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

Date: **30th June 2020**

Reference: **23/2020**

COMPANY ANNOUNCEMENT

Publication of Consolidated Audited Annual Financial Statements

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 board of directors of the Company announces that it met on 30th June 2020 and considered and approved the Company's Consolidated Audited Financial Statements for the financial period ended 31st December 2019.

A copy of the signed Consolidated Audited Financial Statements is being attached to this announcement and available for viewing on the Company's website:

https://www.jsdimech.com/investor-relations/

UNQUOTE

By order of the board

Dr. Jesmond Manicaro
Company Secretary

Company registration no.: C 82098

JD CAPITAL PLC

Annual Report
and
Consolidated Financial Statements

31 December 2019

CONTENTS

GENERAL INFORMATION

Registration

JD Capital PLC is registered in Malta as a public limited liability company under the Companies Act (Cap. 386). The Company's registration number is C 82098.

Directors

Josef Dimech
Stanley Portelli
Gaetano Vella
Stephen Muscat

Company secretary

Jesmond Manicaro

Registered office

HHF 303 Industrial Estate
Hal Far
Birzebbugia BBG 3000
Malta

Bankers

Bank of Valletta p.l.c.
58, Zachary Street
Valletta VLT 1130
Malta

Izola Bank p.l.c.
53/58, East Street
Valletta VLT 1251
Malta

Auditors

RSM Malta
Mdina Road
Zebbug ZBG 9015
Malta

DIRECTORS' REPORT

The directors submit their report and the audited financial statements of JD Capital PLC ("the Company") and the audited consolidated financial statements of the Company and its subsidiaries (together, "the Group") for the year ended 31 December 2019.

Principal activity

The Company's principal activity is to act as a holding company and to provide financing to its subsidiaries.

The Group is engaged in the business of providing aluminium, steel, wrought iron, large scale glass formats, and stainless-steel works, as well as the construction of steel structures.

Comparative figures

The Company was incorporated on 9 August 2017. Consequently, the comparative figures in these financial statements cover the period from incorporation to 31 December 2018.

Performance review

During the year under review, the Group made a profit before tax of €866,811 (2018: €1,436,286). For the same period, the Company made a profit before tax of €7,515 (2018: €2,935). The Directors expect that the present level of activity will be sustained in the foreseeable future.

Position review

As at 31 December 2019, the Group's total assets amounted to €30,909,648 (2018: €28,586,552) and net assets amounted to €8,688,445 (restated 2018: €8,213,690).

As at 31 December 2019, the Company's total assets amounted to €12,634,035 (2018: €12,600,346) and net assets amounted to €7,557,150 (2018: €7,549,635).

Results and dividends

The results for the period are set out in the statements of comprehensive income on page 17. The directors do not recommend the payment of a dividend.

Financial risk management

The Group is exposed to credit, liquidity, and interest rate risks. These are further analysed in Note 32 to the financial statements.

Events after the end of the reporting period

In the first quarter of 2020, the World Health Organisation declared COVID-19 as a pandemic. Consequently, the Malta Health Authorities issued a series of directives which affected the commercial operations in Malta and its economy. Despite the situation, the Company's main operating subsidiary, JD Operations Ltd continued its operations and services to its clients.

DIRECTORS' REPORT - continued

Events after the end of the reporting period - continued

Subsequent to the reporting period, the Company paid the interest to its bond holders. Although the Board is not able to verify the full effects of COVID-19, on it operations and its current and potential clients, as of now the level of activity has continued. Based on our existing order book, from the announcement of the directives by the health authorities up to this report's date, no contract has been cancelled or deferred and progress payments on works done have continued to flow at a steady rate.

Future developments

The Directors do not foresee any changes in the operating activities for the forthcoming year.

Directors

During the year ended 31 December 2019, the directors were as listed in page 2.

In accordance with the Company's Memorandum and Articles of Association, the present directors remain in office, but shall retire from office at least once every three years. However, they shall be elgible for re-election.

Statement of directors' responsibilities

The Companies Act (Cap. 386) requires the directors to prepare financial statements for each financial period which give a true and fair view of the financial position of the Company and of the Group as at period end and of their profit or loss for the period then ended.

In preparing the financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in the business
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and
- prepare the financial statements in accordance with generally accepted accounting principles as defined in the Companies Act (Cap. 386) and in accordance with the provision of the same Act.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386) enacted in Malta. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT - continued

Auditors

RSM Malta, Certified Public Accountants, have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the Annual General Meeting.

Statement by directors on the financial statements and other information included in the report

The directors declare that to the best of their knowledge:

- the financial statements give a true and fair view of the financial position and financial performance of the Group and of the Company and have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the Companies Act (Cap 386); and

- this report includes a fair review of the development and performance of the business and positions of the Group and of the Company, together with a description of the principal risks and uncertainties that they face.

The directors' report was approved by the Board of Directors and was signed on its behalf by:

Josef Dimech
Director

Stephen Muscat
Director

30 June 2020

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

JD Capital PLC ("the Company") is committed to observing the principles of transparent, responsible corporate governance. The Board considers compliance with corporate governance principles to constitute an important means of maintaining the confidence of present and future bondholders, creditors, employees, business partners and the public. Pursuant to the Malta Financial Services Authority Listing Rules 5.94 and 5.97, the Company is hereby presenting a statement of compliance with the Code of Principles of Good Corporate Governance ("the Principles" or "the Code") for the year ended 31 December 2019, which details the extent to which the Principles have been adopted, as well as the effective measures taken by the Company to ensure compliance with these Principles. Other than as stated in Part Two below, the Company has fully implemented the Principles set out in the Code.

PART I - Compliance with the Code

Principle 1: The Board

The composition of the Board of Directors ensures that the Company is led by individuals who have the necessary skills and diversity of knowledge. It considers strategic issues, key projects and regularly monitors performance against delivery of the key targets of the group's business plan.

Principle 2: Chairman and Chief Executive

The Company has no employees. On the 27th June 2019 the company announced the resignation of the CEO of its main subsidiary, JD Operations Ltd. Thereafter on 11th September 2019 the company announced Mr Josef Dimech, an Executive Director of the company, as the Chief Executive Officer.

Principle 3: Composition of the Board

The Board of the Company who served during the year until 31 December 2019 was as follows:

Directors

Mr. Josef Dimech	Executive Director
Dr. Stanley Portelli	Non-executive Director
Mr. Gaetano Vella	Non-executive Director
Mr. Stephen Muscat	Non-executive Director

Company secretary

Dr. Jesmond Manicaro

The Board considers that the non-executive directors are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The members of the Board have the balance of knowledge and experience as well as a strong non-executive presence to allow continued scrutiny of performance, strategy and governance.

For the purpose of Listing Rules 5.118 and 5.119, the non-executive directors are deemed independent. Each Director is mindful of maintaining independence, professionalism and integrity in carrying out his duties and responsibilities, whilst providing judgement as a Director of the Company.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

PART I - Compliance with the Code - continued

Principle 3: Composition of the Board - continued

The Board considers that none of the independent Directors of the Company:
- is or has been employed in any capacity by the Company;
- has or has had, over the past three years, a significant business relationship with the Company;
- has received or receives significant additional remuneration from the Company in addition to their director's fee;
- has close family ties with any of the Company's executive directors or senior employees; and
- has been within the last three years an engagement partner or a member of the audit team or past external auditor of the Company.

Each of the independent Directors hereby declares that he undertakes to:
- maintain in all circumstances his independence of analysis, decision and action;
- not seek or accept any unreasonable advantages that could be considered as compromising his independence; and
- clearly express his opposition in the event that he finds that a decision of the Board may harm the Company.

Principle 4: The Responsibilities of the Board

The Board has responsibility for overseeing the strategic planning process and reviewing and monitoring management's execution of the corporate and group business plan. The Board delegates certain powers, authorities and discretions to the audit committee. The role and competence of such committees is further described in Principle 8 hereunder.

Principle 5: Board Meetings

The Board meets at least six times a year unless further meetings are required in accordance with the needs of the Company. The Board has a schedule of matters reserved for it to discuss.

Each Director is expected to attend all meetings of the Board and Board committees of which the Director is a member. The Board recognises that occasional meetings may need to be scheduled on short notice when the participation of a Director is not possible and that conflicts may arise from time to time that will prevent a Director from attending or participating in a regularly scheduled meeting. However, the Board expects that each Director will make every possible effort to keep such absences to a minimum.

The board have met seven times during the year.

Principle 6: Information and Professional Development

The Company firmly believes in the professional development of all the members of the Board. The CEO and Senior management of the subsidiary are invited to attend Board meetings from time to time when appropriate.

Principle 7: Evaluation of the Board's Performance

The Board and each of its committees perform an annual self-evaluation of their performance through a series of questionnaires, the results of which are analysed accordingly.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

PART I - Compliance with the Code - continued

Principle 8: Committees

The Board delegates certain powers, authorities and discretions to the audit committee.

Audit Committee

The audit committee's primary role is to support the main Board in terms of quality control of the Company's financial reports, its internal controls and in managing the Board's relationships with the external auditors.

The audit committee comprises of the following independent, non-executive Directors:

Stephen Muscat	Chairman
Stanley Portelli	Member
Gaetano Vella	Member

In compliance with the Listing Rule 5.118A, Mr Stephen Muscat is the independent, non-executive Director who is competent in accounting and/or auditing matters in view of his considerable experience as a warranted Certified Public Accountant.

The audit committee met four times during the year.

Principles 9 and 10: Relations with Bondholders and with the Market and Institutional Shareholders

The Company is committed to having an open and communicative relationship with its bondholders. The Board believes that bondholders should have an opportunity to send communications to the Board. Any communication from a bondholder to the Board generally or a particular Director should be in writing, signed, contain the number of bonds held in the sender's name and should be delivered to the attention of the company secretary at the registered office of the Company.

The Company issues Company Announcements to keep the market informed of the Group developments.

Principle 11: Conflicts of Interest

Directors should always act in the best interests of the Company and its shareholders and investors. The procedures internally followed by the Board reflect how sensitive such situations, if and when they arise, are considered by the Company. In accordance with the provisions of the Articles of Association of the Company, any actual, potential or perceived conflict of interest must be immediately declared by a Director to the other members of the Board, who then (also possibly through a referral to the audit committee) decide on whether such a conflict exists. In the event that the Board perceives such interest to be conflicting with the Director's duties, the conflicted Director is required to leave the meeting and both the discussion on the matter and the vote, if any, on the matter concerned are conducted in the absence of the conflicted Director.

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE - continued

PART I - Compliance with the Code - continued

Principle 12: Corporate Social Responsibility

The Company remains committed to being a responsible company and making a positive contribution to society and the environment. This helps the Group develop strong relationships with its stakeholders, and create long-term value for society and its business. The Group is committed to play a leading and effective role in Malta's sustainable development whilst tangibly proving itself to be a responsible and caring entity of the community in which it operates. The Group continues to support a number of different local initiatives aimed at improving the quality of life of the local communities it supports.

PART II - Non-compliance with the Code

Principle 7: Evaluation of the Board's Performance

Even though the Board undertook a self-evaluation of its own performance, it did not appoint an ad hoc committee to carry out such evaluation. The Board believes that the outcome of such self-assessment exercise currently provides the deliverables needed.

Principle 8: Committees

The Memorandum and Articles of Association of the Company regulates the appointment of Directors.

The Board believes that the setting up of a *Nomination Committee* and a *Remuneration Committee* is currently not suited to the Company as envisaged by the spirit of the Code.

This statement of compliance with the principles of good corporate governance has been approved by the Board of Directors and signed on its behalf by:

Josef Dimech Director	**Stephen Muscat** Director

30 June 2020

RSM

RSM Malta

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Zebbug ZBG 9015
Malta

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of JD Capital PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JD Capital PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together, "the Group"), set out on pages 17 - 46, which comprise the statements of financial position as at 31 December 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"), and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

Our report is consistent with the additional report to the audit committee in accordance with the provision of Article 11 of the EU Regulations No. 537/2014 on specific requirements on statutory audits of public-interest entities.

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements of both the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta that are relevant to our audits of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code and the Code of Ethics for Warrant Holders in Malta. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RSM

Report on the Audit of the Financial Statements - continued

Basis for Opinion - continued

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable laws and regulations in Malta and that we have not provided any non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the Group during the year are disclosed in Note 8 to the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from contracts with customers

Revenue is determined through the estimation of the stage of completion and the expected outcome of the project. Given this estimation process, it is possible that changes in future conditions could require a change in the recognised amount of revenue.

Our audit procedures included an analysis of contracts, bills of quantities prepared by third parties and/or project supervisors, project costs and/or any other relevant assessments as provided by management.

Valuation of investment property

The Group's investment property pertains to a land in Birkirkara is carried at fair value of €4,518,290. Valuation of this property is inherently subjected to, among other factors, the individual nature of the property, its location, and the expected future revenues to be derived from the property.

The existence of significant estimates used to arrive at the fair value of the property, could result in a potential material misstatement by virtue of the inherent uncertainties underlying the estimations. Consequently, specific audit focus and attention was given to this area. The valuation of the property was performed by management on the basis of valuation reports prepared by an independent qualified architect.

Our audit procedures included, amongst others, the following:
- Considering the objectivity, independence, competence and capabilities of the external valuer.
- Reviewing the methodology used by external valuer and by management to estimate the value of the investment property.
- Assessing the valuation inputs and assumptions used on which the forecasts were made.
- Assessing the reasonableness of the valuation by reference to market evidence of transactions for similar properties.

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INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Financial Statements - continued

Key Audit Matters - continued

Impairment assessment of property, plant and equipment

The Group's industrial buildings relate to the emphyteusis on the factory in Hal Far. This had a carrying amount of €10,569,776 as at year-end. The directors are required to assess whether the assets are potentially impaired. In light of the significant directors' judgement we consider this to be a key audit matter for our audit.

Our audit procedures included, amongst others, the following:
- Obtaining a valuation of the industrial building from independent external valuer.
- Reviewing the methodology used by the external valuer and by management to estimate the fair value of the industrial buildings.
- Testing the mathematical accuracy of the calculations derived from the forecast model.
- Assessing the key valuation inputs and assumptions used on which the forecasts were made.

Going concern assumption

At year-end, the Group's current liabilities exceeded its current assets by €7,275,435 (2018: €2,663,945). The directors are actively working on obtaining long-term financing to improve the liquidity of the Group. Some arrangements have already been concluded since the end of the financial year, including with the privileged payables. The directors are confident that the positive results being constantly obtained, together with the business strategy that is being implemented, will improve the liquidity of the Group. This will ensure that the Group will be able to fund its commitments as and when the need arises to enable the Group to realise its assets and discharge its liabilities in the normal course of business.

Our audit procedures included, amongst others, the following:
- Discussing with management their strategy to improve the liquidity of the Group.
- Reviewing the arrangements entered by the Group subsequent to year-end to refinance their current liabilities including with the privileged payables.
- Checking he performance of the Group with the projections prepared by management.

Assessment of the recoverability of the receivables

We identified the recoverability of accounts receivables as a key audit matter due to the significant degree of judgements made by management in assessing the impairment of the receivables and consequently, in determining the extent of allowance for expected credit losses ("ECL").

As at 31 December 2019, the Group had a loan receivable from the parent company amounting to €5,418,619, other receivables from third party amounting to €2,339,519 and trade receivables amounting to €286,327.

Our audit procedures included, amongst others, the following:
- Reviewing the terms surrounding the agreements.
- Assessing the financial soundness of the third party and the parent company taking into account their business plans and strategies.
- Understanding and evaluating the workings and assumptions underlying the assessments for the loss allowances under IFRS 9.
- Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of the balances.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Financial Statements - continued

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial statements concerning the matters taken into consideration by the directors in applying the going concern basis in preparing these financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the general information, the directors' report, and the statement of compliance with the principles of good corporate governance. Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Under Article 179(3) of the Companies Act (Cap. 386), we are required to consider whether the information given in the directors' report is compliant with the disclosure requirements of Article 177 of the same Act.

Based on the work we have performed, in our opinion:

- the directors' report has been prepared in accordance with the Companies Act (Cap. 386);
- the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- in light of our knowledge and understanding of the Company and the Group, and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and the requirements of the Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and/or the Group or to cease operations, or have no realistic alternative but to do so.

The directors have delegated the responsibility for overseeing the financial reporting process of the Group and the Company to the Audit Committee.

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INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Financial Statements - continued

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company and/or the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Financial Statements - continued

Auditors' Responsibilities for the Audit of the Financial Statements - continued

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on the Statement of Compliance with the Principles of Good Corporate Governance

The Prospects MTF Rules issued by the Malta Stock Exchange requires the directors to prepare and include in their Annual Report a Statement of Compliance providing explanation of the extent to which they have adopted the Code of Principles of Good Governance and the effective measures that they have taken to ensure compliance throughout the year with those principles.

The Prospects MTF Rules also require the auditors to report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance with the Principles of Good Corporate Governance has been properly prepared in accordance with the requirements of the Prospects MTF Rules issued by the Malta Stock Exchange.

RSM

INDEPENDENT AUDITORS' REPORT - continued

Report on Other Legal and Regulatory Requirements - continued

Other Matters on which we are Required to Report by Exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.

- The financial statements are not in agreement with the accounting records and returns.

- We have not received all the information and explanations we require for our audit.

- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

Appointment

We were first appointed to act as statutory auditors of the Company by the shareholders of the Company on 18 June 2018 for the period ended 31 December 2018, and we were subsequently reappointed by the shareholders at the Company's general meeting for the financial year thereafter. The period of uninterrupted engagement as statutory auditor of the Company is two financial periods.

This copy of the audit report has been signed by:

Conrad Borg *(Partner)*
for and on behalf of

RSM Malta
Certified Public Accountants

30 June 2020

STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Group 01.01.2019 to 31.12.2019 €	Group 09.08.2017 to 31.12.2018 € Restated	Company 01.01.2019 to 31.12.2019 €	Company 09.08.2017 to 31.12.2018 €
Revenue	5	**11,328,789**	11,520,232	-	-
Cost of sales		**(8,248,735)**	(8,703,342)	-	-
Gross profit		**3,080,054**	2,816,890	-	-
Selling and distribution expenses		**(156,095)**	(123,362)	-	-
Administrative expenses		**(1,608,745)**	(1,570,030)	**(40,453)**	(33,414)
Other income	7	**22,792**	57,815	-	-
Operating profit	8	**1,338,006**	1,181,313	**(40,453)**	(33,414)
Revaluation of investment property	14	-	500,000	-	-
Finance income	10	**60,469**	-	**313,158**	190,459
Finance costs	11	**(475,798)**	(245,027)	**(250,000)**	(154,110)
Impairment on financial assets		**(55,866)**	-	**(15,190)**	-
Profit before tax		**866,811**	1,436,286	**7,515**	2,935
Tax	12	**(392,056)**	(769,296)	-	-
Profit for the year/period		**474,755**	666,990	**7,515**	2,935
Total comprehensive income for the year/period		**474,755**	666,990	**7,515**	2,935
Total comprehensive income attributable to:					
Owners of the Company					
Profit for the year/period		**474,755**	666,990	**7,515**	2,935
Basic earnings per share	23	**1.94**	7.68	**0.03**	0.03

STATEMENTS OF FINANCIAL POSITION
As at 31 December

		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€**	€	**€**	€
			Restated		
ASSETS					
Non-current assets					
Property, plant and equipment	13	**15,413,161**	11,399,357	**-**	-
Investment property	14	**4,518,290**	4,500,000	**-**	-
Intangible assets	15	**224,497**	224,497	**-**	-
Investment in subsidiaries	16	**-**	-	**7,502,400**	7,502,400
Financial assets at amortised cost	17	**6,987,711**	-	**4,884,810**	4,650,000
		27,143,659	16,123,854	**12,387,210**	12,152,400
Current assets					
Financial assets at amortised cost	17	**810,564**	78,540	**45,400**	137,840
Inventories	18	**2,101,973**	-	**-**	-
Contract assets		**-**	4,236,104	**-**	-
Trade and other receivables	19	**838,370**	8,027,207	**201,367**	190,459
Cash and cash equivalents	29	**15,082**	120,847	**58**	119,647
		3,765,989	12,462,698	**246,825**	447,946
TOTAL ASSETS		**30,909,648**	28,586,552	**12,634,035**	12,600,346
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	**245,100**	245,100	**245,100**	245,100
Other equity	22	**7,301,600**	7,301,600	**7,301,600**	7,301,600
Retained earnings		**1,141,745**	666,990	**10,450**	2,935
TOTAL EQUITY		**8,688,445**	8,213,690	**7,557,150**	7,549,635
Non-current liabilities					
Borrowings	24	**6,469,810**	4,886,219	**4,895,839**	4,886,219
Lease liabilities	25	**3,562,377**	-	**-**	-
Other payables	28	**787,592**	-	**-**	-
Deferred tax liability	12	**360,000**	360,000	**-**	-
		11,179,779	5,246,219	**4,895,839**	4,886,219
Current liabilities					
Borrowings	24	**1,378,127**	4,897,616	**13,248**	-
Lease liabilities	25	**32,577**	-	**-**	-
Contract liabilities	27	**2,167,810**	600,060	**-**	-
Current tax liabilities		**801,352**	409,296	**-**	-
Trade and other payables	28	**6,661,558**	9,219,671	**167,798**	164,492
		11,041,424	15,126,643	**181,046**	164,492
TOTAL LIABILITIES		**22,221,203**	20,372,862	**5,076,885**	5,050,711
TOTAL EQUITY AND LIABILITIES		**30,909,648**	28,586,552	**12,634,035**	12,600,346

The financial statements on pages 17 - 46 were approved and authorised for issue by the Board of Directors on 30 June 2020 and were signed on its behalf by:

Josef Dimech
Director

Stephen Muscat
Director

STATEMENTS OF CHANGES IN EQUITY

	Group			
	Share capital	**Other equity**	**Retained earnings**	**Total**
	€	**€**	**€**	**€**
Financial period ended 31 December 2018:				
Share capital issue	46,700	-	-	46,700
Conversion of debt to equity (Note 22)	198,400	7,301,600	-	7,500,000
Total comprehensive income for the period:				
Profit for the financial period - restated	-	-	666,990	666,990
Balance at 31 December 2018 - restated	**245,100**	**7,301,600**	**666,990**	**8,213,690**
Financial year ended 31 December 2019:				
Balance at 1 January 2019 - previously reported	245,100	7,301,600	932,109	8,478,809
Restatement (Note 35)			(265,119)	(265,119)
Balance at 1 January 2019 - restated	245,100	7,301,600	666,990	8,213,690
Total comprehensive income for the year:				
Profit for the financial year			474,755	474,755
Balance at 31 December 2019	**245,100**	**7,301,600**	**1,141,745**	**8,688,445**

	Company			
	Share capital	**Other equity**	**Retained earnings**	**Total**
	€	**€**	**€**	**€**
Financial period ended 31 December 2018:				
Share capital issue	46,700	-	-	46,700
Conversion of debt to equity (Note 22)	198,400	7,301,600	-	7,500,000
Total comprehensive income for the period:				
Profit for the financial period	-	-	2,935	2,935
Balance at 31 December 2018	**245,100**	**7,301,600**	**2,935**	**7,549,635**
Financial year ended 31 December 2019:				
Balance at 1 January 2019	245,100	7,301,600	2,935	7,549,635
Total comprehensive income for the year:				
Profit for the financial year	-	-	7,515	7,515
Balance at 31 December 2019	**245,100**	**7,301,600**	**10,450**	**7,557,150**

STATEMENTS OF CASH FLOWS

	Notes	Group 01.01.2019 to 31.12.2019 €	Group 09.08.2017 to 31.12.2018 €	Company 01.01.2019 to 31.12.2019 €	Company 09.08.2017 to 31.12.2018 €
Cash flows from operating activities					
Profit before tax		**866,811**	1,436,286	**7,515**	2,935
Adjustments for:					
Finance costs	11	**475,798**	245,027	**250,000**	154,110
Depreciation	13	**692,789**	524,409	-	-
Revaluation of investment property	14	-	(500,000)	-	-
Impairment on financial assets		**55,866**	-	**15,190**	-
Amortisation of bond issue costs		**9,620**	5,742	**9,620**	5,742
Finance income	10	**(60,469)**	-	**(313,158)**	(190,459)
Cash from/(used in) operations before working capital changes		**2,040,415**	1,711,464	**(30,833)**	(27,672)
Increase in inventories		**(2,101,973)**	-	-	-
Increase in trade and other receivables and contract assets		**(908,879)**	(12,287,077)	-	-
(Decrease)/Increase in trade and other payables and contract liabilities		**(202,771)**	9,665,621	**3,306**	10,382
Cash used in operations		**(1,173,208)**	(909,992)	**(27,527)**	(17,290)
Interest paid		**(77,985)**	(90,917)	-	-
Net cash flows used in operating activities		**(1,251,193)**	(1,000,909)	**(27,527)**	(17,290)
Cash flows from investing activities					
Payments for additions of:					
Property, plant and equipment		**(1,085,528)**	-	-	-
Investment property		**(18,290)**	-	-	-
Intangible assets		-	(224,497)	-	-
Loan to a subsidiary		-	-	-	(4,650,000)
Movement in amounts due from subsidiary		-	-	**109,250**	(59,400)
Movement in amounts due from related company		**40,423**	(32,200)	**35,440**	(35,440)
Net cash flows (used in)/from investing activities		**(1,063,395)**	(256,697)	**144,690**	(4,744,840)
Cash flows from financing activities					
Net proceeds from bonds issue		-	4,880,477	-	4,880,477
Net proceeds from short-term borrowings		**2,348,612**	-	-	-
Proceeds from share capital issue		-	1,300	-	1,300
Interest paid		**(250,000)**	-	**(250,000)**	-
Payments on finance leases		**(143,639)**	-	-	-
Repayment of loan from related company		-	(3,850,000)	-	-
Movement in amounts due to subsidiary, ultimate shareholder and related company		**43,004**	108,288	**13,248**	-
Net cash flows from/(used in) financing activities		**1,997,977**	1,140,065	**(236,752)**	4,881,777
Net cash movement during the period		**(316,611)**	(117,541)	**(119,589)**	119,647
Cash and cash equivalents at beginning of year/period		**(117,541)**	-	**119,647**	-
Cash and cash equivalents at end of year/period	29	**(434,152)**	(117,541)	**58**	119,647

Significant non-cash transactions are disclosed in Note 30 to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND INCORPORATION

JD Capital PLC ("the Company") is a public limited liability incorporated and domiciled in Malta. The Company's registered office is HHF 303 Industrial Estate, Hal Far, Birzebbugia BBG 3000, Malta.

The principal activity of the Company is to act as a holding company and to provide financing to its subsidiaries. The Company together with its subsidiaries ("the Group") is engaged in the business of providing aluminium, steel, wrought iron, large scale glass formats, and stainless-steel works, as well as the construction of steel structures. The Group also holds an investment property.

JD Holdings Limited, a limited liability company incorporated and domiciled in Malta, is the ultimate parent of the Group and of the Company. Josef Dimech, a resident in Malta, is the ultimate beneficial owner of the Group and of the Company.

2. GOING CONCERN

As at 31 December 2019, the Group's current liabilities exceeded its current assets by €7,275,435 (2018: €2,663,945). The directors are actively working on obtaining long-term financing to improve the liquidity of the Group. Some arrangements have already been concluded since the end of the financial year, including with the privileged payables. The directors are confident that the positive results being constantly obtained, together with the business strategy that is being implemented, will improve the liquidity of the Group. This will ensure that the Group will be able to fund its commitments as and when the need arises to enable the Group to realise its assets and discharge its liabilities in the normal course of business. On the above basis, the directors considered it appropriate to prepare the financial statements of the Company and the Group on a going concern basis.

3. COMPARATIVE FIGURES

The Company was incorporated on 9 August 2017. Consequently, the comparative figures in these financial statements cover the period from incorporation to 31 December 2018.

The comparative figures have been restated from the financial statements previously issued to reflect prior period adjustments. The effect of the prior period adjustments has been disclosed in Note 35.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance and basis of measurement

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and comply with the requirements of the Companies Act (Cap. 386) enacted in Malta. These financial statements have been prepared under the historical cost convention, except for the investment property which is carried at fair value.

Presentation and functional currencies

These financial statements are presented in Euro (€). The functional currency of the Company is the Euro (€).

New or revised Standards, Interpretations, or Amendments adopted

The Group has adopted several new or revised standards, interpretations and amendments issued by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee and endorsed by the EU. Unless otherwise disclosed below, the impact of the adoption of the other new or revised standards, interpretations and amendments did not have a material impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SIGNIFICANT ACCOUNTING POLICIES - continued

New or revised Standards, Interpretations, or Amendments not yet effective

IFRS 16 Leases

The Group has adopted IFRS 16 from 1 January 2019. The standard replaces IAS 17 *Leases* and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets and an interest expense on the recognised lease liabilities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019, and as such the comparatives have not been restated. The impact of adoption as at 1 January 2019 was as follows:

	01.01.2019 Increase/ (Decrease) €
Assets	
Propery, plant and equipment	2,770,862
Trade and other receivables	(30,285)
Total assets	2,740,577
Liabilities	
Lease liabilities	2,740,577
Total liabilities	2,740,577

When adopting IFRS 16 from 1 January 2019, the Group has applied the following practical expedients:

- apply a single discount rate to the portfolio of leases with reasonably similar characteristics;
- account for leases with a remaining lease term of 12 months as at 1 January 2019 as short-term leases;
- exclude any initial direct costs from the measurement of right-of-use assets; and
- use hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

The impact on the statement of comprehensive income for the year ended 31 December 2019 as a result of the adoption of IFRS 16 is a reduction of operating expenses by €143,639 and increases in depreciation and interest charges of €56,523 and €147,813, respectively.

New or revised Standards, Interpretations, or Amendments not yet effective

Several other new and revised Standards, Interpretations, or Amendments, not early adopted by the Group, were in issue and endorsed by the EU, but not yet effective for the current financial period. The Directors are of the opinion that the adoption of these Standards, Interpretations or Amendments will not have a material impact on these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation

The consolidated financial statements incorporate the revenues and expenses, cash flows, assets and liabilities of the Company and of its subsidiaries. Subsidiaries are companies over which the Group has control, directly or indirectly. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

These consolidated financial statements comprise the Company and its subsidiaries. Subsidiaries that were consolidated are listed in Note 16 to these financial statements.

Intra-group transactions, balances and unrealised gains on transactions between companies within the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity of the Group.

When the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary and other related component of equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss. Any interest retained is measured at fair value when control is lost.

Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euro (€) at the rates of exchange ruling at the end of reporting period. All resulting differences are taken to profit or loss.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue from contracts with customers is recognised at an amount that reflects the consideration to which the Group is expected to be entitled when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. Specifically, revenue from contracts to provide services is recognised over time as the services are rendered based on amount that depicts the progress towards complete satisfaction of the performance obligation.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition - continued

The consideration relates to the transaction price or a portion of the transaction price allocated to each performance obligations as defined in the contract with the customer.

The transaction price may include variable consideration and the time value of money. Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events.

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Finance costs

Finance costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of that asset. All other finance costs are recognised in profit or loss in the period in which they are incurred.

Tax

The tax charge/(credit) in the profit or loss normally comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised and/or sufficient taxable temporary differences are available. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible asset

An intangible asset acquired as part of a business combination, other than goodwill, is initially measured at fair value at the date of the acquisition. An intangible asset acquired separately is initially recognised at cost. An indefinite life intangible asset is not amortised and is subsequently measured at cost less any impairment. A finite life intangible asset is subsequently measured at cost less amortisation and any impairment. On derecognition, gains or losses are recognised in profit or loss as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Intellectual property

Intellectual property has an indefinite useful life.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs.

Subsequent to initial recognition, an investment property is carried at fair value, and unlike operational properties, it is not depreciated. A change in the fair value of an investment property is recognised in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss in the period in which the property is derecognised.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

	%
Industrial building	1.5
Machinery	20
Office furniture	10
Motor vehicles	20
Electronic equipment	25
Electric hand tools	20

The estimated useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Right-of-use asset

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Investment in subsidiaries

Subsidiaries are companies over which the Company has control, directly or indirectly. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the

Investment in subsidiaries in the statement of financial position of the Company are stated at cost less any accumulated impairment losses.

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the assets. The recoverable amount of the assets is the greater of their net selling price and value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

In respect of the Group's assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial assets at amortised cost

Financial assets at amortised cost (other than trade receivables) are initially measured at fair value plus transaction costs. These financial assets are subsequently measured at amortised cost using the effective interest method less any allowance for expected credit losses.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Contract assets

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

Trade receivables

Trade receivables are initially recognised at fair value, which in case for trade receivables which do not have significant financing components, as a practical expedient, is the transaction price. Subsequently, these are measured at transaction price, as a practical expedient, or at amortised cost using the effective interest method when effect of discounting is material, less any allowance for expected credit losses.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents are carried at cost.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash in hand, cash at banks and short-term investments in a financial institution.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and trade receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs as a practical expedient. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of tax effects.

Borrowings

Borrowings are initially recognised at fair value less transaction costs and are subsequently measured at amortised cost using the effective interest method.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Trade payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. These are initially recognised at fair value. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 90 days of recognition.

Contract liabilities

Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has satisfied its performance obligation in a contract with customer.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Earnings per share

Basic earnings per share is calculated by dividing the profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

5. SIGNIFICANT JUDGEMENTS AND CRITICAL ESTIMATION UNCERTAINTIES

The preparation of these financial statements in accordance with IFRS as adopted by the EU requires the Directors to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses in the financial statements. These judgements, estimates and assumptions, which are continually evaluated, are based on historical experience and on other various factors, including expectations of future events, that the Directors believed to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgement, estimates that are significant to these financial statements are discussed below.

Revenue from contracts with customers

Management determines revenue through the estimation of the stage of completion and expected outcome of the project. Given this estimation process, it is possible that changes in the future conditions could require a change in the recognised amount of revenue.

NOTES TO THE FINANCIAL STATEMENTS - continued

5. SIGNIFICANT JUDGEMENTS AND CRITICAL ESTIMATION UNCERTAINTIES - continued

Expected credit loss

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, leading to a potential increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Fair value of investment property

Investment property is revalued annually to fair value by using either internal valuations or valuations prepared by external independent valuers. These valuations are based upon assumptions including future rental value, anticipated property costs, future development costs and the appropriate discount rate. Reference is also made to market evidence of transaction prices for similar properties. These estimates are subjective in nature and involve uncertainties, such as the issue of the required permits and matters of significant judgements and, therefore, cannot be determined with precision.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Impairment of non-financial assets

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. The directors' assessed that the property, plant and equipment, intangible assets and inventories of the Group are not impaired as at 31 December 2019 and 2018.

6. REVENUE

	Group	
	01.01.2019 to 31.12.2019	09.08.2017 to 31.12.2018
	€	€
Revenue from contracts with customers	**11,328,789**	11,520,232

NOTES TO THE FINANCIAL STATEMENTS - continued

7. OTHER INCOME

The Group's other income pertains to sales of scrap materials.

8. OPERATING PROFIT

Operating profit is stated after charging:

	Group		Company	
	01.01.2019 to 31.12.2019	09.08.2017 to 31.12.2018	**01.01.2019 to 31.12.2019**	09.08.2017 to 31.12.2018
	€	€	**€**	€
Staff costs (see Note 9)	**3,970,719**	3,587,308	**-**	-
Directors' remuneration (see Note 9)	**259,031**	254,090	**-**	-
Directors' fees	**26,065**	30,200	**10,000**	7,500
Auditors' remuneration:				
- Statutory audit	**21,480**	20,210	**9,440**	9,440
- Review services (interim reports)	**3,200**	4,500	**2,600**	4,500
- Tax compliance services	**1,226**	-	**472**	-
- Other assurance services	**600**	-	**600**	-
Depreciation (see Note 13)	**692,789**	524,409	**-**	-

9. STAFF COSTS

	Group		Company	
	01.01.2019 to 31.12.2019	09.08.2017 to 31.12.2018	**01.01.2019 to 31.12.2019**	09.08.2017 to 31.12.2018
	€	€	**€**	€
Directors' remuneration	**256,511**	251,618	**-**	-
Social security costs and maternity fund	**2,520**	2,472	**-**	-
	259,031	254,090	**-**	-
Salaries and wages	**3,784,253**	3,412,256	**-**	-
Social security costs and maternity fund	**186,466**	175,052	**-**	-
	3,970,719	3,587,308	**-**	-

The average number of persons employed by the Group during the year were 105 production personnel and 27 administrative personnel (2018: 95 and 26, respectively). The Company has no employees of its own.

10. FINANCE INCOME

	Group		Company	
	01.01.2019 to 31.12.2019	09.08.2017 to 31.12.2018	**01.01.2019 to 31.12.2019**	09.08.2017 to 31.12.2018
	€	€	**€**	€
Interest on loans receivable	**60,469**	-	**313,158**	190,459

NOTES TO THE FINANCIAL STATEMENTS - continued

11. FINANCE COSTS

	Group		Company	
	01.01.2019 to 31.12.2019	09.08.2017 to 31.12.2018	**01.01.2019 to 31.12.2019**	09.08.2017 to 31.12.2018
	€	€	**€**	€
Interest on bonds payable	**250,000**	154,110	**250,000**	154,110
Interest on bank borrowings	**71,586**	48,228	**-**	-
Interest on lease liabilities	**147,813**	-	**-**	-
Interest on late payments	**6,399**	27,318	**-**	-
Interest on purchase of motor vehicles	**-**	15,371	**-**	-
	475,798	245,027	**250,000**	154,110

12. TAX

Tax expense for the period is comprised of the following:

	Group		Company	
	01.01.2019 to 31.12.2019	09.08.2017 to 31.12.2018	**01.01.2019 to 31.12.2019**	09.08.2017 to 31.12.2018
	€	€	**€**	€
Current tax	**392,056**	409,296	-	-
Deferred tax	**-**	360,000	-	-
	392,056	769,296	-	-

The tax on the profits at statutory rate of 35% reconciles to the tax expense for the period as follows:

	Group		Company	
	01.01.2019 to 31.12.2019	09.08.2017 to 31.12.2018	**01.01.2019 to 31.12.2019**	09.08.2017 to 31.12.2018
	€	€ Restated	**€**	€
Profit before tax	**866,811**	1,436,286	**7,515**	2,935
Tax at statutory rate of 35%	**303,384**	502,700	**2,630**	1,027
Adjustments for:			**-**	-
- non-taxable income	1,018	(175,000)	**(109,605)**	(66,661)
- non-deductible expenses	87,654	81,596	**106,975**	65,634
- tax on fair value of investment property	-	360,000	**-**	-
	392,056	769,296	**-**	-

NOTES TO THE FINANCIAL STATEMENTS - continued

13. PROPERTY, PLANT AND EQUIPMENT

	Group				
	Industrial buildings €	Righ-of-use asset €	Machinery €	Office furniture €	Moto vehicle
Period ended 31 December 2018:					
Cost					
Additions	10,057,770	-	731,579	65,214	826,018
Accumulated depreciation					
Depreciation charge	154,710	-	146,316	6,521	165,189
Carrying amount at 31 December 2018	**9,903,060**	**-**	**585,263**	**58,693**	**660,829**
Year ended 31 December 2019:					
Cost					
Opening balance	10,057,770	-	731,579	65,214	826,018
Adoption of IFRS 16	-	2,770,862	-	-	-
	10,057,770	2,770,862	731,579	65,214	826,018
Additions	898,209	850,203	101,467	26,022	41,855
Closing balance	10,955,979	3,621,065	833,046	91,236	867,873
Accumulated depreciation					
Opening balance	154,710	-	146,316	6,521	165,189
Depreciation	231,493	56,523	166,609	9,124	173,575
Closing balance	386,203	56,523	312,925	15,645	338,764
Carrying amount at 31 December 2019	**10,569,776**	**3,564,542**	**520,121**	**75,591**	**529,109**

NOTES TO THE FINANCIAL STATEMENTS - continued

14. INVESTMENT PROPERTY

	Group	
	2019	2018
	€	€
Fair value	**4,518,290**	4,500,000

Movements in investment property during the period were as follows:

	2019	2018
	€	€
Opening balance	**4,500,000**	-
Addition	**18,290**	4,000,000
Fair value adjustment	**-**	500,000
Ending balance	**4,518,290**	4,500,000

The Group's investment property consists of land in Birkirkara, Malta. The fair value of the investment properties as at 31 December 2019 amounts to €4,518,290 (2018: €4,500,000). The carrying amount of the investment property which would have been included in the financial statements had it been carried at cost is €4,018,290 (2018: €4,000,000)

The Group's investment property is used as a security under a hypothec for a banking facility of a related company.

Refer to Note 33 to these financial statements for the fair value measurement.

15. INTANGIBLE ASSET

	Group	
	2019	2018
	€	€
Cost		
Opening balance	**224,497**	-
Addition	**-**	224,497
Ending balance	**224,497**	224,497

The Group's intangible asset pertains to the intellectual property right to use the business brand, logo, and tradename 'JSDimech'.

16. INVESTMENT IN SUBSIDIARIES

The following are the subsidiaries of the Group with the corresponding shareholding percentage of the Group and the amount of the investment carried in the Company's statement of financial position:

			Company	
		Ownership	**2019**	**2018**
Subsidiary	**Country**	**%**	**€**	**€**
JD Birkirkara Limited	Malta	100	**4,001,200**	**4,001,200**
JD Operations Limited	Malta	100	**3,501,200**	**3,501,200**
			7,502,400	**7,502,400**

NOTES TO THE FINANCIAL STATEMENTS - continued

16. INVESTMENT IN SUBSIDIARIES - continued

The following table summarizes the financial information of the Company's subsidiaries as at and for the year ended 31 December 2019.

Subsidiary	Net assets €	Profit/(Loss) €
JD Operations Limited	4,483,523	454,958
JD Birkirkara Limited	4,134,982	(2,908)

17. FINANCIAL ASSETS AT AMORTISED COST

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Non-current				
Loan to a subsidiary (i)	-	-	**4,884,810**	4,650,000
Loan to ultimate parent (ii)	**5,418,619**	-	-	-
Other receivables (iii)	**1,569,092**	-	-	-
	6,987,711	-	**4,884,810**	4,650,000
Current				
Amounts owed by subsidiaries (iv)	-	-	-	59,400
Amounts owed by ultimate parent (iv)	**40,137**	45,500	**45,400**	45,400
Amounts owed by a related company (iv)	-	33,040	-	33,040
Other receivables (iii)	**770,427**	-	-	-
	810,564	78,540	**45,400**	137,840

i. The loan to a subsidiary is unsecured, earns interest at 6.5% per annum, and is repayable by not later than 30 September 2027. Interest income for the period from this loan amounted to €313,158 (2018: €190,459). The amount is net of €15,190 expected credit losses (2018: nil).

ii. The loan to ultimate parent is unsecured, bears interest at 4.5% per annum on the principal of €5,375,000 and is repayable by 1 October 2024. The amount is stated net of expected credit loss of €16,850.

iii. The other receivables are stated net of expected credit losses of €7,275. These are unsecured, bear interest at 4.75% per annum and are repayable in principal repayments of €60,000 per month, excluding interest.

iv. The amounts owed by subsidiaries, ultimate parent and related company are unsecured, interest-free, and repayable on demand.

18. INVENTORIES

	Group	
	2019	2018
	€	€
Raw materials	**944,811**	-
Work-in-process	**1,157,162**	-
	2,101,973	-

NOTES TO THE FINANCIAL STATEMENTS - continued

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Trade receivables	**286,327**	6,615	**-**	-
Trade receivables - related company	**-**	7,921,991	**-**	-
Prepayments	**552,043**	98,601	**-**	-
Accrued interest income	**-**	-	**201,367**	190,459
	838,370	8,027,207	**201,367**	190,459

Trade receivables are stated net of allowance for expected credit losses amounting to €31,741 (2018: nil).

20. CONTRACT ASSETS

	Group	
	2019	2018
	€	€
Opening balance	**4,236,104**	-
Additions	**-**	4,236,104
Transfer to trade receivables	**(4,236,104)**	-
	-	4,236,104

21. SHARE CAPITAL

	Group and Company	
	2019	2018
	€	€
Authorised share capital		
245,000 Ordinary shares of €1 each	**245,000**	245,000
100 Ordinary A shares of €1 each	**100**	100
	245,100	245,100
Issued share capital		
245,000 Ordinary shares of €1 each	**245,000**	245,000
100 Ordinary A shares of €1 each	**100**	100
	245,100	245,100

The holders of "Ordinary" shares have all the rights in the Company.

The holders of "Ordinary A" shares shall not be entitled to any rights in the Company, and shall therefore not be entitled to vote at any general meeting of the Company. However, they have the right to return of capital on their shares upon liquidation of the Company.

22. OTHER EQUITY

This represents the amounts owed to the parent company which are unsecured, interest-free and are repayable at the absolute discretion of the Company.

NOTES TO THE FINANCIAL STATEMENTS - continued

23. EARNINGS PER SHARE

	Group		Company	
	01.01.2019 to 31.12.2019	09.08.2017 to 31.12.2018	**01.01.2019 to 31.12.2019**	09.08.2017 to 31.12.2018
Profit for the period attributable to owners of the Company	**€474,755**	€666,990	**€7,515**	€2,935
Weighted average number of ordinary shares	**245,000**	86,796	**245,000**	86,796
Basic earnings per share	**€1.94**	€7.68	**€0.03**	€0.03

The Group or the Company has no potential ordinary shares that would cause the dilution of basic earnings per share.

24. BORROWINGS

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Non-current				
€5,000,000 bonds, 5%, unsecured (i)	**4,895,839**	4,886,219	**4,895,839**	4,886,219
Revolving facility (ii)	**1,573,971**	-	**-**	-
	6,469,810	4,886,219	**4,895,839**	4,886,219
Current				
Revolving facility (ii)	**774,641**	-	**-**	-
Temporary banking facility (iii)	**449,234**	238,388	**-**	-
Loan from a related company (iv)	**-**	4,550,000	**-**	-
Amounts due to the ultimate shareholder (iv)	**151,292**	108,288	**-**	-
Amounts due to related company (iv)	**2,960**	940	**2,960**	-
Amounts due to a subsidiary (iv)	**-**	-	**10,288**	-
	1,378,127	4,897,616	**13,248**	-

i. The bonds will mature on 21 May 2028 with annual interest payments every 21st of May until maturity. The amount presented is net of unamortised bond issue costs of €104,161 (2018: €113,781). Interest expense on the bonds for the year are as disclosed in Note 11. The fair value of the bonds for every €100 bond as at 31 December 2019 was €101 (2018: €101).

ii. The revolving facility is secured by title transfer, bears interest at 4.88% per annum and is repayable by 4 July 2022. The revolving facility is of €4,000,000.

iii. The Group was granted a temporary banking facility which is repayable on demand.

iv. The loan from and amounts due to a related company and the amounts due to the ultimate parent are unsecured, interest-free, and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS - continued

25. LEASE LIABILITIES

	Group	
	31.12.2019	01.01.2019
	€	€
Due after more than five years	**10,525,478**	10,002,301
Due after one year but within five years	**862,298**	488,505
Due within one year	**211,140**	121,140
Total gross lease liabilities	**11,598,916**	10,611,946
Discounting	**(8,003,962)**	(7,871,369)
Present value of lease liabilities	**3,594,954**	2,740,577
Non-current	**3,562,377**	2,619,437
Current	**32,577**	121,140
	3,594,954	2,740,577

The Group's lease liabilities pertain to the lease of industrial properties under a temporary emphytheusis for a period of 65 years from 8 March 2018. and the lease of a commerial property (including garage) for a period of 12 years from 1 October 2019. The Group's obligations under these leases are secured by the lessor's title over the property. Generally, the Group is restricted from subleasing the property.

Movements in lease liabilitiies during the year were as follows:

	€
At 1 January 2019	**2,740,577**
Addition	**850,203**
Accretion of interest	**147,813**
Lease payment	**(143,639)**
At 31 December 2019	**3,594,954**

The following were the amounts recognised in profit or loss relating to leases:

	€
Depreciation charge	**56,523**
Interest expense	**147,813**
	204,336

26. OPERATING LEASES

	Group	
	01.01.2019 to 31.12.2019	09.08.2017 to 31.12.2018
	€	€
Lease payments recognised as expense for the period	**-**	116,790

Outstanding commitments under non-cancellable operating leases were as follows:

	Group	
	31.12.2019	31.12.2018
	€	€
Due after more than five years	**-**	10,002,301
Due after one year but within five years	**-**	488,505
Due within one year	**-**	90,855

NOTES TO THE FINANCIAL STATEMENTS - continued

27. CONTRACT LIABILITIES

	Group	
	2019	2018
	€	€
Opening balance	**600,060**	-
Payments received in advance	**1,987,810**	600,060
Transfers to revenue	**(420,060)**	
	2,167,810	600,060

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Non-current				
Indirect taxes and social security contribution	**787,592**	-	**-**	-
Current				
Trade payables	**3,208,607**	172,419	**4,248**	942
Accrued expenses	**582,169**	6,776,040	**163,550**	163,550
Indirect taxes and social security contribution	**2,870,782**	2,271,212	**-**	-
	6,661,558	9,219,671	**167,798**	164,492

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statements of financial position is comprised of cash at banks. Cash and cash equivalents in the statements of financial position reconciles to the cash and cash equivalents with cash and cash equivalents in the statements of cash flows as follows:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cash at bank	**15,082**	120,847	**58**	119,647
Temporary overdraft facility	**(449,234)**	(238,388)	**-**	-
	(434,152)	(117,541)	**58**	119,647

NOTES TO THE FINANCIAL STATEMENTS - continued

30. SIGNIFICANT NON-CASH TRANSACTIONS

The following are the significant non-cash transactions that transpired throughout the periods presented in these financial statements:

For the year ended 31 December 2019:

Group

a) Trade receivable from a related company was assigned to a third party amounting to €2,293,971.

b) Assignment of trade receivable from a related company to the ultimate parent company amounting to €5,375,000.

c) Offsetting of amounts due to a related company against trade receivables from the same related company amounting to €4,550,000.

Company

The Company has not engaged in any significant non-cash transactions during the year.

For the period ended 31 December 2018:

Group

a) Acquisition of property, plant and equipment from a related company for a consideration payable amounting to €11,900,000 .

b) Acquisition of investment property from a related company for a consideration payable amounting to €4,000,000.

c) Assignment of loan payable to related company amounting to €7,500,000 to the ultimate parent company.

d) Conversion of the loan payable to the ultimate parent company to share capital and other equity.

Company

a) Assignment to the Company of the loans of subsidiaries payable to a related company amounting to €7,500,000.

b) Assignment of loan payable to related company amounting to €7,500,000 to the ultimate parent company .

c) Conversion of the loan payable to the ultimate parent company to share capital and other equity.

NOTES TO THE FINANCIAL STATEMENTS - continued

31. RELATED PARTY DISCLOSURES

The Company carries out transactions with related parties on a regular basis and in the ordinary course of the business.

The following summarises the transactions with related parties that transpired during the period:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Related company				
Revenue from contracts	**8,194,510**	11,430,816	-	-
Purchases	**(2,183,134)**	(6,154,020)	-	-
Recharges	**(144,744)**	399,434	-	-
Net advances received/(paid)	**35,060**	(32,100)	**33,040**	(33,040)
Acquisition of group of assets	-	11,900,000	-	-
Cash payment for acquisition of assets	-	(3,850,000)	-	-
Transfer of trade receivable	**(7,668,971)**	-	-	-
Acquisition of investment property	-	4,000,000	-	-
Acquisition of property, plant and equipment	-	202,684	-	-
Ultimate parent company				
Interest income	**60,469**	-	-	-
Assignment of loan payable	-	(7,500,000)	-	(7,500,000)
Assignment of receivable	**5,375,000**	-	-	-
Net advances paid	-	(45,500)	-	(45,400)
Conversion of loan payable to share capital	-	198,400	-	198,400
Conversion of loan payable to other equity	-	7,301,600	-	7,301,600
Ultimate shareholder				
Net advances received	**43,004**	108,288	-	-
Subsidiaries				
Loan	-	-	**(250,000)**	(4,650,000)
Interest income			**313,158**	190,459
Assignment of loan payable of subsidiary	-	-	-	7,500,000
Conversion of loan receivable	-	-	-	
to investment	-	-	-	(7,500,000)
Advances - net	-	-	**59,400**	(59,400)

The outstanding amounts arising from transactions with related parties and the related terms and conditions are disclosed in Notes 17, 19, and 24 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

32. FINANCIAL RISK MANAGEMENT

At year end, the Group's main financial assets on the statement of financial position is comprised of cash at banks, trade and other receivables (excluding prepayments and accrued income), and other financial assets at amortised cost. There were no off-balance sheet financial assets.

At year end, the Group's main financial liabilities on the statement of financial position is comprised of trade and other payables (excluding accruals), and borrowings. There were no off-balance sheet financial liabilities, except for lease commitments.

Exposure to credit, liquidity, and interest rate risks arise from the Group's activities.

Timing of cash flows

The presentation of the financial assets and liabilities listed above under the current and non-current headings within the statements of financial position is intended to indicate the timing in which cash flows will arise.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern and comply with the requirements of the prospectus issued in relation to the bonds while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to equity holders comprising issued share capital, reserves, and borrowings as disclosed in notes 21, 22 and 24 to these financial statements and in the statements of changes in equity.

Credit risk

Credit risk refers to the risk that a counterparty in the financial assets will default on its contractual obligations resulting in financial loss to the Group or the Company. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available. Expected credit losses recognised on trade receivables amounted to €31,741 (2018: nil)

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

NOTES TO THE FINANCIAL STATEMENTS - continued

32. FINANCIAL RISK MANAGEMENT - continued

Credit risk - continued

As at 31 December 2019, the Group has a credit risk concentration with the ultimated parent company and a third party which accounted for 67% and 29% of the Group's total financial assets, respectively. The Group recognised provisions for expected credit losses on these financial assets amounting to €16,850 and €7,275, respectively as at 31 December 2019. As at 31 December 2018, the Group has a concentration of credit risk with a related company which accounted for 97% of the Group's financial assets. This balance was within its terms of trade and no impairment was made as at 31 December 2018.

As at 31 December 2019, the Company has a credit risk concentration with a subsidiary which accounted for 99% (2018: 96%) of the Company's total financial assets. Expected credit losses recognised for this balance amounted to €15,190 (2018: nil).

The credit risk relating to cash at bank is considered to be low in view of management's policy of placing it with reputable financial institutions.

Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

The directors monitor liquidity risk by reviewing the expected cash flows and matching of the cash inflows and cash outflows arising from expected maturities of financial instruments.

The following table analyses the undiscounted contractual cash flows arising from the Group's financial liabilities:

	Group		
	Within 12 months €	Between 1-5 years €	More than 5 years €
31 December 2019			
Bonds payable (including interest)	250,000	100,000	6,000,000
Loan from and amounts due to a related company	2,960	-	-
Amounts due to the ultimate shareholder	151,292	-	-
Trade and other payables	7,295,040	787,592	-
Revolving facility	774,641	1,573,971	-
Temporary banking facility	449,234	-	-
Lease liabilities	211,140	862,298	10,525,478
	9,134,307	**3,323,861**	**16,525,478**
31 December 2018			
Bonds payable (including interest)	250,000	1,000,000	6,250,000
Loan from and amounts due to a related company	4,550,940	-	-
Amounts due to the ultimate shareholder	108,288	-	-
Trade and other payables	9,065,561	-	-
Temporary banking facility	238,388	-	-
Lease liabilities	121,140	488,505	10,002,301
	14,334,317	**1,488,505**	**16,252,301**

NOTES TO THE FINANCIAL STATEMENTS - continued

32. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

	Company		
	Within 12 months €	Between 1-5 years €	More than 5 years €
31 December 2019			
Bonds payable (including interest)	250,000	1,000,000	6,000,000
Amounts due to related company and subsidiary	13,248	-	-
Trade and other payables	13,688	-	-
	276,936	**1,000,000**	**6,000,000**
31 December 2018			
Bonds payable (including interest)	250,000	1,000,000	6,250,000
Trade and other payables	10,382	-	-
	260,382	**1,000,000**	**6,250,000**

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from the bank overdraft and revolving facility which are subject to varying interest rates according to revisions to the bank's base rate. Interest rate on the bonds payable is fixed while the other financial liabilities are interest-free, thus, interest rate risk does not apply to these

Changes in liabilities arising from financing activities

	Group			
	Loan from & amounts due to a related company €	Amounts due to ultimate shareholder €	Revolving facility €	Bonds €
31 December 2019:				
Beginning balance	4,550,940	108,288	-	4,886,219
Cash flows from financing activities	-	43,004	2,348,612	-
Net non-cash changes	(4,547,980)	-	-	9,620
Balance at 31 December 2019	**2,960**	**151,292**	**2,348,612**	**4,895,839**
31 December 2018:				
Beginning balance	-	-	-	-
Cash flows from financing activities	(3,850,000)	108,288	-	4,880,477
Net non-cash changes	8,400,940	-	-	5,742
Balance at 31 December 2018	**4,550,940**	**108,288**	**-**	**4,886,219**

NOTES TO THE FINANCIAL STATEMENTS - continued

33. FAIR VALUE MEASUREMENT

The Group measures fair values using the fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Valuation techniques based on observable input, either directly (i.e. as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data; and

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and unobservable inputs have a significant effect on the instruments valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Financial instruments

The carrying amounts of cash at banks, trade and other receivables (excluding prepayments), other financial assets at amortised costs, trade and other payables (excluding accruals), and other financial liabilities at amortised cost are carried at their present values using the effective interest method (where discounting is material) which is a reasonable approximation their fair values as at period.

Investment property

The fair value of the investment property, appraised by an independent valuer, was determined based on level 3 inputs. These level 3 inputs include future rental value, anticipated property costs, future developments and an appropriate discount rate.

34. EVENTS AFTER THE END OF THE REPORTING PERIOD

In the first quarter of 2020, the World Health Organisation declared COVID-19 as a pandemic. In response to the global health situation, the Malta Health Authorities issued a series of directives which affected the commercial operations and economy in Malta. Despite this, the Group's main operating subsidiary, JD Operations Ltd, continued to operate and service its clients.

Subsequent to the reporting period, the Group paid the interest to its Bond holders. Although the Board is not able to verify the full effects of COVID-19 on it operations and its current and potential clients, as of now the level of activity has continued. Based on our existing order book, from the announcement of the directives by the Health Authorities up to this report's date, no contract has been cancelled or deferred and progress payments on works done have continued to flow at a steady rate.

The directors consider the COVID-19 outbreak to be a non-adjusting subsequent event and they do not consider this situation to have resulted in a material uncertainty regarding the Group being able to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS - continued

35. RESTATEMENT OF PRIOR PERIOD PRESENTED

Certain items in the comparative figures in the Group's statement of financial position as at 31 December 2018 and in the statement of comprehensive income for the period then ended have been restated resulting from a prior period adjustment. The adjustment pertains to the recognition of deferred tax on the fair value of the investment property and correction of current tax provision. The impact of the adjustment was restatement on certain comparative figures presented, as follows:

- Tax expense increased by €265,119 to €769,296 (previously reported: €504,177)
- Profit for the period was decreased to €666,990 (previously reported: €932,109)
- Deferred tax liability as at 31 December 2018 increased to €360,000 (previously reported; nil)
- Current tax liability as at 31 December 2018 decreased by €94,881 to €409,296 (previously reported; €504,177)
- Retained earnings as at 31 December 2018 decreased to €666,990 (previously reported: €932,109)