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

Date: 26th April 2022
Reference: 42/2022

COMPANY ANNOUNCEMENT

PUBLICATION OF CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS

The following is a company announcement issued by JD Capital plc (the "Company"), having company registration number C 82098, issued in terms of the Prospects Rules, the market regulated as a multi-lateral trading facility operated by the Malta Stock Exchange ("Prospects MTF").

QUOTE

The Board of Directors of the Company announces that it met on 26th April 2022 and considered and approved the Company's Annual Report and Consolidated Audited Financial Statements for the financial period ended 31 December 2021. A copy of the signed Annual Report and Consolidated Audited Financial Statements is being attached to this announcement and are 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 2021

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 2021.

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. The Group also holds an investment property.

Business review

During the year under review, the Group made a profit before tax of €468,117 (2020: €821,152). For the same year, the Company made a loss before tax of €3,649 (2020: profit before tax of €820,320).

As at 31 December 2021, the Group's total assets amounted to €47,280,206 (2020: €33,259,796) and net assets amounted to €16,586,795 (2020: €8,570,597).

As at 31 December 2021, the Company's total assets amounted to €12,644,562 (2020: €12,641,293) and net assets amounted to €7,495,632 (2020: €7,565,710).

During 2021, the COVID-19 pandemic brought about its challenges due to the restrictions imposed throughout the year. However, the relaxation of certain measures toward the latter part of the financial period facilitated the day-to-day running of the business.

All through the year 2021, the management team continued to focus on managing the impact and hazards of the pandemic giving particular attention to the rise in raw material prices due to the global increase in transportation costs.

Even with these significant challenges, the Group reached two important milestones: (1) revenues in the region of €16.3 million, leading to an increase of 7% when compared to the previous year, and (2) total assets stood at €47.3 million.

Despite the increase in revenue, the Group experienced a decrease in its operating profit of 17% and in its profit before tax of 43%. This can be attributed to the increase in its direct costs due to the pandemic.

The Group has a clear financial framework and remains highly disciplined and focused on its cash-flows and on increasing its working capital to ensure that it can continue with its targeted investments in order to remain competitive and relevant in the short to medium term thus, securing the Group's future.

The board of directors is confident that the Group's disciplined and focused approach, together with remaining sensitive to industry trends and being responsive to investment opportunities, will ensure that the Group will remain at the forefront of the construction industry and thus remain relevant in the short to medium term.

DIRECTORS' REPORT - continued

Results and dividends

The results for the year are set out in the statements of comprehensive income on page 17. During the year ended 31 December 2021, the directors do not recommend the payment of a dividend (2020: paid dividends amounting to €527,365 or €2.15 per ordinary share).

Financial risk management

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

Events after the end of the reporting period

Subsequent to year end, a war in the Ukraine was registered. The Group has not made any sales overseas and it does not have any contacts for raw materials in Ukraine or Russia. Furthermore, none of the Group's clients, which are Malta-based have suspended their projects or cancelled orders. At this stage, the effects of a prolonged war on the global economy are unknown, however, management will continue to monitor the situation closely to remain alert of any potential impact that it may have on the Group.

Going concern

As at 31 December 2021, the Group's current assets exceeded its current liabilities by €3,690,426. This signifies an improvement in the Group's position when compared to last year when the Group's current liabilities exceeded its current assets by €619,386.

The directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Group and the Company have adequate resources to continue operating for the foreseeable future and for this reason, the directors have adopted the going concern basis in preparing the financial statements.

Future developments

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

Directors

During the year ended 31 December 2021, 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 eligible for re-election.

DIRECTORS' REPORT - continued

Statement of directors' responsibilities

The Companies Act (Cap. 386), enacted in Malta, 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 year end and of their profit or loss for the year 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). 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.

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

26 April 2022

STATEMENT OF COMPLIANCE WITH THE PRINCIPLES OF GOOD CORPORATE GOVERNANCE

JD Capital PLC ("the Company") is committed to observing the principles of transparent and 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 Prospects MFT Rules, 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 2021, 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. The Board 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. Mr Josef Dimech, an Executive Director of the Company, is also the Chief Executive Officer of the Company's main subsidiary.

Principle 3: Composition of the Board

The Board of the Company who served during the year until 31 December 2021 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 Prospects MTF Rules, 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 committee 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 has met nine times during the year. All Directors were present on all these meetings.

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:

Mr. Stephen Muscat	Chairman
Dr. Stanley Portelli	Member
Mr. Gaetano Vella	Member

In compliance with the Prospects MTF Rules, 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. All members were present on all these meetings.

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

The Directors should always act in the best interest 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

26 April 2022

RSM

RSM Malta

Mdina Road,
Zebbug ZBG 9015,
Malta

T +356 2278 7000

www.rsm.com.mt

INDEPENDENT AUDITORS' REPORT

To the Shareholders of JD Capital PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying 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 2021, 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 financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2021, 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 Company and the Group in accordance with the ethical requirements of both the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

INDEPENDENT AUDITORS' REPORT - continued

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 7 in 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 budgets and/or any other relevant assessments as provided by management.

Valuation of investment property

The Group's investment property pertaining to a land in Birkirkara is carried at fair value of €4,522,715. 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.
- 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.

INDEPENDENT AUDITORS' REPORT - continued

Report on the Audit of the Financial Statements - continued

Key Audit Matters - continued

Valuation of property, plant and equipment

The Group's industrial buildings carried at fair value relate to the emphyteusis on the factory in Hal Far. This had a carrying amount of €19,638,195 as at year-end. 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 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.

Assessment of the recoverability of receivables

We identified the recoverability of the accounts receivable 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 2021, the Group had a loan receivable and amounts due from the parent company totalling to €1,664,716, amounts due from a related company of €1,646,026, other receivables from third party amounting to €1,459,076, and trade receivables and contract assets totalling €11,158,779.

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

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, except as explicitly stated under the Report on Other Legal and Regulatory Requirements.

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.

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 scepticism 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.

RSM

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 the directors 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 the directors, 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

Under the Companies Act (Cap. 386), we are required to report to you if in our opinion:

- proper accounting records have not been kept; or
- returns have not been received from branches we have not visited; or
- the financial statements are not in agreement with the accounting records and returns; or
- we were unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

We have nothing to report in this regard.

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 four financial periods.

This copy of the audit report has been signed by:

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

RSM Malta
Certified Public Accountants

26 April 2022

STATEMENTS OF COMPREHENSIVE INCOME

		Group		Company	
	Notes	2021 €	2020 €	2021 €	2020 €
Revenue	5	**16,268,211**	15,144,684	-	-
Cost of sales		**(14,448,372)**	(12,875,671)	-	-
Gross profit		**1,819,839**	2,269,013	-	-
Selling and distribution expenses		**(151,333)**	(111,213)	-	-
Administrative expenses		**(807,288)**	(768,014)	**(72,149)**	(59,511)
Other income	6	**293,852**	4,550	-	-
Operating profit/(loss)	7	**1,155,070**	1,394,336	**(72,149)**	(59,511)
Finance and dividend income	9	**205,822**	241,309	**318,500**	1,129,831
Finance costs	10	**(583,652)**	(524,874)	**(250,000)**	(250,000)
Other losses	11	**(11,700)**	(89,984)	-	-
Impairment on financial assets		**(297,423)**	(199,635)	-	-
Profit/(loss) before tax		**468,117**	821,152	**(3,649)**	820,320
Tax	12	**(308,719)**	(411,635)	**(66,429)**	(284,395)
Profit/(loss) for the year		**159,398**	409,517	**(70,078)**	535,925
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of land and buildings, net of tax		**7,856,800**	-	-	-
Total comprehensive income/(loss) for the year		**8,016,198**	409,517	**(70,078)**	535,925
Profit/(loss) for the year attributable to:					
Owners of the Company		**159,398**	409,517	**(70,078)**	535,925
Total comprehensive income/(loss) attributable to:					
Owners of the Company		**8,016,198**	409,517	**(70,078)**	535,925
Basic earnings/(loss) per share	24	**0.03**	1.67	**(0.01)**	2.19

STATEMENTS OF FINANCIAL POSITION

	Notes	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
ASSETS					
Non-current assets					
Property, plant and equipment	13	**23,627,306**	15,039,420	**-**	-
Investment property	14	**4,522,715**	4,522,184	**-**	-
Intangible assets	15	**224,497**	224,497	**-**	-
Investment in subsidiaries	16	**-**	-	**7,502,400**	7,502,400
Financial assets at amortised cost	17	**1,618,922**	5,924,940	**4,884,810**	4,884,810
Trade and other receivables	19	**1,084,518**	-	**-**	-
Deferred tax asset	12	**-**	4,973	**-**	-
		31,077,958	25,716,014	**12,387,210**	12,387,210
Current assets					
Financial assets at amortised cost	17	**3,150,896**	1,789,458	**55,780**	53,054
Inventories	18	**1,529,296**	1,374,962	**-**	-
Contract assets	20	**4,514,034**	1,984,147	**-**	-
Trade and other receivables	19	**6,646,982**	2,384,712	**201,367**	200,817
Cash and cash equivalents	29	**361,040**	10,503	**205**	212
		16,202,248	7,543,782	**257,352**	254,083
TOTAL ASSETS		**47,280,206**	33,259,796	**12,644,562**	12,641,293
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	**7,546,700**	245,100	**7,546,700**	245,100
Other equity	22	**-**	7,301,600	**-**	7,301,600
Revaluation reserve	23	**7,856,800**	-		-
Retained earnings/(Accumulated losses)		**1,183,295**	1,023,897	**(51,068)**	19,010
TOTAL EQUITY		**16,586,795**	8,570,597	**7,495,632**	7,565,710
Non-current liabilities					
Borrowings	25	**7,397,971**	8,166,954	**4,916,640**	4,905,970
Lease liabilities	26	**3,492,124**	3,528,128	**-**	-
Trade and other payables	28	**3,898,722**	3,810,218	**-**	-
Deferred tax liabilities	12	**1,592,788**	360,000	**-**	-
Non-current tax liabilities		**507,947**	660,731	**-**	-
		16,889,552	16,526,031	**4,916,640**	4,905,970
Current liabilities					
Borrowings	25	**3,602,339**	2,017,712	**3,592**	3,592
Lease liabilities	26	**36,004**	34,248	**-**	-
Contract liabilities	27	**2,212,033**	696,385	**-**	-
Current tax liabilities		**1,080,212**	556,272	**47,950**	429
Trade and other payables	28	**6,873,271**	4,858,551	**180,748**	165,592
		13,803,859	8,163,168	**232,290**	169,613
TOTAL LIABILITIES		**30,693,411**	24,689,199	**5,148,930**	5,075,583
TOTAL EQUITY AND LIABILITIES		**47,280,206**	33,259,796	**12,644,562**	12,641,293

The financial statements on pages 17 - 46 were approved and authorised for issue by the Board of Directors on 26 April 2022 and were signed on its behalf by:

Josef Dimech
Director

Stephen Muscat
Director

STATEMENTS OF CHANGES IN EQUITY

	Group				
	Share capital €	Other equity €	Revaluation Reserve €	Retained earnings €	Total €
Financial period ended 31 December 2020:					
Balance at 1 January 2020	245,100	7,301,600	-	1,141,745	8,688,445
Total comprehensive income for the year:					
Profit for the financial year	-	-	-	409,517	409,517
Dividends (Note 21)	-	-	-	(527,365)	(527,365)
Balance at 31 December 2020	**245,100**	**7,301,600**	**-**	**1,023,897**	**8,570,597**
Financial year ended 31 December 2021:					
Balance at 1 January 2021	245,100	7,301,600	-	1,023,897	8,570,597
Share capital increase in exchange for non-cash consideration	7,301,600	(7,301,600)	-	-	-
Total comprehensive income for the year:					
Profit for the financial year	-	-	-	159,398	159,398
Other comprehensive income	-	-	7,856,800	-	7,856,800
Balance at 31 December 2021	**7,546,700**	**-**	**7,856,800**	**1,183,295**	**16,586,795**

	Company				
	Share capital €	Other equity €	Revaluation Reserve €	Retained earnings €	Total €
Financial period ended 31 December 2020:					
Balance at 1 January 2020	245,100	7,301,600	-	10,450	7,557,150
Total comprehensive income for the year:					
Profit for the financial year	-	-	-	535,925	535,925
Dividends (Note 21)	-	-	-	(527,365)	(527,365)
Balance at 31 December 2020	**245,100**	**7,301,600**	**-**	**19,010**	**7,565,710**
Financial year ended 31 December 2021:					
Balance at 1 January 2021	245,100	7,301,600	-	19,010	7,565,710
Share capital increase in exchange for non-cash consideration	7,301,600	(7,301,600)	-	-	-
Total comprehensive loss for the year:					
Loss for the financial year	-	-	-	(70,078)	(70,078)
Balance at 31 December 2021	**7,546,700**	**-**	**-**	**(51,068)**	**7,495,632**

STATEMENTS OF CASH FLOWS

	Notes	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Cash flows from operating activities					
Profit before tax		**468,117**	821,152	**(3,649)**	820,320
Adjustments for:					
Finance costs	10	**583,652**	524,874	**250,000**	250,000
Depreciation	13	**831,760**	788,213	**-**	-
Impairment on financial assets		**297,423**	199,635	**-**	-
Amortisation of bond issue costs		**10,670**	10,131	**10,670**	10,131
Loss on disposal of motor vehicles	11	**11,700**	89,984	**-**	-
Finance and dividend income	9	**(205,789)**	(241,309)	**(318,500)**	(318,500)
Cash from/(used in) operations before working capital changes		**1,997,533**	2,192,680	**(61,479)**	761,951
(Increase)/Decrease in inventories		**(154,334)**	727,011	**-**	-
Increase in trade and other receivables and contract assets		**(7,130,580)**	(3,609,490)	**(550)**	-
Increase/(Decrease) in trade and other payables and contract liabilities		**3,618,872**	(251,806)	**15,156**	(2,206)
Cash (used in)/from operations		**(1,668,509)**	(941,605)	**(46,873)**	759,745
Interest paid		**-**	(65,312)	**-**	-
Interest received		**-**	19	**318,500**	252,073
Taxes paid		**(59,802)**	(957)	**(18,908)**	(283,966)
Net cash flows (used in)/from operating activities		**(1,728,311)**	(1,007,855)	**252,719**	727,852
Cash flows from investing activities					
Payments for additions of:					
Property, plant and equipment		**(216,846)**	(537,057)	**-**	-
Investment property		**(531)**	(3,894)	**-**	-
Receipt from disposal of motor vehicles		**2,300**	22,687	**-**	-
Net receipts from loans		**2,348,591**	286,075	**-**	-
Movement in amounts due from parent company and related company		**(591,296)**	(71,628)	**(2,726)**	59,323
Net cash flows/(used in) from investing activities		**1,542,218**	(303,817)	**(2,726)**	59,323
Cash flows from financing activities					
Proceeds from bank borrowings		**2,437,692**	4,782,595	**-**	-
Repayment of bank borrowings		**(1,680,382)**	(2,312,415)	**-**	-
Interest paid		**(406,760)**	(462,743)	**(250,000)**	(250,000)
Dividends paid		**-**	(527,365)	**-**	(527,365)
Interest paid on lease liabilities		**(176,892)**	-	**-**	-
Payments on finance leases		**(34,248)**	(32,578)	**-**	-
Movement in amounts due to subsidiary, ultimate shareholder and related company		**(103,874)**	308,833	**-**	(9,656)
Net cash flows from/(used in) financing activities		**35,536**	1,756,327	**(250,000)**	(787,021)
Net cash movement during the year		**(150,557)**	444,655	**(7)**	154
Cash and cash equivalents at beginning of year		**10,503**	(434,152)	**212**	58
Cash and cash equivalents at end of year	29	**(140,054)**	10,503	**205**	212

Significant non-cash transactions are disclosed in Note 29 to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

JD Capital PLC ("the Company") is a public limited liability company 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 2021, the Group's current assets exceeded its current liabilities by €3,690,426 (2020: current liabilities exceeded its current assets by €619,386). This reflects the active efforts undertaken by the directors to improve the liquidity of the Group. 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. 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 and industrial buildings which are carried at fair value.

Presentation and functional currencies

These financial statements are presented in Euro (€) which is also the Company's functional currency.

New or revised standards, interpretations, or amendments adopted

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

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue 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 an amount that depicts the progress towards complete satisfaction of the performance obligation.

The consideration relates to the transaction price or a portion of the transaction price allocated to each performance obligation 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Tax - continued

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.

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

An item of property, plant and equipment is initially measured at cost. Cost includes the purchase prices and other expenditures directly attributable to bringing the asset to the location and condition for its intended use. Subsequent expenditure relating to the asset is capitalised as additional cost when it results in an increase in the future economic benefits to be obtained from the asset, in excess of the originally assessed standard of performance, and will flow back to the Company. All other subsequent expenditure is recognised in profit or loss.

After initial recognition an item of property, plant and equipment, except for industrial buildings, is carried at cost less accumulated depreciation and impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment - continued

After initial recognition, industrial buildings are carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment, provided that fair value can be measured reliably.

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

Revaluation of industrial buildings is performed frequently if market factors indicate a material change in fair value. Increases in carrying amounts arising from revaluation are recognised in the other comprehensive income and accumulated under a revaluation reserve in equity, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognised against the revaluation reserve. All other decreases in carrying amounts are recognised as a loss in the statement of comprehensive income.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

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.

Leases

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leases - continued

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.

Investment in subsidiaries

Subsidiaries are companies over which the Company has control, directly or indirectly. The Company controls an entity when it 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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 the case of 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 the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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 the 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.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. 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 judgements and 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.

Expected credit losses

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 losses 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 and industrial buildings

Investment property and industrial buildings are revalued 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SIGNIFICANT JUDGEMENTS AND CRITICAL ESTIMATION UNCERTAINTIES - continued

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 2021 and 2020.

Coronavirus (COVID-19) pandemic

During the year, the Coronavirus (COVID-19) pandemic brought about its challenges due to the restrictions imposed throughout the year. The relaxation of certain measures towards the latter part of the financial year facilitated the day-to-day running of the business. Management has also continued to focus on managing the impact and hazards of the pandemic giving particular attention to the rise in raw material prices due to the global increase in transportation costs which has led to a slight decrease in profit margin on certain projects. The directors have nonetheless assessed that there is neither any significant impact upon the financial statements nor any significant uncertainties with respect to events or conditions which may impact the Company unfavourable as at the reporting date or subsequently as a result of the COVID-19 pandemic.

5. REVENUE

	Group	
	2021	2020
	€	€
Revenue from contracts with customers	**16,268,211**	15,144,684

6. OTHER INCOME

	Group	
	2021	2020
	€	€
Management fees	**275,595**	-
Wage supplements	**5,250**	4,550
Refunds	**6,233**	-
Others	**6,774**	-
	293,852	4,550

NOTES TO THE FINANCIAL STATEMENTS - continued

7. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Staff costs (see Note 8)	**3,900,499**	3,414,983	**-**	-
Directors' remuneration (see Note 8)	**277,663**	265,273	**-**	-
Directors' fees	**35,931**	17,600	**26,887**	10,000
Auditors' remuneration:				
- Statutory audit	**33,239**	21,005	**14,160**	9,912
- Review services (interim reports)	**2,360**	2,360	**2,360**	2,360
- Tax compliance services	**1,100**	1,226	**472**	472
- Other assurance services	**-**	8,850	**-**	8,850
- Other non-assurance services	**500**	900	**-**	-
Depreciation (see Note 13)	**831,760**	788,213	**-**	-

8. STAFF COSTS

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Directors' remuneration	**274,997**	262,774	**-**	-
Social security costs and maternity fund	**2,666**	2,499	**-**	-
	277,663	265,273	**-**	-
Salaries and wages	**3,655,925**	3,220,919	**-**	-
Social security costs and maternity fund	**244,574**	194,064	**-**	-
	3,900,499	3,414,983	**-**	-

The average number of persons employed by the Group during the year were 124 production personnel and 7 administrative personnel (2020: 115 and 11, respectively). The Company has no employees of its own.

9. FINANCE AND DIVIDEND INCOME

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Interest on loans receivable	**205,789**	241,290	**318,500**	318,500
Bank interest	**33**	19	**-**	-
Dividend income	**-**	-	**-**	811,331
	205,822	241,309	**318,500**	1,129,831

NOTES TO THE FINANCIAL STATEMENTS - continued

10. FINANCE COSTS

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Interest on bonds payable	**250,000**	250,000	**250,000**	250,000
Interest on bank borrowings	**134,010**	86,279	**-**	-
Interest on lease liabilities	**176,892**	178,562	**-**	-
Interest on late payments	**22,750**	10,033	**-**	-
	583,652	524,874	**250,000**	250,000

11. OTHER LOSSES

During the year-ended 31 December 2021, the Group disposed some vehicles resulting in a loss on disposal amounting to €11,700 (2020: €89,984).

12. TAX

Tax expense for the period is comprised of the following:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current tax	**384,686**	411,520	**20,157**	284,395
Adjustment of prior period current tax	**46,272**	5,088	**46,272**	-
Deferred tax credit	**(122,239)**	(4,973)	**-**	-
	308,719	411,635	**66,429**	284,395

The tax on the profits/(loss) at statutory rate of 35% reconciles to the tax expense/(credit) for the period as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Profit/(loss) before tax	**468,117**	821,152	**(3,649)**	820,320
Tax at statutory rate of 35%	**163,841**	287,403	**(1,277)**	287,112
Adjustments for:				
- non-taxable income	(72,026)	(84,452)	**-**	
- non-deductible expenses	428,180	385,257	**25,252**	24,647
- adjustment of prior period current tax	46,272	5,088	**46,272**	-
- absorbed capital allowances	(131,491)	(149,324)	**-**	-
Other temporary differences	(122,239)	(4,973)	**-**	-
Other differences	(3,818)	(27,364)	**(3,818)**	(27,364)
	308,719	411,635	**66,429**	284,395

NOTES TO THE FINANCIAL STATEMENTS - continued

12. TAX - continued

The movement in deferred tax for the year is analysed as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
At the beginning of year	**(355,027)**	(355,027)	-	-
Credited to profit or loss	**122,239**	-	-	-
Revaluation Reserve	**(1,360,000)**	-	-	-
	(1,592,788)	(355,027)	-	-

Deferred income taxes are calculated on all temporary differences under the liability method using a principal rate of 35%. The deferred tax credit for the year represents:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Tax effect of temporary differences arising from:				
- Expected credit losses	**104,098**	89,425	-	-
- Accrued interest receivable	**18,141**	(84,452)	-	-
	122,239	4,973	-	-

13. PROPERTY, PLANT AND EQUIPMENT

	Group							
	Right-of-use asset €	Industrial buildings €	Machinery €	Office furniture €	Motor vehicles €	Electronic equipment €	Electric hand tools €	Total €
Year ended 31 December 2020:								
Cost								
Opening balance	3,621,065	10,955,979	833,046	91,236	867,873	64,654	196,506	16,630,359
Additions	-	290,078	171,389	14,035	29,000	4,944	27,611	537,057
Disposals	-	-	-	-	(190,356)	-	-	(190,356)
Closing balance	3,621,065	11,246,057	1,004,435	105,271	706,517	69,598	224,117	16,977,060
Accumulated depreciation								
Opening balance	56,523	386,203	312,925	15,645	338,764	31,343	75,795	1,217,198
Depreciation	118,293	254,981	200,887	10,527	141,303	17,399	44,823	788,213
Disposals	-	-	-	-	(67,771)	-	-	(67,771)
Closing balance	174,816	641,184	513,812	26,172	412,296	48,742	120,618	1,937,640
Carrying amount at 31 December 2020	**3,446,249**	**10,604,873**	**490,623**	**79,099**	**294,221**	**20,856**	**103,499**	**15,039,420**
Year ended 31 December 2021:								
Cost								
Opening balance	3,621,065	11,246,057	1,004,435	105,271	706,517	69,598	224,117	16,977,060
Additions	-	104,110	25,544	8,745	42,279	11,735	24,433	216,846
Revaluation increase recognised in equity	-	8,840,194	-	-	-	-	-	8,840,194
Disposals	-	-	-	-	(35,000)	-	-	(35,000)
Closing balance	3,621,065	20,190,361	1,029,979	114,016	713,796	81,333	248,550	25,999,100
Accumulated depreciation								
Opening balance	174,816	641,184	513,812	26,172	412,296	48,742	120,618	1,937,640
Depreciation	113,972	287,588	205,996	11,402	142,759	20,333	49,710	831,760
Disposal	-	-	-	-	(21,000)	-	-	(21,000)
Reversal of depreciation	-	(376,606)	-	-	-	-	-	(376,606)
Closing balance	288,788	552,166	719,808	37,574	534,055	69,075	170,328	2,371,794
Carrying amount at 31 December 2021	**3,332,277**	**19,638,195**	**310,171**	**76,442**	**179,741**	**12,258**	**78,222**	**23,627,306**

NOTES TO THE FINANCIAL STATEMENTS - continued

14. INVESTMENT PROPERTY

	Group	
	2021	2020
	€	€
Fair value	**4,522,715**	4,522,184

Movements in investment property during the period were as follows:

	2021	2020
	€	€
Opening balance	**4,522,184**	4,518,290
Additions from subsequent expenditures	**531**	3,894
Ending balance	**4,522,715**	4,522,184

The Group's investment property consists of land in Birkirkara, Malta. The fair value of the investment property as at 31 December 2021 amounts to €4,522,715 (2019: €4,522,184). The carrying amount of the investment property which would have been included in the financial statements had it been carried at cost is €4,022,715 (2020: €4,022,184).

The Group's investment property is used as a security by means of 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

The Group's intangible asset pertains to the intellectual property right to use the business brand, logo, and tradename 'JSDimech'. The directors are of the opinion that this has an indefinite useful life.

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	**2021**	2020
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

The following table summarizes the financial information of the Company's subsidiaries as at and for the year ended 31 December 2021.

Subsidiary	**Net assets €**	**Profit/(Loss) €**
JD Birkirkara Limited	4,128,862	(3,090)
JD Operations Limited	12,449,511	232,566

NOTES TO THE FINANCIAL STATEMENTS - continued

17. FINANCIAL ASSETS AT AMORTISED COST

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Non-current				
Loan to a subsidiary (i)	**-**	-	**4,884,810**	4,884,810
Loan to ultimate parent (ii)	**1,618,922**	5,133,431	**-**	-
Other receivables (iii)	**-**	791,509	**-**	-
	1,618,922	5,924,940	**4,884,810**	4,884,810
Current				
Amounts owed by subsidiaries (iv)	**-**	-	**10,380**	7,654
Amounts owed by ultimate parent (iv)	**45,794**	48,220	**45,400**	45,400
Amounts owed by a related company (iv)	**1,646,026**	304,835	**-**	-
Other receivables (iii)	**1,459,076**	1,436,403	**-**	-
	3,150,896	1,789,458	**55,780**	53,054

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 €318,500 (2020: €318,500). The amount is net of €15,190 expected credit losses (2020: €15,190).

ii. The loan to ultimate parent is unsecured, bears interest at 4.5% per annum and is repayable by 1 October 2024. The amount is stated net of expected credit loss of €3,456 (2020: €15,963).

iii. The other receivables are stated net of expected credit losses of €4,585 (2020: €6,898). These are unsecured, bear interest at 4.75% per annum and were repaid in 2022.

iv. The amounts owed by subsidiaries, ultimate parent and related company are unsecured, interest-free, and repayable on demand. The amounts owed by a related company is stated net of €5,119 expected credit losses (2020: €948).

18. INVENTORIES

	Group	
	2021	2020
	€	€
Raw materials	**1,468,103**	1,056,521
Work-in-process	**61,193**	318,441
	1,529,296	1,374,962

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Non-current				
Trade receivable (i)	**1,084,518**	-	**-**	-
Current				
Trade receivables (i)	**5,560,227**	1,278,391	**-**	-
Prepayments	**1,086,755**	1,106,321	**-**	-
Accrued interest income (ii)	**-**	-	**201,367**	200,817
	6,646,982	2,384,712	**201,367**	200,817

NOTES TO THE FINANCIAL STATEMENTS - continued

19. TRADE AND OTHER RECEIVABLES - continued

i. Trade receivables are stated net of allowance for expected credit losses amounting to €301,878 (2020: €162,302). Expected credit losses recognised for the year amounted to €139,576 (2020: €130,561). The noncurrent portion is repayable in principal repayments of €27,200 per month.

ii. Accrued interest income relates to the interest on the loan to a subsidiary.

20. CONTRACT ASSETS

	Group	
	2021	2020
	€	€
At 1 January	**1,984,147**	-
Additions	**2,698,382**	2,053,537
Provision for expected credit losses	**(168,495)**	(69,390)
At 31 December	**4,514,034**	1,984,147

Contract assets are stated net of expected credit losses of €237,885 (2020: €69,390).

21. SHARE CAPITAL

	Group and Company	
	2021	2020
	€	€
Authorised share capital		
7,543,621 Ordinary shares of €1 each	**7,543,621**	-
3,079 Ordinary A shares of €1 each	**3,079**	-
245,000 Ordinary shares of €1 each	**-**	245,000
100 Ordinary A shares of €1 each	**-**	100
	7,546,700	245,100
Issued share capital		
7,543,621 Ordinary shares of €1 each	**7,543,621**	-
3,079 Ordinary A shares of €1 each	**3,079**	-
245,000 Ordinary shares of €1 each	**-**	245,000
100 Ordinary A shares of €1 each	**-**	100
	7,546,700	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.

During the year ended 31 December 2021, the Company did not declare any dividends (2020: dividends paid - €527,365 or €2.15 per Ordinary share).

In 2021, the Company increased its authorised and issued shares by €7,301,600 through capitalisation of debt classified as other equity.

22. OTHER EQUITY

This represented the amounts owed to the parent company which were unsecured, interest-free and were repayable at the absolute discretion of the Company. During the year, these amounts were converted into shares as stated in Note 21 to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

23. REVALUATION RESERVE

This amount represents the movement in the fair value of the land.

	Group	
	2021	2020
	€	€
Increase in fair value of land	**9,216,800**	-
Deferred tax element (Note 12)	**(1,360,000)**	-
	7,856,800	-

24. EARNINGS/(LOSS) PER SHARE

	Group		Company	
	2021	2020	**2021**	2020
Profit for the period attributable to owners of the Company	**€159,398**	€409,517	**(€70,078)**	€535,925
Weighted average number of ordinary shares	**5,464,014**	245,000	**5,464,014**	245,000
Basic earnings per share	**€0.03**	€1.67	**(€0.01)**	€2.19

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

25. BORROWINGS

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Non-current				
€5,000,000 bonds, 5%, unsecured (i)	**4,916,640**	4,905,970	**4,916,640**	4,905,970
Bank loan I (ii)	**554,697**	591,000	**-**	-
Bank loan II (iii)	**838,634**	1,422,583	**-**	-
Revolving facility (iv)	**1,088,000**	793,971	**-**	-
Amounts due to the ultimate shareholder (vi)	**-**	453,430	**-**	-
	7,397,971	8,166,954	**4,916,640**	4,905,970
Current				
Bank loan I (ii)	**134,310**	25,000	**-**	-
Bank loan II (iii)	**577,243**	558,718	**-**	-
Revolving facility (iv)	**2,380,037**	1,424,339	**-**	-
Bank overdraft (iv)	**501,094**	-	**-**	-
Amounts due to related company (v)	**9,655**	9,655	**3,592**	3,592
	3,602,339	2,017,712	**3,592**	3,592

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 €83,360 (2020: €94,030). Interest expense on the bonds for the year are as disclosed in Note 10 to these financial statements. The fair value of the bonds for every €100 bond as at 31 December 2021 was €100 (2020: €99).

NOTES TO THE FINANCIAL STATEMENTS - continued

25. BORROWINGS - continued

ii. Bank loan I pertains to a loan with a local bank under the Malta Development Bank's COVID-19 Assist Program. The loan shall bear interest at a fixed rate of 2.5% per annum for the first two years from the take up of the loan and thereafter at the rate of the aggregate of the margin of 2.75% per annum and the three-month EURIBOR. The loan is repayable over a period of six years inclusive of a 12-month moratorium on the principal and six-months on interest. Following the moratorum period, the loan shall be repayable in 60 monthly instalments of €12,500. The loan is secured by a first general hypothec over the Company's assets and guarantee by the ultimate shareholder.

iii. Bank loan II is a loan with another local bank taken as well under the Malta Development Bank's COVID-19 Assist Program and is fully utilised as at year-end. The loan shall bear interest at the rate of the aggregate of the margin of 3.15% per annum and the three-month EURIBOR. The loan is repayable in monthly instalments of €50,917 beginning December 2020 until May 2024. The loan is secured by Malta Development Bank Guarantee for €1,800,000.

iv. The revolving facility bears interest at the rate of 5% per annum plus the 12-month EURIBOR and is repayable in accordance with the term sheet as agreed with the bank for each drawdown. The revolving facility is of €4,000,000.

v. The amounts due to related company is unsecured, interest-free, and repayable on demand.

26. LEASE LIABILITIES

	Group	
	2021	2020
	€	€
Due after more than five years	**10,082,085**	10,303,782
Due after one year but within five years	**883,412**	872,855
Due within one year	**211,140**	211,140
Total gross lease liabilities	**11,176,637**	11,387,777
Discounting	**(7,648,509)**	(7,825,401)
Present value of lease liabilities	**3,528,128**	3,562,376
Non-current	**3,492,124**	3,528,128
Current	**36,004**	34,248
	3,528,128	3,562,376

The Group's lease liabilities pertain to the lease of industrial property 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 sub-leasing the property.

Movements in lease liabilitiies during the year were as follows:

	Group	
	2021	2020
	€	€
At 1 January	**3,562,376**	3,594,954
Addition	**-**	-
Accretion of interest	**176,892**	178,562
Lease payment	**(211,140)**	(211,140)
At 31 December	**3,528,128**	3,562,376

NOTES TO THE FINANCIAL STATEMENTS - continued

26. LEASE LIABILITIES - continued

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

	Group	
	2021	2020
	€	€
Depreciation charge	**113,972**	118,293
Interest expense	**176,892**	178,562
	290,864	296,855

27. CONTRACT LIABILITIES

	Group	
	2021	2020
	€	€
At 1 January	**696,385**	2,167,810
Additions	**1,752,718**	-
Payments received in advance	**459,315**	696,385
Transfers to revenue	**(696,385)**	(2,167,810)
At 31 December	**2,212,033**	696,385

28. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Non-current				
Trade payables	**740,755**	714,546	**-**	-
Indirect taxes and social security contribution	**3,157,967**	3,095,672	**-**	-
	3,898,722	3,810,218	**-**	-
Current				
Trade payables	**3,639,670**	2,985,883	**10,083**	-
Accrued expenses	**742,178**	517,716	**170,665**	165,592
Indirect taxes and social security contribution	**2,491,423**	1,354,952	**-**	-
	6,873,271	4,858,551	**180,748**	165,592

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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Cash on hand	**467**	7,472	**-**	-
Cash at bank	**360,573**	3,031	**205**	212
Bank overdraft	**(501,094)**	-	**-**	-
	(140,054)	10,503	**205**	212

NOTES TO THE FINANCIAL STATEMENTS - continued

30. SIGNIFICANT NON-CASH TRANSACTIONS

The significant non-cash transaction of the Group and the Company pertains to the capitalisation of debt as disclosed in Note 21 to these financial statements.

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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Related company				
Revenue from contracts	**1,689,325**	2,052,165	**-**	-
Recharges	**(318,126)**	-	**-**	-
Management fees	**(275,595)**	(43,378)	**-**	-
Net advances received/(paid)	**-**	(298,140)	**-**	632
Transfer of trade receivable	**-**	-	**-**	-
Ultimate parent company				
Interest income	**189,461**	241,309	**-**	-
Dividends paid	**-**	(527,365)	**-**	-
Assignment of receivable	**-**	-	**-**	-
Ultimate shareholder				
Net advances (paid)/received	**(103,874)**	(151,292)	**-**	-
Subsidiaries				
Loan	**-**	-	**-**	-
Interest income	**-**	-	**318,500**	318,500
Dividends received - net	**-**	-	**-**	527,365
Recharges	**-**	-	**(12,727)**	-
Net advances (paid)/received	**-**	-	**(15,453)**	(10,288)

The outstanding amounts arising from transactions with related parties and the related terms and conditions are disclosed in Notes 17 and 25 to these financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

32. FINANCIAL RISK MANAGEMENT - continued

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, 23 and 25 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 and contract assets 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 and contract assets amounted to €539,763 (2020: €231,692).

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 one year.

As at 31 December 2021, the Group has a credit risk concentration with the ultimate parent company and a third party which accounted for 14% and 12% (2020: 58% and 25%) of the Group's total financial assets, respectively. The Group recognised expected credit losses on these financial assets as at 31 December 2021 amounting to €3,456 and €4,585 (2020: €15,963 and €6,898), respectively.

As at 31 December 2021, the Company has a credit risk concentration with a subsidiary which accounted for 99% (2020: 99%) of the Company's total financial assets. Expected credit losses recognised for this balance as at 31 December 2021 amounted to €15,190 (2020: €15,190).

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.

NOTES TO THE FINANCIAL STATEMENTS - continued

32. FINANCIAL RISK MANAGEMENT - continued

Credit risk related to trade receivables are as follows:

	Gross amount €	ECL €	Carrying amount €
31 December 2021			
Current	5,122,005	(100,368)	5,021,637
30 to 89 days	105,785	(22,283)	83,502
90 to 179 days	120,258	(62,560)	57,698
180 to less than 1 year	1,568,797	(102,985)	1,465,812
More than 1 year	29,777	(13,681)	16,096
	6,946,622	(301,877)	6,644,745
31 December 2020			
Current	1,114,728	(3,087)	1,111,641
30 to 89 days	181,253	(31,781)	149,472
90 to 179 days	18,063	(11,422)	6,641
180 to less than 1 year	99,789	(89,152)	10,637
More than 1 year	26,860	(26,860)	-
	1,440,693	(162,302)	1,278,391

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 liquid assets and available borrowing facilities to be able to pay debts as and when they become due and payable.

The directors manage liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details 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 2021			
Bonds payable (including interest)	154,110	-	5,000,000
Amounts due to a related company	9,655	-	-
Trade and other payables (excluding accrued interest)	6,719,161	3,898,722	-
Revolving facility	2,380,037	652,800	435,200
Bank Loans	711,553	1,262,685	131,042
Lease liabilities	211,140	883,412	10,082,085
	10,185,656	**6,697,619**	**15,648,327**

NOTES TO THE FINANCIAL STATEMENTS - continued

32. FINANCIAL RISK MANAGEMENT - continued

Liquidity risk - continued

	Group		
	Within 12 months	**Between 1-5 years**	**More than 5 years**
	€	**€**	**€**
31 December 2020			
Bonds payable (including interest)	154,110	-	5,000,000
Amounts due to related parties	9,655	-	-
Amounts due to ultimate shareholder	-	453,430	-
Trade and other payables (excluding accrued interest)	4,704,441	3,810,218	-
Revolving facility	1,424,339	793,971	-
Temporary banking facility	583,718	2,013,583	-
Lease liabilities	211,140	872,855	10,303,782
	7,087,403	**7,944,057**	**15,303,782**

	Company		
	Within 12 months	**Between 1-5 years**	**More than 5 years**
	€	**€**	**€**
31 December 2021			
Bonds payable (including interest)	154,110	-	5,000,000
Amounts due to related company	3,592	-	-
Trade and other payables (excluding accrued interest)	26,638	-	-
	184,340	**-**	**5,000,000**
31 December 2020			
Bonds payable (including interest)	154,110	-	5,000,000
Amounts due to related company	3,592	-	-
Trade and other payables (excluding accrued interest)	11,482	-	-
	169,184	**-**	**5,000,000**

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 financial instruments.

NOTES TO THE FINANCIAL STATEMENTS - continued

32. FINANCIAL RISK MANAGEMENT - continued

Changes in liabilities arising from financing activities

	Group						
	Amounts due to a related company €	Amounts due to ultimate shareholder €	Bank loans and revolving facility €	Bonds €	Lease liabilities €	Other payables €	Total €
31 December 2021:							
Beginning balance	9,655	453,430	4,815,611	4,905,970	3,562,376	154,110	13,901,152
Cash flows from financing activities	-	(103,874)	694,508	-	(211,140)	(343,958)	35,536
Net non-cash changes	-	(349,556)	62,802	10,670	176,892	343,958	244,766
Balance at 31 December 2021	**9,655**	**-**	**5,572,921**	**4,916,640**	**3,528,128**	**154,110**	**14,181,454**
31 December 2020:							
Beginning balance	2,960	151,292	2,348,612	4,895,839	3,594,954	154,110	11,147,767
Cash flows from financing activities	6,695	302,138	2,435,999	-	(211,140)	(777,365)	1,756,327
Net non-cash changes	-	-	31,000	10,131	178,562	777,365	997,058
Balance at 31 December 2020	**9,655**	**453,430**	**4,815,611**	**4,905,970**	**3,562,376**	**154,110**	**13,901,152**

	Company						
	Amounts due to a related company €	Amounts due to ultimate shareholder €	Bank loans and revolving facility €	Bonds €	Lease liabilities €	Other payables €	Total €
31 December 2021:							
Beginning balance	3,592	-	-	4,905,970	-	154,110	5,063,672
Cash flows from financing activities	-	-	-	-	-	(250,000)	(250,000)
Net non-cash changes	-	-	-	10,670	-	250,000	260,670
Balance at 31 December 2021	**3,592**	**-**	**-**	**4,916,640**	**-**	**154,110**	**5,074,342**
31 December 2020:							
Beginning balance	13,248	-	-	4,895,839	-	154,110	5,063,197
Cash flows from financing activities	(9,656)	-	-	-	-	(777,365)	(787,021)
Net non-cash changes	-	-	-	10,131	-	777,365	787,496
Balance at 31 December 2020	**3,592**	**-**	**-**	**4,905,970**	**-**	**154,110**	**5,063,672**

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 inputs, 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 cost, 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 of their fair values as at period end.

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. The valuation also assumes that the appeal made by third parties with regards to the approved changes to the building alignment will be refused.

Industrial buildings

The fair value of the industrial buildings, 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

Subsequent to year end, a war in the Ukraine was registered. The Group has not made any sales overseas and it does not have any contacts for raw materials in Ukraine or Russia. Furthermore, none of the Group's clients, which are Malta-based have suspended their projects or cancelled orders. At this stage, the effects of a prolonged war on the global economy are unknown, however, management will continue to monitor the situation closely to remain alert of any potential impact that it may have on the Group.

JD CAPITAL PLC
Supplementary Statements - 31 December 2021

CONTENTS

COST OF SALES

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Opening balance of raw materials	**1,056,521**	944,811	-	-
Purchases	**6,822,967**	5,963,206	-	-
Closing balance of raw materials	**(1,468,103)**	(1,056,521)	-	-
Cost of raw materials put into process	**6,411,385**	5,851,496	-	-
Manufacturing overhead and other direct costs:				
Consumables	**-**	11,204	-	-
Depreciation	**811,427**	770,814	-	-
Equipment hire	**168,203**	17,345	-	-
Repairs and maintenance	**31,029**	47,316	-	-
Subcontract costs	**2,223,620**	1,510,527	-	-
Water and electricity	**52,779**	40,874	-	-
Salaries and wages	**3,960,200**	3,412,508	-	-
Other direct cost	**532,481**	374,866	-	-
Total cost put into process	**14,191,124**	12,036,950	-	-
Opening balance of work-in-process	**318,441**	1,157,162	-	-
Closing balance of work-in-process	**(61,193)**	(318,441)	-	-
Cost of inventories manufactured and sold	**14,448,372**	12,875,671	-	-

SELLING AND DISTRIBUTION EXPENSES

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Transport and vehicle expenses	**144,561**	97,913	**-**	-
Promotion and marketing	**6,772**	13,300	**-**	-
	151,333	111,213	**-**	-

ADMINISTRATIVE EXPENSES

	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Salaries	**208,919**	248,845	**-**	-
Directors' remuneration	**-**	18,903	**-**	-
Directors' fees	**35,931**	17,600	**26,887**	10,000
Auditors' remuneration	**33,239**	21,005	**14,160**	9,912
Depreciation	**20,333**	17,399	**-**	-
Professional fees	**90,894**	78,005	**5,441**	17,107
Trading expense (MSE)	**9,453**	10,472	**9,453**	10,472
Printing and stationary	**10,505**	12,382	**-**	-
Bank charges	**56,423**	37,169	**151**	263
Telecommunication	**29,355**	32,436	**-**	-
Insurance	**142,833**	134,756	**-**	-
Travel expenses	**11,036**	-	**-**	-
General expenses	**30,152**	25,221	**171**	142
Company registration fee	**3,110**	1,800	**600**	600
Staff welfare	**5,340**	928	**-**	-
Entertainment	**5,854**	3,785	**-**	-
Uniforms	**3,944**	3,461	**-**	-
Repairs and maintenance	**4,720**	3,470	**-**	-
Amortisation of bond issue costs	**10,670**	10,131	**10,670**	10,131
Penalties	**94,577**	90,246	**4,616**	884
	807,288	768,014	**72,149**	59,511