

Section 5: Ratio Analysis

Current Ratio

JPC is currently owed R608 268 747 from trade and intercompany debtors, excluding the impact of debtors discounting. This has hampered the cash position of the entity. As a result, the current ratio is 0.92:1 as compared to the norm of 1:1. The sweeping account currently reflects as negative R166 863 045. Collection of outstanding intercompany monies places JPC with a cash flow position of positive R441 405 702. After settling intercompany creditors of R115 502 816, the net cash position of JPC will be positive with sufficient cash reserves to settle accruals of R319 384 293.

Debtors' Collection Ratio

JPC has debtors' collection ratio of 74 days for 3rd party/external debtors and the ratio is 345 days for intercompany debtors as compared to the industry norm of 60 days. Third party debtors have declined due to the timing difference for the receipt on cell mast income from one service provider. The decline in the intercompany debtors' collection ratio is due to the timing differences in the receiving of commission from Portfolio and collection of intercompany debtors for repairs and maintenance and other capital projects. In June 2017 alone, billing in excess of R425 million was done by JPC to the CoJ's departments, this has affected the debtors' collection ratio.

Solvency Ratio

JPC has a solvency ratio of 0.99:1 against the CoJ norm of 2:1 and is technically insolvent, whereby the financial statements indicate that there are insufficient assets to cover all liabilities, resulting in a net liability of R7 million.

Cost Coverage Ratio

Due to the negative cash flow of JPC, the cost coverage ratio is negative 4.25:1. However, the ratio is not a true reflection of JPC's operational expenditure as R&M related to and expensed by the COJ is paid for by JPC. This is not reflected in the expense component of the calculation but rather in the cash outflows of JPC.

Creditors Payment

JPC currently pays service providers and creditors within 30 days, as defined by the MFMA.

