(5,199)	2,526,801	2,532,000	(5,199)
Operating Expenditure	597,674	634,195	36,521	2,375,479	2,412,000	36,521
Profit/Loss	30,134	(1,188)	31,322	151,322	120,000	31,322

2.0 Qualis Management Ltd

2.0.1 Another acceptable position with additional income identified in Gas work stream increasing Q1 profit. However, results will be impacted by challenges with a Planned Maintenance contractor and productivity and access on the Electrical Testing programme.

2.0.2 The full year profit is based on budget figures for the remainder of the year so the forecast shown below may not be achieved. A result closer to £300k surplus is expected.

Qualis Management Ltd	YTD			Full YR		
	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	2,591,987	2,714,379	(122,392)	12,198,830	12,321,222	(122,392)
Operating Expenditure	2,505,066	2,652,258	147,192	11,832,149	11,979,341	147,192
Profit/Loss	86,921	62,121	24,800	366,681	341,881	24,800

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 is being reviewed since we would expect WIP to follow the existing practice of being capitalised in the appropriate entity. A revised forecast that deals with this capitalisation will be completed during Q2.

2.1.2 The revenue included in actual to date relates to fees charged (Bakers & NWA) and costs relate to those projects without planning permission (Cartersfield & Pylres).

Qualis Commercial Ltd	YTD			Full YR		
	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	17,358	441,000	(423,642)	69,433	1,764,000	(1,694,567)
Operating Expenditure	135,090	421,000	285,909	533,444	1,684,000	1,150,556
Profit/Loss	(117,732)	20,000	(137,732)	(464,011)	80,000	(544,012)

2.2 Qualis Living Ltd

2.2.1 The budget assumes income from newly acquired investments which are yet to complete and an income stream from the new car park.

2.2.2 The forecast took the pessimistic view that the budget increase in revenue of £309k from newly acquired investments would not be fully achieved.

2.2.3 The budget also included £300k of parking income expected to occur from July to September, which will probably start later than expected and build up gradually and be fully effective in the next financial year.

2.2.4 The business plan and budget include assumptions for capitalised interest on schemes in development. Considering the delays in asset investment and development in general as a result of changing economic conditions and planning delays, we will review the interest costs included in the forecast which may now be overstated. The budget also does not reflect the profile of actual payments, which occur on a quarterly and half-yearly basis, contributing to the adverse variance in the Year-to-Date figure below.

Qualis Living Ltd	YTD			Full YR		
	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	728,228	770,250	(42,022)	2,912,914	3,378,000	(465,086)
Operating Expenditure	1,463,656	942,582	(521,075)	4,058,027	3,770,138	(287,889)
Profit/Loss	(735,428)	(172,332)	(563,096)	(1,145,113)	(392,138)	(752,975)

2.3 Combined Profit / (Loss)

Total Overall Profit/Loss	(736,105)	(91,398)	(644,707)	(1,091,121)	149,743	(1,240,865)
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4.0 Balance Sheets

2.0 The summary combined Balance sheet is as follows

All Company Combined Balance Sheet as at 31 Dec 2022

		£
Fixed Assets	Freehold Property	£44,474,521
	Office Equipment Net book value	£78,866
	Motor Vehicles Net book value	£45,312
	Total Fixed Assets	£44,598,699
Intangible Assets	Debtors - Unpaid share capital	£4
Current Assets	Debtors Control Account	£1,044,569
	Other Debtors & Prepayments	£276,666
	Accrued Income	£393,350
	Deferred Income	(£402,339)
	Natwest Current Account	£3,159,571
	WIP Project Cost's	£13,569,804
	Total Current Assets	£18,041,621
Current Liabilities	Creditors Control Account	£2,648,548
	Other Creditors & Accruals	£1,214,742
	Total Current Liabilities	£3,863,290
Total Assets less Current Liabilities		£58,777,034
Long Term Liabilities	Loans received EFDC	£66,802,500
	Loan Repayments	(£3,425,105)
	Share Capital	£4
Total Long Term Liabilities		£63,377,399
Net Assets		(£4,600,365)
Capital Employed	Profit and Loss Account	(£3,919,037)
Unposted Profit	Retained Profit /Loss	(£681,329)
Total Capital Employed		(£4,600,365)

5.0 Assets analysis

2.1 The asset values shown in the combined balance sheet can be analysed as follows:

Asset Breakdown	Qualis Group	Qualis Management	Qualis Living	Qualis Commercial	Total
	£	£	£	£	£
Freehold Property	0	0	44,474,521	0	44,474,521
Office Equipment	74,063	4,802	0	0	78,866
Motor Vehicles	0	45,312	0	0	45,312
					44,598,699
Debtors Control Account	0	991,834	52,735	0	1,044,569
Prepayments	95,048	171,170	5,775	4,673	276,666
WIP Project costs			10,568,748	3,001,056	13,569,804
Accrued Income	0	197,792	178,200	17,358	393,350
Deferred Income	0	0	(402,339)	0	(402,339)
Recharges	0	0	0	0	0
Bank Account	1,751,352	988,180	399,837	20,202	3,159,571
					18,041,621
Total Assets	1,920,463	2,399,091	55,277,477	3,043,289	62,640,320

6.0 Loans

2.2 The loan schedule is as follows and shows that there is headroom in the Working Capital loan of £1.25m. A repayment holiday has been agreed on this loan whereby the current and next principal repayment instalments have been postponed. It is expected that this capacity will be partially utilised to repay a historic debt for secondment fees to EFDC.

Loans Summary by Company	Qualis Group	Qualis Living	Total
	£	£	£
Working Capital Loan	7,300,000		7,300,000
Investment Asset Purchase		30,000,000	30,000,000
EFDC Asset Purchase		14,752,500	14,752,500
Development Advance Loan		6,000,000	6,000,000
Construction Loan		8,750,000	8,750,000
Repayments	(2,550,000)	(875,105)	(3,425,105)
Total Loans	4,750,000	58,627,395	63,377,395

2.3 There are no loans recorded within QML and QCL.