



FONTANA LIMITED

UNAUDITED FINANCIAL STATEMENTS

2nd QUARTER ENDING DECEMBER 2018



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DIRECTOR'S REPORT TO SHAREHOLDERS

We are pleased to present our unaudited financial statements for the 2nd quarter ended December 31, 2018. Our second quarter represented a historically significant turning point and a quantum leap in the company's history. We successfully opened and closed our IPO on December 13, 2018, and successfully listed on the Junior Market of the Jamaica Stock Exchange on January 8, 2019.

The information detailed within these pages show our pre-listing results which outline our positive trajectory and confirms our ongoing strategic investment in infrastructure and controls.

Revenues for Q2 2018 were \$1.22 Billion, representing an 8.6% increase over Q2 2017, while year-to-date revenues increased by 7.2% year over year. Though gross profit margin declined for Q2 2018 from 2017, the year to date margin remained constant at 35% for both 2017 and 2018. The business continues to earn a healthy gross profit margin, and year-to-date gross profit increased by 7.7% year over year.

Operating expenses increased by 9.6% YTD over the same period last year. This increase is attributed mainly to expenses for the strengthening of the management team and infrastructure in anticipation of company's medium – long term growth. New positions were added in Marketing, Brand, Beauty, Inventory and Pharmacy Operations. Our Grand Gala Celebration to mark the 50th Anniversary of the founding of our company increased our staff welfare spend in 2018 by 58% over last year.

Net profit for the Q2/2018 declined by \$27.6 million when compared to Q2/2017 but the year-to-date net profit grew by more than 3% over the corresponding 6-month period last year. Earnings per share remained constant at \$0.15 year over year.

Deposit on assets for the development of our newest and most iconic location – Fontana Waterloo Square has contributed to growth in net assets by 14.6% year over year despite the transfer of properties - Warehouse Building and Manchester Building out of Fontana Limited to a related party as at July 1, 2018.

Fontana Limited continues to contribute to the communities that we serve through various programs and donations. Our "Wishing Tree" program sees all our locations giving generously to their favourite charities such as the Savanna la Mar Hospital Children's Ward, the Salvation Army's Children's Home in Ocho Rios, the Edgehill School of Special Education in Montego Bay and several other special education institutions and children's homes across the island. Other outreach activities included donations to the Caribbean Institute for Health Research (CAIHR) Sickle Cell Unit and the Homestead Place of Safety.

Our company has been built on strong family values and respect for the communities in which we operate, and we see exciting new opportunities in the rest of the year, the medium and long term. We want to thank our team and our customers for their support over the past 50 years and look forward to the next 50.



Kevin Obrien Chang
Chairman



Anne Chang
CEO

FONTANA LIMITED
STATEMENT OF COMPREHENSIVE INCOME (unaudited)
SECOND QUARTER ENDED DECEMBER 31, 2018


	Note	Second Quarter		6 months to December		Audited Year ended June 30, 2018
		2018 \$	2017 \$	2018 \$	2017 \$	
Revenues		1,221,012,338	1,124,744,730	2,156,820,416	2,011,718,813	3,417,735,335
Cost of Sales		<u>769,342,779</u>	<u>667,245,123</u>	<u>1,409,426,301</u>	<u>1,317,444,918</u>	<u>2,128,685,330</u>
Gross Profit		451,669,560	457,499,607	747,394,115	694,273,895	1,289,050,005
Administrative and other expenses		260,560,697	232,758,154	482,561,765	437,953,486	871,904,383
Selling and promotion		<u>20,118,456</u>	<u>21,531,672</u>	<u>35,557,726</u>	<u>35,235,208</u>	<u>71,269,390</u>
		280,679,153	254,289,827	518,119,490	473,188,694	943,173,773
Operating profit		170,990,407	203,209,780	229,274,624	221,085,201	345,876,232
Other income		<u>8,057,853</u>	<u>6,858,125</u>	<u>16,577,284</u>	<u>16,080,452</u>	<u>33,277,734</u>
		179,048,260	210,067,906	245,851,908	237,165,653	379,153,966
Finance costs		17,063,766	14,555,199	31,144,489	30,160,348	76,090,725
Profit before taxation		161,984,494	195,512,706	214,707,419	207,005,305	303,063,241
Taxation charge	10	30,128,954	35,970,037 *	39,810,268	38,084,422 *	55,756,882
Net Profit for the period		<u>131,855,540</u>	<u>159,542,670</u>	<u>174,897,151</u>	<u>168,920,883</u>	<u>247,306,359</u>
EARNINGS PER SHARE	13	0.12	0.14	0.15	0.15	0.22

* Restated to conform to current year presentation

FONTANA LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018

	Note	UNAUDITED		AUDITED
		Dec-18	Dec-17	Jun-18
ASSETS				
<i>Non-Current Assets</i>				
Property, plant and equipment	3	212,261,047	514,247,171	508,461,411
Intangible asset		165,461,145	-	165,461,145
Deposit on asset	5	167,458,270	-	69,184,507
		<u>545,180,462</u>	<u>514,247,171</u>	<u>743,107,063</u>
<i>Current Assets</i>				
Finance lease asset		-	2,360,104	811,812
Due from related parties	4	-	61,321,447	525,911
Due from directors		48,050,396	4,568,574	30,536,234
Trade and other receivables	6	347,921,937	108,698,442	64,258,853
Inventories		653,906,628	592,912,636	589,111,431
Cash and cash equivalents		364,264,131	224,337,011	253,840,702
		<u>1,414,143,092</u>	<u>994,198,215</u>	<u>939,084,943</u>
TOTAL ASSETS		<u>1,959,323,554</u>	<u>1,508,445,387</u>	<u>1,682,192,006</u>
EQUITY & LIABILITIES				
<i>Equity</i>				
Issued share capital	12	252,589,301	30,006,000	30,006,000
Revaluation reserve		-	164,914,526	164,914,526
Accumulated surplus		881,956,127	791,167,641	869,553,116
		<u>1,134,545,427</u>	<u>986,088,166</u>	<u>1,064,473,642</u>
<i>Non-Current Liabilities</i>				
Deferred tax liability		72,802,207	68,892,638	72,802,206
Shareholder's loan		13,044	13,044	13,044
Notes payable		-	-	51,344,000
Bank loans payable	7	19,182,340	25,873,791	12,040,714
		<u>91,997,591</u>	<u>94,779,473</u>	<u>136,199,964</u>
<i>Current Liabilities</i>				
Finance lease obligation		-	2,360,104	811,812
Due to related parties	8	17,541,061	-	-
Notes payable - Current portion		-	-	26,185,440
Bank loans payable - Current portion	7	182,735,161	41,918,083	30,582,833
Trade and other payables	9	486,346,991	319,069,541	396,030,086
Taxation payable		46,157,323	64,230,020	27,908,229
		<u>732,780,536</u>	<u>427,577,748</u>	<u>481,518,400</u>
TOTAL EQUITY AND LIABILITIES		<u>1,959,323,554</u>	<u>1,508,445,387</u>	<u>1,682,192,006</u>


Kevin Obrien Chang
Chairman


Anne Chang
CEO

FONTANA LIMITED
STATEMENT OF CHANGES IN EQUITY
SECOND QUARTER ENDED DECEMBER 31, 2018

	No of SHARES	SHARE CAPITAL \$	REVALUATION RESERVE \$	ACCUMULATED SURPLUS \$	TOTAL \$
Balance at June 30, 2017	15,003,000	30,006,000	164,914,526	622,246,757	817,167,283
Comprehensive income:					
Net Profit for the period				168,920,883	168,920,883
Balance at December 31, 2017	<u>15,003,000</u>	<u>30,006,000</u>	<u>164,914,526</u>	<u>791,167,641</u>	<u>986,088,166</u>
Balance at June 30, 2018	15,003,000	30,006,000	164,914,526	869,553,116	1,064,473,642
Subdivision of Shares	1,109,434,260	-	-	-	-
Share issue net of transaction cost	124,937,565	222,583,301	-	-	222,583,301
Comprehensive income:					
Net Profit for the period				174,897,151	174,897,151
Other Comprehensive income:					
De-recognition of PPE through Owner's Equity (see note #3)			(164,914,526)	(124,502,141)	(289,416,667)
Dividend Paid (see note #11)				(37,992,000)	(37,992,000)
Balance at December 31, 2018	<u>1,249,374,825</u>	<u>252,589,301</u>	<u>-</u>	<u>881,956,127</u>	<u>1,134,545,427</u>

FONTANA LIMITED
STATEMENT OF CASH FLOWS
As at December 31, 2018

	Unaudited 2018 \$	Unaudited 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	214,707,419	207,005,305
Adjustment for items not affecting cash resources:		
Depreciation	13,833,932	16,232,519
Interest expense	3,708,921	3,293,034
Diff. in retained Earnings c/f	-	3,121
	232,250,272	226,533,979
Decrease/(increase) in operating assets:		
Inventories	(64,795,197)	(43,215,829)
Deposit on asset	(98,273,763)	-
Due to related parties	18,066,973	60,995,447
Trade and other receivables	(283,663,084)	(14,896,251)
Increase/(decrease) in operating liabilities:		
Trade and other payables	90,316,905	(39,198,294)
	(106,097,894)	190,219,052
Cash flows used in operating activities		
Taxation paid	(21,561,174)	(17,200,035)
	(127,659,068)	173,019,017
Net cash used in operating activities		
	(127,659,068)	173,019,017
CASH FLOWS FROM INVESTING ACTIVITIES		
Notes payable	(77,529,440)	-
Addition to intangible asset	-	(61,173,447)
Finance lease asset	-	2,360,104
Acquisition of property, plant and equipment	(7,050,235)	(27,988,509)
	(84,579,675)	(86,801,852)
Net cash used in investing activities		
	(84,579,675)	(86,801,852)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	184,349,449	18,416,130
Repayment of loans	(25,055,495)	(20,384,404)
Finance lease obligations	-	(2,360,104)
Repayment of director's loans	(17,514,162)	(45,117,852)
Proceeds from issuance of shares	222,583,301	-
Payment of Dividends	(37,992,000)	-
Interest paid	(3,708,921)	(3,293,034)
	322,662,172	(52,739,263)
Net cash used in financing activities		
	322,662,172	(52,739,263)
NET INCREASE IN CASH AND CASH EQUIVALENTS	110,423,429	33,477,901
CASH AND CASH EQUIVALENTS - Beginning of the period	253,840,702	190,859,110
	364,264,131	224,337,011
CASH AND CASH EQUIVALENTS - End of the period	364,264,131	224,337,011
REPRESENTED BY:		
Short term investment	1,410,343	9,871,513
Cash and bank deposits	362,853,788	214,465,499
	364,264,131	224,337,011

NOTES TO THE FINANCIAL STATEMENTS - 2nd QUARTER ENDED 31 DECEMBER 2018 UNAUDITED

1 IDENTIFICATION AND PRINCIPAL ACTIVITIES

Fontana Limited (the "company") is incorporated and domiciled in Jamaica and its registered office is situated at Manchester Shopping Centre, Mandeville, Jamaica.

At the reporting date, the company's application to be listed on the Junior Market of the Jamaica Stock Exchange was being processed. With the IPO opening and closing within the period. The application was successful as the company listed in January 2019.

The principal activity of the company is the operation of a pharmacy business in each of its five locations dispersed over Jamaica as well as the retailing of consumer goods such as cosmetics, household essentials, school supplies and more.

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited interim financial statements for the 6 months ended December 31, 2018 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These interim financial statements should be read in conjunction with the accounting policies as set out in **Note # 2 & #3** of the audited financial statements for the year ended 30 June 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRS). At the point of preparation of these interim financial statements the impact of IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers were still being assessed.

3 PROPERTY, PLANT & EQUIPMENT

The board took the decision to de-recognize the real assets comprising of the buildings holding the warehouse in Montego Bay (36 Bogue Industrial Estate) and the store in Manchester (lots 5, 6 & 7 Manchester Shopping Centre) with an effective date of July 01, 2018. These were transferred out to a related company, Fontana Properties Limited with no resulting gain or loss on the disposal.

The carrying values of these assets before de-recognition are shown below:

	\$
Warehouse Building	157,166,667
Manchester Shopping Centre Building	132,250,000
	289,416,667

4 DUE FROM RELATED PARTIES

The amounts due from Fontana Kingston Ltd. as at June 30, 2017 (\$61,143,447) were incorporated in the calculation of Goodwill as at June 30, 2018. See notes #6 & #7 of the audited financial statements for the year ended June 30, 2018.

5 DEPOSIT ON ASSET

These amounts represent funds that were advanced in the development of the new location in Waterloo Square, Kingston. The funds consist of, project management fees, deposits on assets and other general outfitting fees.

6 TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	
Trade Receivables	40,828,770	39,943,934
Other Receivables	11,074,662	34,966,000
Pre-payments	58,182,897	22,694,147
Deferred GCT	1,690,340	2,216,211
Security Deposits	8,079,742	8,878,150
IPO Proceeds due from lead broker	228,065,526	-
	347,921,937	108,698,442

7 **BANK LOANS PAYABLE (LONG TERM)**

	2018	2017
	\$	
a. BNS Consolidated Loan	20,555,550	45,222,210
b. BNS DBJ Loan	583,319	7,583,315
c. BNS Motor Vehicle Loan	4,734,922	6,567,778
d. BNS Energy Loan 2018 (FV)	20,931,803	-
e. FV-ALLIANCE LOAN	72,938,872	-
f. BNS BRIDGE LOAN - WATERLOO	73,046,826	-
g. BNS - INSURANCE FINANCING LOAN	9,126,209	8,313,497
h. BNS BRIDGE LOAN #2	-	105,074
	<u>201,917,501</u>	<u>67,791,873</u>
Less: Current Portion	(182,735,161)	(41,918,083)
	<u>19,182,340</u>	<u>25,873,791</u>

- a. to c. are existing loans as at the year end and are detailed in **Note #19** of the audited financial statements for year ended June 30, 2018.
- d. This is a loan with a rate of interest of 6.75% fixed per annum. The loan is repayable over 54 months including 6 months moratorium on principal payments. The purpose of the loan was the installation of solar panels to the Fairview Montego Bay location as part of our energy conservation project.
- e. This loan was used to liquidate the Notes payable at June 30, 2018 relating to the purchase consideration for the store location of Fontana Kingston Ltd between First Venture Investments Ltd and the Company.
- f. This loan is a bridge facility to fund the new Waterloo location at a fixed rate of 6%
- g. This is the annual financing for the General Insurance Portfolio

8 **DUE (TO)/FROM RELATED PARTIES**

	2018	2017
	\$	
a. Fontana Kingston Ltd.	-	61,173,447
b. Burbank Holdings	861,711	-
c. Fontana Montego Bay Ltd.	117,050	35,000
d. Fontana Sav-La-Mar Ltd.	118,000	53,000
e. Fontana Distribution Ltd.	90,000	30,000
f. Fontana Holdings Ltd.	90,000	30,000
g. Fontana Foundation	30,650	
h. Fontana Properties Ltd.	(18,848,472)	-
	<u>(17,541,062)</u>	<u>61,321,447</u>

- a. to g. represents unsecured interest free advances to related companies which have no fixed date of repayment
- h. represents the rent due and payable for 36 Bogue Industrial Estate (housing the warehouse in Montego Bay) and lots 5, 6 & 7 Manchester Shopping Centre (housing the Manchester store) of US\$15,000 and US\$10,000 respective for the six month period ending December 31, 2018.

9 **TRADE AND OTHER PAYABLES**

	2018	2017
	\$	
Trade payables	363,897,156	215,794,510
Statutory Liabilities	14,460,167	15,103,947
Accrued Salaries	6,021,812	4,786,439
GCT Payable	41,914,966	34,445,165
Credit cards payable	32,849,410	28,050,127
Other payables and accruals	27,203,480	20,889,354
	<u>486,346,991</u>	<u>319,069,541</u>

10 **TAXATION**

Taxation was accrued at the effective rate of 18.6% for 2018-19. The results for 2017-18 were restated to allow for comparison.

11 **DIVIDENDS**

A declaration of dividend was made at a Board Meeting held in Montego Bay on November 26, 2018. The parent company Burbank Holdings Limited (St. Lucia IBC) was to receive the equivalent of US\$300k. This was paid in full on December 05, 2018. When translated to JMD the total Dividend amounted to \$37,992,000.

12 **ISSUED SHARE CAPITAL**

i) On December 4, 2018, at an extraordinary general meeting of the Company, by an ordinary resolution, the authorised share capital of the Company was increased from 15,003,000 to 40,003,000.

The authorised ordinary shares of 40,003,000 were subdivided into 66.62 shares for every existing share resulting in the authorised share capital increase to 2,664,999,860

ii) The issued share capital was increased to 1,124,437,260 shares prior to the IPO invitation. An additional 124,937,565 new shares were offered to the general public in the IPO on December 06, 2018.

iii) The proceeds of the sale of the 124,937,565 shares issued to the general public in December 2018 amounted to \$233,489,376 less transaction cost of \$10,906,075.

13 **EARNINGS PER SHARE**

	2018	2017
	\$	
Profit attributable to shareholders	174,897,151	168,920,883
Weighted average number of shares in issue	1,129,869,328	1,124,437,260
Earnings per Share	0.15	0.15

Fontana Limited

LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT DECEMBER 31, 2018

Shareholder	Units
1. Burbank Holdings Limited	999,499,860
2. Nohaud Azan/Amanda Azan	17,566,551
3. Fontana Employee Share Trust	7,703,112
4. Jacqueline/Jason Sharp	7,094,000
5. Margaret Mahfood/Robert Taylor	5,320,000
6. Adrian Armstrong	5,319,000
7. Victory Island Limited	5,319,000
8. St. Elizabeth Holdings Limited	5,319,000
9. Gregory Glenford Christian	5,319,000
10. Andrew Desnoes	5,319,000

SHAREHOLDINGS OF DIRECTORS, OFFICERS AND CONNECTED PARTIES AS AT DECEMBER 31, 2018

Director/Officer	Shareholdings	Connected Parties	Shareholdings
Raymond Therrien	----	Burbank Holdings Limited	999,499,860
Kevin O'Brien Chang	----	Burbank Holdings Limited Nicole Watson-Chang	999,499,860 591,000
Shinque (Bobby) Chang	----	Burbank Holdings Limited	999,499,860
Anne Chang	----	Burbank Holdings Limited	999,499,860
Jacqueline Sharp	7,094,000	Jason Sharp (joint holder)	
Heather Goldson	2,070,000	David L. Goldson (joint holder)	
Denise Douglas	25,352	Ryan McCalla (joint holder)	
Judale Samuels-Smith	278,000		