



JD Capital plc
HHF 303/304,
Hal Far Industrial Estate,
Birzebbuga BBG 3000
Malta

Date: 10th July 2020

Reference: 25/2020

COMPANY ANNOUNCEMENT

VARIANCES

The following is a company announcement issued by JD Capital p.l.c. (C 82098) (hereinafter the “Company”) of HHF303Y, Hal Far Industrial Estate, Birzebbuga, issued in terms of the Rules of Prospects, the market regulated as a multi-lateral trading facility operated by the Malta Stock Exchange (“Prospects”):

QUOTE

The Board of Directors of the Company, on the 30th June 2020, considered and approved the Company’s audited consolidated financial statements for the financial year ended 31st December 2019 available for viewing on the website of the Company at: <https://www.jsdimech.com/investor-relations/>.

The Board of Directors note that material variances resulted between the 2019 consolidated projections, that were published in Section 11.2 of the Company Admission Document, issued on the 16th May 2018 (Original Consolidated Projections), and actual audited results for the financial year ended 31 December 2019.

Additionally, during the financial year ended 31st December 2019, the company also adopted IFRS 9 – Financial Instruments, IFRS 15 – Revenue from Contracts with Customers and IFRS 16 – Leases. Any material effects against the Original Consolidated Projections are also discussed in detail below.

STATEMENT OF COMPREHENSIVE INCOME

	Note	Audited Financial Statements FY2019 €	Original Consolidated Projections FY 2019 €	Variance FY 2019 €
Turnover	1	11,328,789	12,095,000	(766,211)
Cost of Sales	1	(8,248,735)	(8,924,280)	675,545
Gross Contribution		3,080,054	3,170,720	(90,666)
Selling & Distribution Expenses		(156,095)	(113,154)	(42,941)
General and Administrative Expenses		(1,608,745)	(1,557,813)	(50,932)
Other Income		22,792	-	22,792
Operating Profit		1,338,006	1,499,753	(161,747)
Finance Income		60,469	-	60,469
Finance Costs	3.1	(475,798)	(409,670)	(66,128)
Impairment on financial assets	2	(55,866)	-	(55,866)
Profit before tax	2	866,811	1,090,083	(223,273)
Tax		(392,056)	(376,807)	(15,249)
Profit after tax	2	474,755	713,276	(238,522)

KEY RATIOS	Audited Financial Statements	Original Consolidated Projections
Gross Margin = Gross Contribution / Turnover	27.2%	26.2%
Net Margin = Profit after Tax / Turnover	4.2%	5.9%
EBIDTA Margin = EBIDTA / Turnover	17.5%	16.3%
EBIT Margin = EBIT / Turnover	11.4%	12.4%
Bond Interest Cover = EBIDTA / Bond Interest	7.9	7.9
Interest Cover = EBIDTA / Total Interest Expense	4.2	4.7

Note 1 – Turnover and Cost of Sales

The Original Consolidated Projections had a projected turnover of €12.1m for the financial year ended 31 December 2019, however JD Capital Group generated €11.3m, resulting in a variance of €766k. As stated in Company Announcement 17 of 2020, the group needed to assess the accounting treatment and adopt IFRS 15 – Revenue from Contracts with Customers. Based on IFRS 15, the company had to measure and recognize its revenue resulting in temporary and timing variances. The adoption of IFRS 15, other than effecting revenue, also affected the cost of sales.

Note 2 – Profit before tax and Profit after tax

The actual operations of the company in 2019 resulted in a higher operating expenditure which resulted in less profit before tax and after tax. Further to this, and as stated in Company Announcement JDC17, in 2019 and showing under *Impairment of financial assets*, the company also implemented IFRS 9 – Financial Instruments, further decreasing profitability.

STATEMENT OF FINANCIAL POSITION – ASSETS

	Note	Audited Financial Statements FY2019 €	Original Consolidated Projections FY 2019 €	Variance FY 2019 €
ASSETS				
Non-current assets				
Property, plant & equipment	3	15,413,161	11,195,947	4,217,214
Investment property	4	4,518,290	4,000,000	518,290
Intangible Asset		224,497	-	224,497
Financial asset at amortised cost	5	6,987,711	-	6,987,711
		27,143,659	15,195,947	11,947,712
Current assets				
Financial assets at amortised cost	5	810,564	-	810,564
Inventories	6	2,101,973	3,144,700	(1,042,727)
Trade and other receivables	5	838,370	3,023,750	(2,185,380)
Cash and cash equivalents	7	15,082	226,114	(211,032)
		3,765,989	6,394,564	(2,628,575)
TOTAL ASSETS		30,909,648	21,590,511	9,319,137

Note 3 – Property, plant and equipment

This variance of €4.2m is made up of:

3.1 €3.62m arising out of the adoption of IFRS 16 – Leases in 2019. An amount of €57k was amortised in the Audited Financial Statements of 2019.

3.2 The Company makes reference to its Company Announcement JDC08, in which the group disclosed that it had entered into an agreement with The Quad Ltd for the design, fabrication, supply and installation of a glazed façade system, external stainless -steel railings and aluminium composite cladding at The Quad Business Towers, in Mriehel. During 2019, the group invested €1.08m, in order to increase its production facilities.

Note 4 – Investment Property

The variance of €518k between the Original Consolidated Projections and the Audited Financial Statements, was the result of a revaluation, based on the architect's valuation, as published in Annex E of the Company Admission Document. Due to the revaluation, a deferred tax liability had to be recorded in line with IAS 12 - Income Taxes.

Note 5 – Financial asset at amortised cost & Trade and Other Receivables

During 2019, JD Operations Limited, the operating arm of the consolidated group, continued to provide services to JSDimech Limited, on the projects it had prior to the bond issue. This, in line with its obligations to continue providing services, on the work in progress, which JSDimech Limited had on entering the Transfer of Business Agreement (as published in Annex B of the Company Admission Document). During 2019, JSDimech Limited, a related party, assigned part of its dues to another related party, JD Holdings Limited. Additionally, an amount owed by JSDimech Limited to JD Operations Limited, on one particular client, was assigned JD Operations Limited, which obtained invoice financing. These transactions were part of the plan for JSDimech Limited to no longer trade in business operations, transferred to JD Operations Limited, as per the Transfer of Business Agreement (as published in Annex B of the Company Admission Document). A number of new contracts were entered into by JD Operations Limited in 2019.

Note 6 – Inventories

The company decreased its stock holdings during 2019, in order to be more economically viable.

Note 7 – Cash and Cash equivalents

This is further explained in the cashflow variance analysis.

STATEMENTS OF FINANCIAL POSITION – EQUITY AND LIABILITIES

	Note	Audited Financial Statements FY2019 €	Original Consolidated Projections FY 2019 €	Variance FY 2019 €
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		245,100	245,000	100
Other equity	8	7,301,600	10,500,000	(3,198,400)
Retained earnings		1,141,745	1,338,239	(196,494)
TOTAL EQUITY		8,688,445	12,083,239	(3,394,794)
Non-current liabilities				
Borrowings	9	6,469,810	7,309,678	(839,868)
Lease liabilities	3.1	3,562,377	-	3,562,377
Other payables	10	787,592	-	787,592
Deferred tax liability	4	360,000	-	360,000
		11,179,779	7,309,678	3,870,101
Current liabilities				
Borrowings	11	1,378,127	850,641	527,486
Lease liabilities	3.1	32,577	-	32,577
Contract liabilities	12	2,167,810	-	2,167,810
Current tax liabilities		801,352	376,807	424,545
Trade & Other payables	13	6,661,558	970,146	5,691,412
		11,041,424	2,197,594	8,843,830
TOTAL LIABILITIES		22,221,203	9,507,272	12,713,931
TOTAL EQUITY AND LIABILITIES		30,909,648	21,590,511	9,319,137

	Audited Financial Statements	Original Consolidated Projections
KEY RATIOS		
Asset Cover = Total Assets / Total Interest Bearing Liabilities	4.0	2.6
Gearing Ratio = Total Interest bearing Liabilities / Total Interest Bearing Liabilities + Equity	47.0%	40.3%
Cash Cover = Cash & Cash Equivalents / Total Interest bearing Liabilities	0x	0x

Note 8 – Other Equity

The decrease in total equity between the Original Consolidated Projections and the Audited Financial Statements is a result of the trading activity which affected group related balances.

Note 9 – Non Current Borrowings

As explained in Note 5 Financial asset at amortised cost & Trade and Other Receivables, the continuing obligation of JD Operations Limited as the operating arm of the group, after the Transfer of Business Agreement as published in Annex B of the Company Admission Document, continued to decrease the company's dues to its related party.

Note 10 – Other Payables

The operating company of the group, JD Operations Limited, entered into a payment programme with the Government of Malta, on amounts due to it.

Note 11 - Current Borrowings

The amount of current borrowings has increased, mainly from the transaction relating to invoice financing, as explained in Note 5 - Financial asset at amortised cost & Trade and Other Receivables

Note 12 - Contract liabilities

As a result of the implementation of IFRS 15, certain payments received on contracted projects had to be classified as due to third party, until the works performed and paid for, will have their economic benefit transferred to the contractor.

Note 13 – Trade and other payables

During 2019, a number of suppliers granted extended credit terms, which were mostly settled, post balance date, by the approval date of the Audited Financial Statements. Another amount due to government, which in 2019 was termed as current in the Audited Financial Statements, was agreed by a payment programme in 2020, which will result in a substantial portion of it being turned as non-current in 2020. Another amount due to Government by the operating company is currently under review for settlement by possible phased payments.

STATEMENT OF CASHFLOWS

	Note	Audited Financial Statements FY2019 €	Original Consolidated Projections FY 2019 €	Variance FY 2019 €
EBIDTA		1,984,549	1,977,302	7,247
Impairment on financial assets	2	55,866	-	55,866
Less Tax paid		(77,985)	(328,712)	250,727
Increase in Trade Receivables	14	(908,879)	(73,750)	(835,129)
Increase in Inventories	6,15	(2,101,973)	(76,700)	(2,025,273)
Increase in Trade Payables		(202,771)	24,479	(227,250)
		<u>(1,251,193)</u>	<u>1,522,619</u>	<u>(2,773,812)</u>
Cashflows from investing activities				
Property, plant and equipment	2	(1,085,528)	(120,950)	(964,578)
Investment property		(18,290)	-	(18,290)
Movement in amounts due from related company		40,423	-	40,423
		<u>(1,063,395)</u>	<u>(120,950)</u>	<u>(942,445)</u>
Cash flows from financing activities				
Net proceeds from borrowings	13	2,348,612	(831,422)	3,180,034
Interest paid		(250,000)	(409,670)	159,670
Payment on finance leases		(143,639)	-	(143,639)
Movement in amounts due to ultimate shareholder		43,004	-	43,004
		<u>1,997,977</u>	<u>(1,241,092)</u>	<u>3,239,069</u>
Movement in cash and cash equivalents		(316,611)	160,577	(477,188)
Cash and cash equivalents at beginning of year		(117,541)	65,538	(183,079)
Cash and cash equivalents at end of year		<u>(434,152)</u>	<u>226,115</u>	<u>(660,267)</u>

Note 14 – Increase in Trade Receivables

The variance arising between the Original Consolidated Projections and the Financial Statements is of €835k and has arisen mainly through prepaid refundable deposits to suppliers.

Note 15 – Inventories

The company acquired the inventory from related party in 2019, as part of the Business Transfer Agreement (published in Annex B of the Company Admission Document), whereas in the projections, the said transaction should have occurred in 2018.

Note 13 – Net proceeds from borrowings

This variance is explained in Note 5 – Financial asset at amortised cost & Trade and Other Receivables, in Note 9 – Non-current Borrowings and in Note 11 – Current Borrowings.

UNQUOTE

By order of the board

A handwritten signature in blue ink, appearing to be 'J. Manicaro', is written over a horizontal line. The signature is enclosed within a large, hand-drawn oval shape.

**Dr. Jesmond Manicaro
Company Secretary**