



Chief Financial Officer's Review

"JPC has a solvency ratio of 1.05:1 against the norm of 1:1 and is factually solvent, whereby the financial statements indicate that there are sufficient assets to cover all liabilities. The risk of financial sustainability and commercial insolvency has increased but the threat is mitigated by the cash resources and facilities provided by the City to JPC to remain operational."

IMRAAN BHAMJEE | Chief Financial Officer

The integration with the Metropolitan Trading Company and Facilities Management and Maintenance has been completed with some teething challenges. The main area, in this regard, is the funding model that supports the integration. This resulted in budgets being allocated that have proven not only to be unattainable but also unable to generate sufficient cash flow to support the operations of JPC. However, there is light at the end of the tunnel as the CoJ and JPC have come to an interim agreement to address the funding and cash flow challenges. The resolution entails a subsidy of R329 million from the 2015/16 financial year that will enable JPC to fund its strategic competencies for the upcoming financial year.

For 2014/15, the entity has yielded revenue of R305 880 637 compared to a budgeted turnover of R514 873 748. This is a 59.4% achievement towards the budgeted income. The main reasons for revenue underrecovery is the result of JPC only being able to recoup actual expenditure incurred by FMM for the services rendered to other MOEs and Departments across the City. Completion commission on CAPEX projects was not funded by the CoJ in 2014/15 and as a result JPC could not achieve R58 941 450 in revenue.

The overall total operating expenditure for the financial year 2014/15 is R386 265 709. This equates to a saving of 8.06% of the allocated budget. This is due to expenditure control measures implemented by Management. Included in expenditure is interest incurred on the sweeping bank account overdraft of R7 005 146.

JPC has a current ratio of 0.93:1 as compared to the norm of 2:1, with a negative cash flow of R114 783 680 for the year under review as compared to a negative cash flow of R207 720 201 for the same period in the 2013/14 financial year. The sweeping account currently reflects as R114 783 680 in overdraft. JPC is currently owed R253 641 660 from intercompany debtors. Collection of outstanding intercompany monies places JPC with a positive cash flow position of R138 857 980. Management has made significant headway in dealing and negotiating with the CoJ to facilitate payment to JPC, subsequent to the financial year-end.

The outlook for 2015/16 remains positive given the resolutions taken by the CoJ to fund JPC and to rectify the cash flow position of the entity. The subsidy model of funding has been provisionally approved by the CoJ for the next three financial years. The subsidy made available to JPC in the coming financial years will be:

- 2015/16 – R329 345 000;
- 2016/17 – R348 867 000; and
- 2017/18 – R373 535 000.

Engagement with the CoJ has commenced on the expenditure that JPC will incur, in line with the subsidy provided, to continue servicing the needs and demands of the various Departments and MOEs. The feedback and engagement has been positive. As Management, we anticipate a much stronger financial performance and position.

Imraan Bhamjee
Chief Financial Officer