



FONTANA LIMITED

UNAUDITED FINANCIAL STATEMENTS

3rd QUARTER ENDING MARCH 2019



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DIRECTOR'S REPORT TO SHAREHOLDERS

We are pleased to present our unaudited financial statements for the 3rd quarter ended March 31, 2019.

Revenues for the quarter were \$951.1 million, representing a 6.8% increase over the \$890.2 million recorded in the corresponding quarter of the previous year (Q3/2018). Gross profit also increased to \$296.5 million or 14.5% higher than the \$259.1 million recorded in Q3/2018. Through continued focus on strategic sourcing, our Gross Margins improved to 31.2%, up from 29.1% in Q3/2018.

Operating expenses for the quarter totaled \$255 million or 9.5% more than the \$232.9 million for the corresponding quarter of the prior year. This increase was driven mainly by the investment in building capacity by improving the human resource capabilities of the company.

Finance expenses included a loss on the revaluation of our foreign currency denominated accounts as at March 31, 2019. This accounted for a \$5.3 million difference between this quarter and the corresponding quarter of the previous year.

Profit before taxation for the quarter increased to \$29.8 million or 51% over the \$19.7 million realized for the comparative period last year. For the quarter ended March 31, 2019 Fontana recorded profits attributable to shareholders of \$29.7 million compared to \$16.09 million, an improvement of 85% over the corresponding period of the previous year.

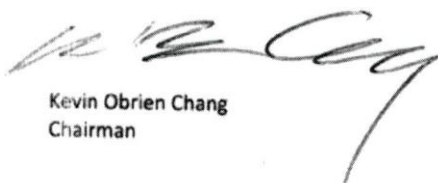
Fontana Limited continues to focus on sustainable development and has diversified its energy sources in an ongoing effort to reduce its carbon footprint and reduce overall expenses. Our Fairview Montego Bay location now boasts 525 Zorlu solar panels commissioned in February 2019 with a total generating capacity of up to 150 kW. In addition, Fontana has moved quickly to play their role in eradicating non-essential plastics from the commercial ecosystem with environmentally friendly options.

The company's launch of the 'Fontana Best Mommy & Baby' program for pregnant and newborn mothers, highlights our strategic focus on improving the welfare of mothers' and children's health through education. This program is a new private/public sector partnership of Fontana Pharmacy with the Government of Jamaica, under the patronage of The Most Honourable Mrs. Juliet Holness, MP. 'Fontana Best Mommy & Baby' provides, for the first time in Jamaica's history, comprehensive best practice antenatal and postnatal information in easily accessible formats. So far 100,000 booklets have been printed, along with posters and videos, and will be disseminated through all hospitals and health clinics in the country.


Fontana followed up its sponsorship of the inaugural 'Cornwall Regional Hospital Primary Care Paediatrics' Symposium in January, by sponsoring the 22nd Biennial Conference of the Paediatric Association of Jamaica in March, reaffirming our commitment to improving the welfare of our mothers and children. We firmly believe that motherhood is the most important job on earth and 'the hand that rocks the cradle is the hand that rules the world'.

The company also sponsored the iconic, annual National Spelling Bee. Fontana continues to give back to the communities they serve through free community health fairs across the country, providing general medical, dental, optical and holistic consultations. This past quarter, the fair was held in the town of Mandeville, the location of our first Fontana store which opened in 1968.

We want to thank our team and our customers for their support over the past quarter.



Kevin O'Brien Chang
Chairman



Anne Chang
CEO

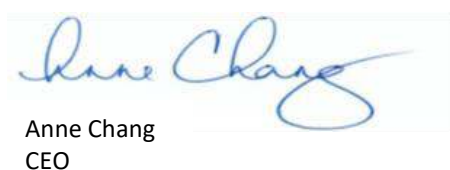
FONTANA LIMITED
STATEMENT OF COMPREHENSIVE INCOME (unaudited)
THIRD QUARTER ENDED MARCH 31, 2019

	Note	Third Quarter		9 months to March		Audited Year ended
		2019	2018	2019	2018	June 30, 2018
		\$	\$	\$	\$	
Revenues		951,124,283	890,283,467	3,107,944,698	2,902,002,280	3,417,735,335
Cost of Sales		654,549,801	631,165,072	2,063,976,103	1,948,609,990	2,128,685,330
Gross Profit		296,574,481	259,118,395	1,043,968,596	953,392,290	1,289,050,005
Administrative and other expenses		238,026,705	213,952,396	720,588,470	651,898,078	871,904,383
Selling and promotion		16,986,829	18,987,519	52,544,554	54,222,727	71,269,390
		255,013,534	232,939,915	773,133,024	706,120,806	943,173,773
Operating profit		41,560,948	26,178,481	270,835,572	247,271,485	345,876,232
Other income		8,468,619	8,203,116	25,045,903	24,283,568	33,277,734
		50,029,567	34,381,597	295,881,475	271,555,053	379,153,966
Finance costs		20,254,476	14,658,549	51,398,965	44,822,693	76,090,725
Profit before taxation		29,775,091	19,723,048	244,482,510	226,732,360	303,063,241
Taxation charge	9		3,628,601 *	39,810,268	41,713,701 *	55,756,882
Net profit for the period		29,775,091	16,094,447	204,672,243	185,018,659	247,306,359
EARNINGS PER SHARE	12	0.02	0.01	0.16	0.16	0.22

FONTANA LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2019

	Note	UNAUDITED		AUDITED
		Mar-19	Mar-18	Jun-18
ASSETS				
<i>Non-Current Assets</i>				
Property, plant and equipment	3	236,539,011	507,891,139	508,461,411
Deposit on asset	5	250,301,228	18,004,936	69,184,507
Intangible asset		165,461,145	-	165,461,145
		<u>652,301,384</u>	<u>525,896,075</u>	<u>743,107,063</u>
<i>Current Assets</i>				
Finance lease asset		-	1,598,249	811,812
Due from related parties	4	1,896,855	61,459,112	525,911
Due from directors		25,614,284	27,648,140	30,536,234
Trade and other receivables	6	108,472,309	91,062,909	64,258,853
Inventories		622,019,847	572,257,943	589,111,431
Cash and cash equivalents		418,351,825	138,703,644	253,840,702
		<u>1,176,355,121</u>	<u>892,729,998</u>	<u>939,084,943</u>
TOTAL ASSETS		<u>1,828,656,505</u>	<u>1,418,626,073</u>	<u>1,682,192,006</u>
EQUITY & LIABILITIES				
<i>Equity</i>				
Issued share capital	11	252,589,301	30,006,000	30,006,000
Revaluation reserve		-	164,914,526	164,914,526
Accumulated surplus		911,731,218	807,265,416	869,553,116
		<u>1,164,320,519</u>	<u>1,002,185,942</u>	<u>1,064,473,642</u>
<i>Non-Current Liabilities</i>				
Deferred tax liability		72,802,206	68,892,638	72,802,206
Shareholder's loan		13,044	13,044	13,044
Notes payable		-	-	51,344,000
Bank loans payable	7	125,559,271	18,665,593	12,040,714
		<u>198,374,521</u>	<u>87,571,275</u>	<u>136,199,964</u>
<i>Current Liabilities</i>				
Finance lease obligation		-	1,598,249	811,812
Notes payable - Current portion		-	-	26,185,440
Bank loans payable - Current portion	7	28,028,643	36,489,580	30,582,833
Trade and other payables	8	407,675,209	262,158,685	396,030,086
Taxation payable		30,257,613	28,622,342	27,908,229
		<u>465,961,465</u>	<u>328,868,856</u>	<u>481,518,400</u>
TOTAL EQUITY AND LIABILITIES		<u>1,828,656,505</u>	<u>1,418,626,073</u>	<u>1,682,192,006</u>


Kevin Obrien Chang
Chairman


Anne Chang
CEO

FONTANA LIMITED
STATEMENT OF CHANGES IN EQUITY
THIRD QUARTER ENDED MARCH 31, 2019

	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		-	-	185,018,659	185,018,659
Balance at March 31, 2018	15,003,000	30,006,000	164,914,526	807,265,416	1,002,185,942
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		-	-	204,672,243	204,672,243
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 #10)		-	-	(37,992,000)	(37,992,000)
Balance at March 31, 2019	1,249,374,825	252,589,301	-	911,731,218	1,164,320,519

FONTANA LIMITED
STATEMENT OF CASH FLOWS
As at March 31, 2019

	Unaudited 2019 \$	Unaudited 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	244,482,510	226,732,360
Adjustment for items not affecting cash resources:		
Depreciation	21,225,065	24,704,779
Interest expense	5,129,146	4,677,569
	270,836,721	256,114,708
Decrease/(increase) in operating assets:		
Inventories	(32,908,416)	(22,561,136)
Deposit on asset	(181,116,721)	(18,004,936)
Due to/from related parties	(1,370,944)	(315,665)
Trade and other receivables	(44,213,456)	2,742,919
Increase/(decrease) in operating liabilities:		
Trade and other payables	11,645,123	(96,109,665)
	22,872,307	121,866,225
Cash flows provided for operating activities		
Taxation paid	(37,460,884)	(56,436,992)
	(14,588,577)	65,429,233
Net cash used in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Notes payable	(77,529,440)	-
Finance lease asset	811,812	1,598,249
Acquisition of property, plant and equipment	(38,719,332)	(30,104,738)
	(115,436,960)	(28,506,489)
Net cash provided by/(used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	228,436,878	18,416,130
Repayment of loans	(117,472,511)	(33,021,104)
Finance lease obligations	(811,812)	(1,598,249)
Repayment of director's loans	4,921,950	(68,197,418)
Proceeds from issuance of shares	222,583,301	-
Payment of dividends	(37,992,000)	-
Interest paid	(5,129,146)	(4,677,569)
	294,536,660	(89,078,210)
Net cash provided by/(used in) financing activities		
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	164,511,123	(52,155,466)
CASH AND CASH EQUIVALENTS - Beginning of the period	253,840,702	190,859,110
	418,351,825	138,703,644
CASH AND CASH EQUIVALENTS - End of the period		
	418,351,825	138,703,644
REPRESENTED BY:		
Short term investment	1,410,343	35,716,969
Cash and bank deposits	416,941,483	102,986,675
	418,351,825	138,703,644

NOTES TO THE FINANCIAL STATEMENTS - 3rd QUARTER ENDED 31 MARCH 2019 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.

The Company is publicly listed on the Junior Market of the Jamaica Stock Exchange with an effective date of January 8, 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 9 months ended March 31, 2019 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.

	2019	2018
	\$	
a. Fontana Kingston Ltd.	-	61,173,447
b. Burbank Holdings	1,138,215	137,665
c. Fontana Montego Bay Ltd.	117,050	35,000
d. Fontana Sav-La-Mar Ltd.	118,000	53,000
e. Fontana Distribution Ltd.	115,970	30,000
f. Fontana Holdings Ltd.	115,970	30,000
g. Fontana Foundation	129,675	
h. Fontana Properties Ltd.	161,975	-
	1,896,855	61,459,112

a. to h. represents unsecured interest free advances to related companies which have no fixed date of repayment

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**

	2019	2018
	\$	
Trade Receivables	40,427,553	36,974,354
Other Receivables	25,364,623	22,601,247
Pre-payments	33,841,286	20,873,074
Deferred GCT	759,105	1,758,802
Security Deposits	8,079,742	8,855,433
	108,472,309	91,062,909

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

	2019	2018
	\$	
a. BNS Consolidated Loan	14,388,885	39,055,545
b. BNS DBJ Loan	-	5,833,316
c. BNS Motor Vehicle Loan	4,276,708	6,109,564
d. BNS Energy Loan 2018 (FV)	19,132,091	-
e. FV-ALLIANCE LOAN	217	-
f. BNS BRIDGE LOAN - WATERLOO	111,182,177	-
g. BNS - INSURANCE FINANCING LOAN	4,607,837	4,156,748
	153,587,913	55,155,173
<i>Less: Current Portion</i>	(28,028,643)	(36,489,580)
	125,559,271	18,665,593

- 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 **TRADE AND OTHER PAYABLES**

	2019	2018
	\$	
Trade payables	314,073,387	188,071,475
Statutory Liabilities	12,314,066	11,137,161
GCT Payable	11,646,013	9,568,468
Credit cards payable	39,031,031	26,246,029
Other payables and accruals	30,610,712	27,133,552
	407,675,209	262,156,685

9 **TAXATION**

Taxation was accrued at the effective rate of 18.6% for 2018. The results for 2017-18 were restated to allow for comparison. The company's 100% income tax remission under the rules of the Jamaica Junior Stock Exchange began on January 8, 2019.

10 **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.

11 **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.

12 **EARNINGS PER SHARE**

	2019	2018
	\$	
Profit attributable to shareholders	204,672,243	185,018,659
Weighted average number of shares in issue	1,249,374,825	1,124,437,260
Earnings per Share	0.16	0.16

Fontana Limited

LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT MARCH 31, 2019

Shareholder	Units
1. Burbank Holdings Limited	999,499,860
2. Mayberry Jamaican Equities Limited	23,232,103
3. Fontana Employee Share Trust	7,703,112
4. Jacqueline/Jason Sharp	7,094,000
5. JN General Insurance Company Limited	6,250,000
6. Victory Island Limited	5,319,000
7. St. Elizabeth Holdings Limited	5,319,000
8. SJIML A/C 3119	4,711,169
9. Andrew Desnoes	4,318,923
10. Guardian Life Limited/Pensions Fund	3,835,637

SHAREHOLDINGS OF DIRECTORS, OFFICERS AND CONNECTED PARTIES AS AT MARCH 31, 2019

Director	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		