Statement to members on JSA

With a number of articles appearing across many mediums over the last few days regarding the security and financial health of JSA services, Professional Passport felt it appropriate to offer some clarity and guidance on the subject.

It is fair to say that our audit is undoubtedly the toughest one out there. We would therefore like to assure all of our customers, and indeed anyone else reading this article, that the rigorous checks and balances undertaken by Professional Passport indicate our confidence that the financial status of JSA is strong. This should help to reassure you that payments to contractors and agencies by JSA are correspondingly secure.

Professional Passport have been kept fully informed throughout the whole restructuring process and at no time has there been any risk to contractors monies.

We would also like to confirm that at no time has there been any suggestion of non compliance and the restructuring was not as a result of any assessments raised by HMRC, as many have suggested.

JSA now has an agreed, structured and accepted plan with key measurable benchmarks that must be adhered to. As part of Professional Passport's work we monitor this monthly and ensure the terms are being met; which we can confirm they are.

The information about JSA's financial restructuring last year has been in the public domain throughout the entire Company Voluntary Arrangement (CVA) process unfortunately this is open to interpretation from those who might want to manipulate the messaging for their own cause or commercial benefit.

Given the above, we thought it would useful to explain the process surrounding a CVA.

The process itself involves the company's management and their professional advisers preparing a comprehensive verifiable analysis of the history of the business and its financial performance, and setting out detailed 5 year profitability and cashflow forecasts. This is accompanied by a proposal on the settlement of an agreed 'pence in the pound' amount and a structured payment profile of the proposed settlement sum. Following a review period of about 21 days, the creditors involved vote on the proposal and if – as in JSA's case last November – this is adopted all creditors are then fully bound to the repayment terms provided the company in turn adheres to those terms.

An important part, that many have failed to highlight, is that creditors claims are calculated at the point the CVA is agreed. This can result in an increase in the amounts due under the arrangement and is no more than an indication of the level of business being carried out by an organisation.

To get a better understanding of what a CVA means for JSA, I spoke to the leading turnaround practitioners KSA Group. KSA's Managing Director, Keith Steven, explained:

"A CVA is essentially a deal between the company and its creditors, where the directors believe that the company can be viable but at the time of applying for the CVA cannot pay all of its debts on time and has offered the creditors a sensibly structured solution. Once approved, the company will NOT enter liquidation or receivership - unless things go wrong in the future. Conditional upon the creditor's approval is their acceptance of future viability and successful continuation of trade under the new management team and new ownership – if they did not believe this, they would be putting themselves in a disadvantaged position by voting in favour."

It is also essential to highlight that in entering a CVA, the new directors of JSA are guided by law to act in the best interest of creditors at all times, rather than in the interests of shareholders or in pursuit of any other agenda.

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JSA's Chairman, Andrew Goodman said: "As a consequence of the company's new management taking the above steps, the company's position is now strongly cash positive and its net current asset basis strongly solvent. It has a much more robust status than many trading businesses, and is fully able to pay all its debts on time."

Obviously the recession and economic downturn has had an impact on many businesses, which is never good news, however the fact that JSA identified a potential issue early and addressed this immediately we believe demonstrates the professional management of the business.

Our assessment of JSA remains that it represents no increased risk of financial loss to either contractors or recruitment companies.

If anyone still has any unanswered queries or concerns, Andrew Goodman and Rick Flood at JSA are more than happy to be contacted on: andrewg@jsagroup.co.uk or rickf@jsagroup.co.uk.