



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

Date: 31st August 2020

Reference: 28/2020

COMPANY ANNOUNCEMENT

FINANCIAL SUSTAINABILITY FORECASTS – 2020

The following is a company announcement issued by JD Capital p.l.c. (C 82098) (hereinafter the “Company”) of HHF303Y, Hal Far Industrial Estate, Birzebbugia, 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 Company refers to the obligation to which prospects MTF Companies are subject in terms of Rule 4.11.03 and Rule 4.11.12 relating to the publication of the twelve-month financial information as defined in Table 1 paragraph 3 and specifically the publication and dissemination via an announcement of Financial Sustainability Forecasts including management assumptions thereon (‘FSFs’).

The Company hereby announces that the Board of Directors has approved the FSFs for the year 2020. These are reproduced below and are also available for viewing on the Company’s website on: <https://www.jsdimech.com/investor-relations/>

During the financial year ended 31st December 2019, the company adopted IFRS 9 – Financial Instruments, IFRS 15 – Revenue from Contracts with Customers and IFRS 16 – Leases. In 2020, JD Operations Ltd, a subsidiary of the issuer, also availed itself of the MDB COVID-19 Guarantee Scheme. The impact related to the adoption of these standards, together with the major transactions described above and other material differences are further explained in detail below.

The unaudited forecast consolidated financial information of JD Capital Consolidated Group consists of JD Capital plc and its subsidiary companies; JD Operations Limited and JD Birkirkara Limited.

Note 1 - Financial asset at amortised costs, Interest Income & Trade and Other Receivables

During 2019 and 2020, 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 as an interest-bearing loan. Additionally, an amount owed by JSDimech Limited to JD Operations Limited, on one particular client, was assigned to 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 with non-related parties, were entered into by JD Operations Limited in 2019 and 2020.

Note 2 – Impairment of financial asset

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.

Note 3 – Property, Plant and Equipment

- 3.1 In 2019, the company implemented IFRS 16 – Leases recognizing an amount of €3.62m.
- 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 €521k 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 – Inventories

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

Note 6 – Contract Assets

This represents works performed but not billed due to temporary timing differences.

Note 7 – Cash and Cash Equivalents

This is further explained in the cashflow variance analysis.

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 1 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. During 2020, JD Operations Ltd, a subsidiary of the issuer, also availed itself of MDB financing.

Note 10 – Other Payables

The operating company of the group, JD Operations Limited, entered into a payment programme with the Commissioner for Revenue, on amounts due to it. Further to this, a number of regular suppliers also granted long term credit to JD Operations Ltd.

Note 11 - Current Borrowings

The amount of current borrowings has increased, mainly from the transaction relating to invoice financing, as explained in Note 1 - Financial asset at amortised cost, Interest Income & Trade and Other Receivables, an increase in overdraft facility together with current repayment of MDB facilities.

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 through funds classified as payments received, 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 sheet 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 the Commissioner for Revenue by the operating company is currently under negotiation for settlement by possible phased payments.

JD CAPITAL CONSOLIDATED GROUP

Unaudited Forecast Financial Information of JD Capital Consolidated Group for the Financial Year ending 31 December 2020

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Revised Forecast 2020 € | Company Admission Document 2020 € | Variance 2020 € |
|-------------------------------------|----------------------------------|---|-----------------------|
| Turnover | 12,300,000 | 12,397,375 | (97,375) |
| Cost of sales | (9,175,000) | (9,088,234) | (86,766) |
| Gross Contribution | 3,125,000 | 3,309,141 | (184,141) |
| Selling and distribution expenses | (110,000) | (115,417) | 5,417 |
| General and administrative expenses | (1,565,000) | (1,565,082) | 82 |
| Operating profit | 1,450,000 | 1,628,642 | (178,642) |
| Interest income | 1 241,876 | - | 241,876 |
| Interest expense | 3 (476,775) | (376,413) | (100,362) |
| Impairment of financial asset | 2 (75,000) | | |
| Profit before tax | 1,140,101 | 1,252,229 | (112,128) |
| Tax | (427,538) | (433,919) | 6,381 |
| Profit after tax | 712,563 | 818,310 | (105,747) |

JD CAPITAL CONSOLIDATED GROUP

Unaudited Forecast Financial Information of JD Capital Consolidated Group for the Financial Year ending 31 December 2020

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | Revised Forecast 31.12.2020 | Company Admission Document 31.12.2020 | Variance 31.12.2020 |
|-------------------------------------|-----|-----------------------------------|--|------------------------|
| | | € | € | € |
| Non-current assets | | | | |
| Property, plant and equipment | 3 | 14,898,803 | 10,829,975 | 4,068,828 |
| Investment property | 4 | 4,521,830 | 4,000,000 | 521,830 |
| Intangible assets | | 224,497 | - | 224,497 |
| Financial assets at amortised cost | 1 | 6,667,846 | - | 6,667,846 |
| | | <u>26,312,976</u> | <u>14,829,975</u> | <u>11,483,001</u> |
| Current assets | | | | |
| Financial assets at amortised cost | 1 | 1,696,973 | - | 1,696,973 |
| Inventories | 5 | 3,000,000 | 3,223,318 | (223,318) |
| Contract assets | 6 | 1,000,000 | - | 1,000,000 |
| Trade and other receivables | 1 | 2,232,021 | 3,099,344 | (867,323) |
| Cash and cash equivalents | 7 | 22,847 | 486,079 | (463,232) |
| | | <u>7,951,841</u> | <u>6,808,741</u> | <u>1,143,100</u> |
| TOTAL ASSETS | | <u>34,264,817</u> | <u>21,638,716</u> | <u>12,626,101</u> |
| 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 | | 1,854,308 | 2,156,549 | (302,241) |
| TOTAL EQUITY | | <u>9,401,008</u> | <u>12,901,549</u> | <u>(3,500,541)</u> |
| Non-current liabilities | | | | |
| Borrowings | 9 | 7,172,721 | 6,438,705 | 734,016 |
| Lease liabilities | 3.1 | 3,545,466 | - | 3,545,466 |
| Other payables | 10 | 2,491,448 | - | 2,491,448 |
| Deferred tax liability | 4 | 360,000 | - | 360,000 |
| | | <u>13,569,635</u> | <u>6,438,705</u> | <u>7,130,930</u> |
| Current liabilities | | | | |
| Borrowings | 11 | 2,675,216 | 870,975 | 1,804,241 |
| Lease liabilities | 3.1 | 33,402 | - | 33,402 |
| Contract liabilities | 12 | 2,159,817 | - | 2,159,817 |
| Current tax liabilities | | 1,228,890 | 433,919 | 794,971 |
| Trade and other payables | 13 | 5,196,849 | 993,568 | 4,203,281 |
| | | <u>11,294,174</u> | <u>2,298,462</u> | <u>8,995,712</u> |
| TOTAL LIABILITIES | | <u>24,863,809</u> | <u>8,737,167</u> | <u>16,126,642</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>34,264,817</u> | <u>21,638,716</u> | <u>12,626,101</u> |

JD CAPITAL CONSOLIDATED GROUP

Unaudited Forecast Financial Information of JD Capital Consolidated Group for the Financial Year ending 31 December 2020

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | | Revised Forecast 2020 € | Company Admission Document 2020 € | Variance 2020 € |
|---|------|----------------------------------|---|-----------------------|
| Cash flows from operating activities | | | | |
| EBIDTA | | 2,130,806 | 2,118,588 | 12,218 |
| Impairment of financial assets | 2 | 75,000 | - | 75,000 |
| Tax paid | | - | (376,807) | 376,807 |
| Increase in Trade Receivables | 1 | (1,420,596) | (75,594) | (1,345,002) |
| Movement in contract assets | 6 | (1,000,000) | - | (1,000,000) |
| Increase in Inventories | 5 | (898,027) | (78,617) | (819,410) |
| Movement in contract liabilities | | (7,993) | - | (7,993) |
| (Decrease)/Increase in Trade Payables | 13 | 239,147 | 23,422 | 215,725 |
| Cash used in operations | | (881,663) | 1,610,992 | (2,492,655) |
| Interest paid | | (122,837) | - | (122,837) |
| Net cash flows used in operating activities | | (1,004,500) | 1,610,992 | (2,615,492) |
| Cash flows from investing activities | | | | |
| Payments for additions of: | | | | |
| Property , plant and equipment | 3 | (350,558) | (123,974) | (226,584) |
| Proceeds from disposal of property, plant and equipment | | 12,263 | - | 12,263 |
| Repayment of loans receivable | | 218,661 | - | 218,661 |
| Net cash flows (used in)/from investing activities | | (119,634) | (123,974) | |
| Cash flows from financing activities | | | | |
| Movement in bank borrowings | 9,11 | 2,000,000 | - | 2,000,000 |
| Interest paid | | (250,000) | (376,412) | 126,412 |
| Payment of lease liabilities | 3.1 | (211,140) | - | (211,140) |
| Movement in amounts due to subsidiary, ultimate shareholder and related company | 1 | (461,926) | (850,641) | 388,715 |
| Net cash flows from /(used in) financing activities | | 1,076,934 | (1,227,053) | 2,303,987 |
| Net movement during the period | | (47,200) | 259,965 | (307,165) |
| Cash and cash equivalents at beginning of year | | (434,152) | 226,114 | (660,266) |
| Cash and cash equivalents at end of year | | (481,352) | 486,079 | (967,431) |

UNQUOTE

By order of the board


Dr. Jesmond Manicaro
Company Secretary