



MEETING: Qualis Group Ltd and Subsidiary Companies Board Meeting
DATE: 1 November 2023
TITLE: September 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 Whilst the company structure has been updated, for consistency this report will continue to show results in line with budget and pre-review structure.

2.2 The Group management accounting position as at the year-end is as shown below with a total consolidated deficit of £760k.

Group	Full YR			Full YR		
	QPS £k	QCL £k	QLL £k	Group £k	Budget £k	Variance £k
Revenue	13,915	165	2,660	16,741	15,699	1,042
Expenditure	(13,684)	(1,477)	(1,260)	(16,306)	(14,855)	(1,451)
Moved to WIP	0	1,477	0	1,477	1,764	(287)
Surplus	231	165	1,400	1,912	2,608	(696)
Interest	0	(190)	(3,157)	(3,348)	(2,458)	(890)
Surplus/ (Deficit)	231	(25)	(1,757)	(1,436)	150	(1,586)
Tax adjustments	0	0	676	676	0	676
Surplus/ (Deficit)	231	(25)	(1,081)	(760)	150	(910)

2.3 QCL costs continue to be transferred to Work in Progress (WIP), but this policy is under review.

2.4 Group interest costs were understated in the operating budget due to assumptions made on the capitalisation of interest. The WIP currently carried on the balance sheet includes an element of finance costs from prior years and it is not considered to be prudent to include any further capitalisation in this financial year.

2.5 The recognition of deferred tax liabilities and the finalisation of a review of prior year tax computations has resulted in a positive taxation adjustment of £676k.

2.6 Group assets and WIP are analysed at paragraph 5. Where possible, carrying values can be linked to loans drawn.

2.7 Group debt of £80.5m is further broken down at Paragraph 6.

2.8 The group cash balances at the end of the month were £1.7m.

3.0 Company Financial Performance

2.9 Qualis Group Ltd

- 2.9.1 Transactions within QGL reflect the recharge of central costs to the group companies and should not show any significant variances.
- 2.9.2 The QGL surplus of £116k is generated from intra-group charges and has been eliminated from the consolidated Group position shown above.

Group	Full YR		
	Actual	Budget	Variance
Revenue	2,435	2,532	(97)
Expenditure	(2,320)	(2,412)	92
Profit/Loss	116	120	(4)

2.0 Qualis Property Solutions Ltd

- 2.0.1 Broadly, 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, with electrical and planned, for example, presenting particular challenges. The overall performance, however, has been that QPS has delivered a surplus on the programme as a whole.

Property Solutions	Full YR		
	Actual	Budget	Variance
Revenue	13,915	12,321	1,594
Expenditure	(13,684)	(11,979)	(1,705)
Profit/Loss	231	342	(111)

2.1 Qualis Commercial Ltd

- 2.1.1 All scheme expenditure has been moved to WIP and the revenue is generated by Development Advice to EFDC for various projects including North Weald Airfield. Interest paid on the working capital loan has been included here.

Commercial	YTD		
	Actual	Budget	Variance
Revenue	165	-	165
Expenditure	(1,477)	(1,684)	207
Costs to WIP	1,477	1,764	(287)
Interest	(190)	-	(190)
Profit/Loss	(25)	80	(105)

2.2 Qualis Living Ltd

- 2.2.1 The Revenue line captures income from the investment properties in Leatherhead, Coventry & Maldon, but anticipated income of £309k from new investments will not materialise. Income also includes management fees for the EFDC portfolio of £430k, £270k less than the budget of £700k.
- 2.2.2 Cottis Lane Car Park will be completed later than anticipated which will result in no income against the Cottis income budget of £300k expected in the last quarter of this year.



2.2.3 Expenditure relating to direct costs and overheads is within budget, but Loan interest on Asset and Construction loans was under-budgeted.

2.2.4 A large provision for deferred tax on the increase in value of assets transferred from EFDC was included in the prior year. It was approved by board to recognise some of these gains in order to charge against a lower rate of corporation tax prevailing in the prior year. Some of this gain was also offset by historical losses, but the net impact has been a positive movement to be recognised in the 2022/23 year.

Living	YTD		
	Actual	Budget	Variance
Revenue	2,660	3,378	(718)
Expenditure	(1,260)	(1,312)	52
Interest	(3,157)	(2,458)	(699)
Tax	676	-	676
Profit/Loss	(1,081)	(392)	(689)

4.0 Balance Sheets

2.0 The summary combined Balance sheet is as follows.

All Company Combined Balance Sheet as of 31st August 23

Fixed Assets	Freehold Property	33,161,237
	Office Equipment	63,406
	Motor Vehicles	36,635
	Total Fixed Assets	33,261,279
Intangible Assets	Debtors - Unpaid share capital	4
Current Assets	Debtors Control Account	2,887,284
	Other Debtors and Prepayments	448,227
	WIP Project Costs	40,332,412
	Accrued Income	223,944
	Deferred Income	(361,760)
	Natwest Current Account	1,738,842
	Total Current Assets	45,268,948
Current Liabilities	Creditors Control Account	2,469,784
	Other Creditors & Accruals	1,078,410
	Total Current Liabilities	3,548,194
Total Assets less Current Liabilities		74,982,037
Long Term Liabilities	Loans received EFDC	85,052,500
	Loan Repayments	(4,532,619)
	Provision for Deferred Tax	680,749
	Share Capital	4
Total Long Term Liabilities		81,200,634
Net Assets		(6,218,597)
Total Capital Employed		(6,218,597)

5.0 Assets analysis

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

Asset Breakdown	QGL	QPS	QLL	QCL	Total
Freehold Property	0	0	33,161,237	0	33,161,237
Office Equipment	59,524	3,883	0	0	63,406
Motor Vehicles	0	36,635	0	0	36,635
					33,261,279
Debtors Control Account	525,786	1,414,047	933,564	13,887	2,887,284
Prepayments	143,930	294,466	6,707	3,125	448,227
WIP Project costs			40,332,412		40,332,412
Accrued Income	0	65,174	158,770	0	223,944
Deferred Income	0	0	(361,760)	0	(361,760)
Bank Account	700,758	845,629	190,745	1,711	1,738,842
					45,268,948
Total Assets	1,429,997	2,659,833	74,421,674	18,723	78,530,227

2.2 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
Conder		2,057,116	6,079,053	8,136,169
Cottis Lane		3,476,238	12,652,056	16,128,294
St John's Road		7,849,619	4,011,547	11,861,166
Roundhills		1,395,508	928,017	2,323,525
Pyrles Lane			228,667	228,667
Hemnall Street			494,646	494,646
Loan Interest			1,043,025	1,043,025
OVERHEADS TO BE DISTRIBUTED			3,593,158	3,593,158
Total Assets	29,685,000	14,778,481	29,030,169	73,493,649

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

2.3 The movement on WIP of in the month is circa 2m, the majority of which relates to Cottis Lane & Conder developments.

6.0 Loans

2.4 There are no loans recorded within QPS and QCL. The loan facilities are designed to enable borrowing in QGL which can then be on-leant to the other group companies. The Group debt is effectively being carried within QLL 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	8.6	(2.6)	6.0	-
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	25.8	(0.7)	22.0	75.0
EFDC Asset Purchase	30	14.8	14.8	(0.9)	13.9	-
EFDC Asset Purchase (Hemnal)	30	2.0	-	-	-	2.0
Total Loans		155.8	85.1	(4.5)	80.5	74.4

- 2.5 The Working Capital loan has been fully utilised, and a repayment holiday agreed on this loan postponed the January and July 2023 principal repayment instalments.
- 2.6 The Investment Asset Purchase Loan of £30m correlates to the Investment Assets in the asset analysis in Paragraph 5 above.
- 2.7 The EFDC Asset Purchase Loan represents the initial purchase of the EFDC development assets.
- 2.8 The Development Advance Loan and the Construction Loan combined facility is £103m and now incorporates the additional £35m facility. These loans have funded the project cost WIP itemised in Paragraph 5 above.