



MEETING: EMT / EXCO
DATE: 25th July 2023
TITLE: June 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 QGL YTD surplus is on budget, and cost savings have been passed on to group companies through lower recharges. QPS surplus is ahead of budget YTD by £57k. QCL is under budget by £158k. QLL is under budget by £621k.

2.2 Group assets and WIP are analysed at paragraph 5 and it should be noted that WIP related to Qualis costs will be analysed out across the development projects before the September Qualis year end. There will also be a movement of capitalised interest from the expenditure shown in QLL to WIP where it is appropriate to do so.

2.3 Group debt of £73m is further broken down at Paragraph 6.

2.4 The group cash balances at the end of the month were £2.2m.

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. Rather than charge a fixed monthly central contribution, recharges have followed expenditure during the year but with the objective of continuing to generate a 5% net surplus on cost.

Group	YTD			Full YR		
	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	1,820,180	1,899,001	(78,821)	2,355,555	2,532,000	(176,445)
Expenditure	(1,733,504)	(1,811,970)	78,466	(2,243,148)	2,412,000	168,852
Profit/Loss	86,675	87,031	(356)	112,408	120,000	(7,592)

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 performance varying within the different workstreams. The overall performance, however, has been that QPS has delivered an overall surplus on the additional activity.

2.0.2 Examples of the drivers behind the increased revenue are the number of larger voids we are receiving, and the Loughton High Rd works both of which had not been budgeted for.

2.0.3 Electrical & Planned revenue streams are still behind budget and operations are looking at the workings for these revenue streams in more detail.



Property Solutions	YTD			Full YR		
	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	9,728,727	8,874,99	853,737	13,174,959	12,321,222	853,737
Expenditure	(9,438,749)	(8,641,932)	(796,817)	(12,776,158)	(11,979,341)	(796,817)
Profit/Loss	289,978	233,058	56,920	398,801	341,881	56,920

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 All expenditure has been moved to WIP and the revenue is generated by Development Advice to EFDC for North Weald & Bakers Lane. Expenditure is made up of the interest paid on the working capital loan.

Commercial	YTD			Full YR		
	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	52,075	1,323,000	(1,270,925)	69,433	1,764,000	(1,694,567)
Expenditure	(150,548)	(1,263,000)	1,112,452	(230,073)	(1,684,000)	1,453,926
Profit/Loss	(98,473)	60,000	(158,474)	(160,641)	80,000	(240,641)

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, now forecast to be £450k, £250k less than the budget of £700k.

2.2.2 Cottis Lane Car Park will be completed later than anticipated which will result in under-performance against the income budget of £300k expected in the last quarter of this year with only £50k included in budget for income in September.

2.2.3 The Expenditure line is made up of Costs, Overheads, and Loan interest on Asset and Construction loans. The full cost of expected loan interest for the year is now included in forecast which produces a negative variance of £465k. This cost will be reduced towards the September Qualis year end when we establish how much interest can be included in assets and WIP to align with development costs incurred.

Living	YTD			Full YR		
	Actual	Budget	Variance	Forecast	Budget	Variance
Revenue	2,035,619	2,310,750	(275,131)	2,713,488	3,378,000	(664,512)
Expenditure	(3,173,902)	(2,827,745)	(346,158)	(4,231,314)	3,770,326	(446,988)
Profit/Loss	(1,138,284)	(516,995)	(621,289)	(1,517,827)	(392,326)	(1,125,501)

2.3 Combined Profit / (Loss)

Overall Profit/Loss	(860,105)	(136,905)	(723,199)	(1,167,259)	149,555	(1,316,815)
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4.0 Balance Sheets

2.0 The summary combined Balance sheet is as follows.

All Company Combined Balance Sheet as of 30th June 23

Fixed Assets	Freehold Property	33,161,237
	Office Equipment Net book value	68,416
	Motor Vehicles Net book value	39,528
	Total Fixed Assets	33,269,181
Intangible Assets	Debtors - Unpaid share capital	4
	Uncategorised	
	Total Intangible Assets	4
Current Assets	Debtors Control Account	2,462,502
	Other Debtors & Prepayments	276,324
	Accrued Income	365,637
	Recharges	0
	Deferred Income	(576,123)
	Natwest Current Account	2,202,782
	WIP Project Cost's	34,204,611
	Total Current Assets	38,935,734
Current Liabilities	Creditors Control Account	2,231,874
	Other Creditors & Accruals	1,504,470
	Total Current Liabilities	3,736,345
Total Assets less Current Liabilities		68,468,575
Long Term Liabilities	Loans received EFDC	77,052,500
	Loan Repayments	(3,954,381)
	Provision for Deferred Tax	1,689,369
	Share Capital	0
Total Long-Term Liabilities		74,787,488
Net Assets		(6,318,913)
Capital Employed	Profit and Loss Account	(5,458,809)
Unposted Profit	Retained Profit /Loss	(860,105)
Total Capital Employed		(6,318,913)

2.1 **Assets analysis**

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

Asset Breakdown	QGL	QPS	QLL	QLL	Total
Freehold Property	0	0	33,161,237	0	33,161,237
Office Equipment	64,227	4,189	0	0	68,416
Motor Vehicles	0	39,528	0	0	39,528
					33,269,181
Debtors Control Account	925,215	1,363,802	63,238	110,247	2,462,502
Prepayments	78,785	192,280	(0)	5,260	276,324
WIP Project costs			34,204,611	(0)	34,204,611
Accrued Income	0	113,847	251,791	0	365,637
Deferred Income	0	0	(576,123)	0	(576,123)
Bank Account	331,922	1,294,714	557,112	19,034	2,202,782
					38,935,734
Total Assets	1,400,148	3,008,359	67,661,867	134,541	72,204,915

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
Conder		2,057,116	3,957,220	6,014,336
Cottis Lane		3,477,092	8,953,567	12,430,659
St John's Road		7,849,619	3,884,778	11,734,397
Roundhills		1,395,508	880,771	2,276,279
Pyrles Lane			182,382	182,382
Cartersfield Road			252,726	252,726
Centric Parade			6,500	6,500
Hemnal Street			495,381	495,381
INFA BAKERS LANE			24,290	24,290
Qualis Homes Ltd			62,691	62,691
OVERHEADS TO BE DISTRIBUTED OVER PROJECTS			4,202,062	4,202,062
Total Assets	29,685,000	14,779,335	22,902,368	67,366,703

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 The movement on WIP of in the month is circa 2m. The majority is Cottis Lane & Conder developments.



6.0 Loans

2.6 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 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	62.0	17.8	(0.3)	17.5	44.5
EFDC Asset Purchase	30	14.8	14.8	(0.7)	14.0	-
EFDC Asset Purchase (Hemnal)	30	2.0	-	-	-	2.0
Regeneration Loan	-	35.0	-	-	-	35.0
Total Loans		155.8	77.1	(4.0)	73.1	81.9

- 2.7 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.
- 2.8 The Investment Asset Purchase Loan of £30m correlates to the first three lines in the asset analysis in Paragraph 5 above.
- 2.9 The EFDC Asset Purchase Loan represents the initial purchase of the EFDC development assets.
- 2.10 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.