Fontana
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Fontana Limited

Financial Statements

Year Ended June 30, 2019

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Rohan Crichton, CPA CA MAcc
senior partner
Leary C. Mullings, CPA CA MBA
senior partner

INDEPENDENT AUDITOR'S REPORT

To the members of
FONTANA LIMITED

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Fontana Limited (the "Company"), which is comprised of the statement of financial position as at June 30, 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at June 30, 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Jamaican Companies Act (the "Act"").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements section of our report*. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report (cont'd)

To the members of
FONTANA LIMITED

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.

The key audit matters

Carrying value of inventory

Inventory is reported at $570.9 mil and represents 30% of total assets of the Company as at June 30, 2019. The inventory consists of a large volume of small and seasonal items. Inherently, the large volume of inventory creates a challenge for management to conduct inventory counts throughout the year, which contributes to the risk of inventory being materially misstated.

In determining the carrying value of inventory, management focuses on conducting periodic counts on high value departments from the overall inventory.

Our audit procedures to address the key audit matter relating to the carrying value of inventory included the following

- Reviewing the Company’s standard operating procedures, in order to assess the effectiveness of internal controls over inventory.

- We observed stock counts at each of the Company’s store locations. As a part of this process, we selected samples to conduct our independent counts at each store.

- The samples from our stock counts were crossed checked against the inventory system and unresolved variances were extrapolated to the inventory population of each store.

Based on the procedures performed an adjustment of $28.7mil was made to the carrying value of inventory. This represented an adjustment of 5% of the year end value.

To the members of
FONTANA LIMITED

Other information

Management is responsible for the other information. The other information comprises information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate with the Board of Directors.

Responsibilities of management and those charged with governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines 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, management is responsible for assessing the Company'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 management either intends to liquidate the Company, or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

CrichtonMullings & ASSOCIATES

To the members of
FONTANA LIMITED

Auditor's 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description, which is located at pages 5-6, forms part of our auditor's report.

Report on additional matters as required by the Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Act, in the manner required.

The engagement partner on the audit resulting in this independent auditor's report is Leary Mullings.

Crichton Mullings & Assoc.
CrichtonMullings & Associates
Chartered Accountants

Kingston Jamaica
August 29, 2019

To the members of
FONTANA LIMITED

Appendix to the independent auditor's report

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company 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.

We communicate with the Board of 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.

To the members of
FONTANA LIMITED

Appendix to the independent auditor's report (cont'd)

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate to 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 Board of 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 auditor’s report unless law or regulation precludes public disclosure about the matters 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.

FONTANA LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2019
(Expressed in Jamaican dollars unless otherwise stated)

	Note	2019 $	2018 $
ASSETS			
Non-current Assets			
Property, plant and equipment	5	700,886,166	577,645,918 *
Intangible asset	6	165,461,145	165,461,145
Deferred tax asset	18	1,470,315	-
		867,817,626	743,107,063
Current Assets			
Inventories	7	570,989,831	589,111,431
Due from related parties	8	13,626,224	525,911
Finance lease asset	9	-	811,812
Due from directors	10	7,569,949	30,536,234
Trade and other receivables	11	66,992,605	64,258,853
Cash and cash equivalents	12	382,735,422	253,840,702
		1,041,914,031	939,084,943
TOTAL ASSETS		1,909,731,657	1,682,192,006
EQUITY AND LIABILITIES			
Equity			
Share capital	13	252,589,301	30,006,000
Revaluation reserve	14	-	164,914,526
Accumulated surplus		1,013,685,146	869,553,116
		1,266,274,447	1,064,473,642
Non-current Liabilities			
Notes payable	15	-	51,344,000
Bank loans payable	16	12,119,168	12,040,714
Shareholders' loan	17	13,044	13,044
Deferred tax liability	18	-	72,802,206
		12,132,212	136,199,964
Current Liabilities			
Finance lease obligation	8	-	811,812
Current portion of notes payable	15	-	26,185,440
Current portion of bank loans payable	16	145,323,254	30,582,833
Trade and other payables	19	460,290,175	396,030,086
Bank overdraft	20	6,871,588	-
Taxation payable	21	18,839,981	27,908,229
		631,324,998	481,518,400
TOTAL EQUITY AND LIABILITIES		1,909,731,657	1,682,192,006

APPROVED, on behalf of the Board on August 29, 2019

Director **Director**

***-Restated to conform to current year presentation**

The accompanying notes form an integral part of the financial statements

FONTANA LIMITED
STATEMENT OF PROFIT OR LOSS
YEAR ENDED JUNE 30, 2019
(Expressed in Jamaican dollars unless otherwise stated)

	Note	2019 $	2018 $	
Revenues	4	3,701,807,336	3,417,735,335	
Cost of sales	22	(2,378,174,172)	(2,128,727,301)	*
Gross profit		1,323,633,164	1,289,008,034	
Administrative and other expenses	23	(1,000,172,313)	(923,465,136)	*
Selling and promotion	24	(78,516,501)	(71,269,390)	
Operating profit	25	244,944,350	294,273,508	
Other income	26	40,337,094	33,277,734	
		285,281,444	327,551,242	
Finance costs	27	(15,016,395)	(24,488,001)	*
Profit before taxation		270,265,049	303,063,241	
Taxation (credit) / charge	28	(36,361,122)	55,756,882	
Net profit for the year		306,626,171	247,306,359	
Earnings per share for profit attributable to the equity holders of the Company during the year	29	0.26	0.22	

***-Restated to conform to current year presentation**

The accompanying notes form an integral part of the financial statements

FONTANA LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
YEAR ENDED JUNE 30, 2019
(Expressed in Jamaican dollars unless otherwise stated)

	2019	2018
	$	$
Net profit for the year	306,626,171	247,306,359
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Derecognition of revaluation reserve	(164,914,526)	-
Derecognition of land and buildings	(124,502,141)	-
Other comprehensive income for the year, net of tax	(289,416,667)	-
Total comprehensive income for the year	17,209,504	247,306,359

The accompanying notes form an integral part of the financial statements

FONTANA LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED JUNE 30, 2019
(Expressed in Jamaican dollars unless otherwise stated)

	Share Capital $	Revaluation Reserve $	Accumulated Surplus $	Total $
Balance at June 30, 2017	30,006,000	164,914,526	622,246,757	817,167,283
Net profit for the year, being total comprehensive income	-	-	247,306,359	247,306,359
Balance at June 30, 2018	30,006,000	164,914,526	869,553,116	1,064,473,642
Transactions with owners:				
Issue of share, net of transaction cost (note 13)	222,583,301	-	-	222,583,301
Dividend paid (note 33)	-	-	(37,992,000)	(37,992,000)
Other comprehensive income:				
Derecognition of revaluation reserve	-	(164,914,526)	-	(164,914,526)
Derecognition of land and building cost	-	-	(124,502,141)	(124,502,141)
Total other comprehensive income	-	(164,914,526)	(124,502,141)	(289,416,667)
Net profit for the year	-	-	306,626,171	306,626,171
Balance at June 30, 2019	252,589,301	-	1,013,685,146	1,266,274,447

FONTANA LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(Expressed in Jamaican dollars unless otherwise stated)

	Note	2019	2018	
		$	$	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before interest and taxation	30	276,153,319	309,455,273	
Adjusted for:				
Gain on disposal of property, plant and equipment		(722,776)	-	
Depreciation		29,118,276	35,700,059	
		304,548,819	345,155,332	
Decrease / (increase) in operating assets:				
Inventories		18,121,601	(39,414,624)	
Due to related parties		(13,100,314)	60,617,537	
Trade and other receivables		(2,733,751)	29,546,975	
Increase in operating liabilities:				
Trade and other payables		64,260,085	37,761,734	
Cash flows provided by operating activities		371,096,440	433,666,954	
Taxation paid		(46,979,647)	(67,284,718)	
Net cash provided by operating activities		324,116,793	366,382,236	
CASH FLOWS FROM INVESTING ACTIVITIES				
Notes payable		-	77,529,440	
Acquisition of intangible asset		-	(165,461,145)	
Finance lease asset		811,812	3,001,306	
Proceeds from sale of property, plant and equipment		722,776	-	
Acquisition of property, plant and equipment		(46,953,954)	(41,670,289)	
Cost of work in progress		(394,821,236)	(69,184,507)	*
Net cash used in investing activities		(440,240,602)	(195,785,195)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(37,992,000)	-	
Net proceeds from the issue of shares		222,583,301	-	
Proceeds from loans		237,616,616	7,331,468	
Repayment of loans		(200,327,179)	(34,468,067)	
Finance lease obligation		(811,812)	(3,001,306)	
Directors' loans, net		22,966,284	(71,085,512)	
Interest paid		(5,888,270)	(6,392,032)	
Net cash provided by / (used in) in financing activities		238,146,940	(107,615,449)	
NET INCREASE IN CASH AND CASH EQUIVALENTS		122,023,131	62,981,592	
CASH AND CASH EQUIVALENTS – Beginning of the year		253,840,702	190,859,110	
CASH AND CASH EQUIVALENTS – End of the year		375,863,833	253,840,702	
REPRESENTED BY:				
Bank overdraft		(6,871,588)	-	
Short term investments		1,450,267	36,666,795	
Cash and bank deposits		381,285,154	217,173,907	
		375,863,833	253,840,702	

***-Restated to conform to current year presentation**

The accompanying notes form an integral part of the financial statements

1. IDENTIFICATION

Fontana Limited (the "Company") is incorporated in Jamaica, under the Jamaican Companies Act (the "Act"). The Company is domiciled in Jamaica with its registered office at Manchester Shopping Centre, Mandeville, Manchester.

The Company became listed on the Junior Market of the Jamaica Stock Exchange on January 08, 2019.

The principal activities of the Company are:
(a) The buying and selling of pharmaceuticals, and
(b) The retailing of associated products

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of Compliance

The Company's financial statements have been prepared in accordance and comply with International Financial Reporting Standards ("IFRS") and the relevant requirements of the Act.

The financial statements have been prepared under the historical cost convention and are expressed in Jamaican dollars, unless otherwise indicated.

The preparation of financial statements in conformity with IFRS and the Act requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the year then ended. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and future periods, if the revision affects both current and future periods.

There are no significant assumptions and judgements applied in these financial statements that carry a risk of material adjustment in the next financial year.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(b) Changes in accounting standards and interpretations:

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following interpretations and amendments are relevant to its operations:

IFRS 9 'Financial instruments 2014, Amendment', issued July 2014. Effective for periods commencing on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes the requirements on the classification and measurement of financial assets and liabilities and expected credit loss impairment model that replaces the current loss impairment model.

Changes to the impairment calculation
The expected credit loss (ECL) model is forward looking and requires the Company to record an allowance for debt financial assets not held at fair value through profit or loss (FVPL). The allowance is based on the ECLs associated with the probability of default in the next twelve (12) months unless there has been a significant increase in credit risk since origination, in which case the impairment is assessed over its lifetime. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset.

The Company has adopted the retrospective approach and has not restated comparative information for 2018 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2018 is reported under IAS 39 and is not comparable with the information presented for 2019.

IFRS 15 'Revenue from Contracts with Customers', issued April, 2016. Effective for periods commencing on or after 1 January 2018. The standard replaces IAS 18 'Revenue and IAS 11 Construction Contracts' and related interpretations. IFRS 15 specifies the revenue recognition and establishes principles for providing users of financial statements with more informative, relevant disclosures including the nature, amount, timing and uncertainty of revenue and cashflows arising from an entity's contract with customers. The standard provides a single, principles based five-step model to be applied to all contracts with customers.
Under IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, following a five step model: Step 1: Identify the contract (s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately: Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time.

The adoption of IFRS 15 did not impact the timing or amount of income from contracts with customers and the related assets and liabilities recognised by the Group. Consequently, no transition adjustment has been recorded in the statement of equity.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(b) Changes in accounting standards and interpretations (cont'd):

- **IAS 12 Income Taxes, Amendment** – issued in December 2017, effective for annual period beginning on or after January 1, 2019. IAS 12 Income Taxes implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognises both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognised, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.

- **IFRS 16 '*Leases*'** issued in January 2016, effective for annual periods beginning on or after 1 January 2019. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

- **IFRIC 22 Foreign Currency Transactions and Advance Consideration,** issued in December 2016, effective for annual periods beginning on or after 1 January 2018. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

- **IFRIC 23 Uncertainty over Income Tax Treatments,** issued in June 2017, effective for annual periods beginning on or after 1 January 2019. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

- **IAS 23 Borrowing Cost Amendment**, issued in December 2017, effective for annual periods beginning on or after 1 January 2019. The amendments to IAS 23 clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

(c) Use of estimates and judgements:

The preparation of the financial statements to conform with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have an effect on the financial statements are discussed below:

(i) Allowance for expected credit losses (ECL) on trade receivables
In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also makes estimates of the likely estimated future cash flows of impaired receivables, as well as the timing of such cash flows recoverable on the financial assets in determining loss given default. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

(ii) Net realisable value of inventories:
Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date, to the extent that such events confirm conditions existing at the reporting date.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(iii) Depreciable assets
Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

(iv) Provision for obsolescence of inventory
Estimates of provision for obsolescence of inventory are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. Estimates of provision for obsolescence also take into consideration the purpose for which the inventory is held.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Property, plant and equipment

All property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, are recorded and carried at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Except for buildings, which are carried at fair value less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the Company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognized in the statement of comprehensive income as incurred.

With the exception of freehold land, on which no depreciation is provided, property, plant and equipment is depreciated on the straight-line basis over the estimated useful lives of such assets. The rates of depreciation in use are:

Buildings	2.5%
Leasehold Improvements	2.5%
Machinery and Equipment	10%
Furniture and Fixtures	10%
Signs	10%
Motor Vehicles	12.5%
Computers	22.5%

Assets are capitalized only when they are brought into use. While an asset is being constructed or is not yet available for use; the expenditure, including borrowing costs, is treated as advances, and is shown separately in the statement of financial position. Depreciation is not raised until an asset is brought into use.

(b) Trade and other receivables

Trade and other receivables are stated at amortized cost.

Appropriate allowances for estimated irrecoverable amounts are recognized in the statement of comprehensive income when there is objective evidence that the asset is impaired.

(c) Trade and other payables

Trade and other payables are stated at amortized cost.

(d) Cash and cash equivalents

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(e) Inventories

These are valued at the lower of cost, determined principally on the first-in first-out (FIFO) basis, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Related party identification

A party is related to the Company if:

(i) directly or indirectly the party:

- controls, is controlled by, or is under common control with the Company;
- has an interest in the Company that gives it significant influence over the Company; or
- has joint control over the Company.

(ii) the party is an associate of the Company

(iii) the party is a joint venture in which the Company is a venturer;

(iv) the party is a member of the key management personnel of the Company

(v) the party is a close member of the family of an individual referred to in (i) or (iv) above

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant coting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v) above.

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any company that is a related party of the Company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(g) Taxation

Income tax expense represents the sum of income tax currently payable and deferred tax.

(i) Current income tax
Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustments to income tax payable in respect of previous years.

(ii) Deferred income tax
Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

(h) Goodwill

Goodwill which represents an existing customer base are deemed to have indefinite life. Goodwill is carried at costs less impairment. The Company assesses goodwill for impairment on an annual basis or when events or circumstances indicate that the carrying value may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Investments

Investments held by the Company are either held to maturity or carried at fair value through profit and loss account. Investments are initially measured at cost. Held to maturity instruments are subsequently carried at amortized cost. Fair value instruments are initially measured at cost and subsequently at fair value.

Gains and losses arising from changes in fair value instruments are immediately recognized in the statement of comprehensive income. Where fair value cannot be reliably measured, investments are stated at cost. The fair value of stock-exchange traded equities is their quoted bid price. Where a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

(j) Foreign currencies

The financial statements are presented in the currency of the primary economic environment in which the Company operates (its functional currency).

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items, are included in the statement of comprehensive income for the period.

(k) Revenue recognition

Policy applicable from 1 January 2018
Revenue is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods before transferring them to the customer.

Policy applicable before 1 January 2018
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, rebates and consumption taxes.

Revenue is recognized in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, receipt of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the terms of the relevant lease.

(m) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it earns and incur expenses; whose operating results are regularly reviewed by the Company's Chief Decision Maker ("CODM") who decides about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the operations of the Company are not segmented.

(n) Impairment

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than the carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

FONTANA LIMITED
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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities. Financial assets and liabilities are recognized on the Company's position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognised immediately in profit or loss), as appropriate, on initial recognition.

Financial assets

Policy applicable from 1 January 2018

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect contractual cash flows. Subsequent to initial recognition at fair value, the Company measures trade receivables at amortised cost using the effective interest method.

The Company classifies its other financial assets at amortised cost only if both the asset is held within a business model the objective of which is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Other financial assets at amortised cost include cash and cash equivalent balances, balances due from related parties and other receivables.

Impairment

The Company's trade receivables and other financial assets at amortised cost are subject to the expected credit loss model in determining impairment. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables are presented as expected credit losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same account.
The impact of the new impairment model has also been reviewed. The analysis required the identification of the credit risk associated with mainly trade receivables from customers. Management employed a provisions matrix for the trade receivables reflecting prior experience of losses incurred due to default as well as forward looking information in arriving at an assessment of impairment. Changes in accounting policies resulting from adoption were applied as of July 01, 2018, but with no restatement of comparative information for prior years.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial instruments (cont'd)

Policy applicable before 1 January 2018

The Company classified its financial assets depending on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial liabilities (IFRS 9 and IAS 39)

The Company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. At the reporting date, payables and bank loans were classified as financial liabilities.

The fair values of the financial instruments are discussed in Note 34.

(p) Employee benefits

Employee benefits are all forms of consideration given by the Company in exchange for services rendered by employees. These include current or short-term benefits such as salaries, bonuses, statutory contributions, vacation leave, non-monetary benefits such as medical care; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognized in the following manner:

- Short-term employee benefits are recognized as a liability, net of payments made, and charged to expense.

(q) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

(s) Dividends

Dividends on ordinary shares are recognised in shareholders equity in the period in which they are approved by the Board of Directors.

(t) Comparative information

Where necessary, comparative figures have been reclassified and or restated to conform to changes in the current year.

(Expressed in Jamaican dollars unless otherwise stated)

4. REVENUES

Revenues represent the value of goods and services sold to third parties, excluding discounts, rebates and general consumption tax.

5. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold Improvements	Furniture and Fixtures	Computer Equipment	Machinery and Equipment	Sign Drapes	Motor Vehicles	Work-in Progress	Total
	$	$	$	$	$	$	$	$	$
At Cost/Valuation:									
Balance at June 30, 2017	302,000,000	133,066,472	91,894,562	31,437,139	95,253,336	11,168,621	30,110,210	-	694,930,340
Acquisition of assets (see note 6)	-	7,101,730	5,594,960	9,798,481	6,629,829	-	-	-	29,125,000
Additions	-	744,537	7,327,127	6,892,717	9,293,779	-	9,554,142	69,184,507 *	102,996,809
Balance at June 30, 2018	302,000,000	140,912,739	104,816,649	48,128,337	110,176,944	11,168,621	39,664,352	69,184,507	826,052,149
Additions			2,909,230	6,844,169	36,702,684	388,000	109,871	394,821,236	441,775,190
Disposal	(302,000,000)	-	-	-	-	-	(3,000,000)	-	(305,000,000)
Balance at June 30, 2019	**-**	**140,912,739**	**107,725,879**	**54,972,507**	**146,879,627**	**11,556,621**	**36,774,223**	**464,005,743**	**962,827,340**
Accumulated Depreciation:									
Balance at June 30, 2017	5,033,333	24,853,132	68,476,392	25,052,690	50,761,213	4,480,721	13,781,678	-	192,439,159
Acquisition of assets (see note 6)	-	3,846,771	3,030,603	9,798,481	3,591,158	-	-	-	20,267,013
Charge for the year	7,550,000	3,403,708	5,323,136	2,898,289	10,364,960	1,116,863	5,043,103	-	35,700,058
Balance at June 30, 2018	12,583,333	32,103,611	76,830,131	37,749,460	64,717,331	5,597,584	18,824,781	-	248,406,231
Charge for period	-	3,523,577	4,605,659	3,064,405	11,858,181	1,136,262	4,930,192	-	29,118,276
Disposal	(12,583,333)	-	-	-	-	-	(3,000,000)	-	(15,583,333)
Balance at June 30, 2019	**-**	**35,627,188**	**81,435,790**	**40,813,865**	**76,575,512**	**6,733,846**	**20,754,973**	**-**	**261,941,174**
Net Book Value:									
Balance at June 30, 2019	**-**	**105,285,550**	**26,290,089**	**14,158,641**	**70,304,116**	**4,822,775**	**16,019,250**	**464,005,743**	**700,886,166**
Balance at June 30, 2018	289,416,667	108,809,129	27,986,518	10,378,877	45,459,612	5,571,037	20,839,571	69,184,507	577,645,918
Balance at June 30, 2017	296,966,667	108,213,340	23,418,170	6,384,449	44,492,123	6,687,900	16,328,532	-	502,491,181

Work in progress represents the costs associated with a new store location.

*** - Represents the reclassification of deposit on asset from prior period**

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6. INTANGIBLE ASSET

	2019 $	2018 $
Goodwill at the end of the year	165,461,145	165,461,145

Goodwill is an intangible asset which was acquired upon the acquisition of the related company Fontana Kingston Limited. The goodwill is assessed for any impairment losses on an annual basis.

7. INVENTORIES

	2019 $	2018 $
Inventories	587,797,414	677,740,133
Goods in transit	50,772,702	34,593,681
	638,570,116	712,333,814
Less:		
Provision for obsolescence	(67,580,285)	(123,222,383)
	570,989,831	589,111,431

8. DUE FROM RELATED PARTIES

	2019 $	2018 $
Burbank Holdings	-	210,211
Fontana Employee Share Trust (i)	13,018,259	-
Fontana Montego Bay Limited.	117,050	82,050
Fontana Savanna-La-Mar	118,000	83,000
Fontana Distribution	115,970	60,000
Fontana Holdings	115,970	60,000
Fontana Foundation	140,975	30,650
	13,626,224	525,911

(i) This represents funds advanced by the Company to purchase shares on behalf of employees during the Company's initial public offering.
These are unsecured interest free advances to related companies which have no fixed dates of repayment.

9. FINANCE LEASE

	2019 $	2018 $
Facility	-	811,812
	-	811,812

The purpose of this facility is the leasing of a 2016 Toyota Land Cruiser motor vehicle. The facility is secured by the motor vehicle. The motor vehicle is depreciated over the life of the lease. The amount was repaid during the year.

(Expressed in Jamaican dollars unless otherwise stated)

9. FINANCE LEASE (CONT'D)

Total minimum lease payments:

	2019 $	2018 $
Lease payments due within the next year	811,812	811,812
Lease payments due thereafter	(811,812)	-
	-	811,812

10. DUE FROM DIRECTORS

	2019 $	2018 $
Due from directors	17,260,085	42,458,179
Due to directors	(9,690,136)	(11,921,945)
	7,569,949	30,536,234

These are unsecured interest free amounts which have no fixed dates of repayment.

11. TRADE AND OTHER RECEIVABLES

	2019 $	2018 $	
Trade receivables	26,164,829	31,436,015	
Less: Expected credit losses	(6,752,172)	-	
Net trade receivables	19,412,657	31,436,015	
Other receivables	26,391,008	13,641,973	
Prepayments	12,249,766	9,834,932	
Deferred GCT	379,552	1,023,617	*
GCT recoverable	228,280	242,574	*
Security deposits	8,331,342	8,079,742	
	66,992,605	64,258,853	

12. CASH AND CASH EQUIVALENTS

	2019 $	2018 $
Term and demand deposits	204,963,498	127,994,656
Foreign currency accounts	174,618,245	87,505,839
Short term investments	1,450,267	36,666,795
Cash balances	1,703,412	1,673,412
	382,735,422	253,840,702

***-Restated to conform to current year presentation**

(Expressed in Jamaican dollars unless otherwise stated)

13. SHARE CAPITAL

	2019	2018
	$	$
Authorized:		
2,664,999,860 (2018 – 15,003,000) ordinary shares		
Issued and fully paid:		
1,249,374,825 (2018 – 15,003,000)	252,589,301	30,006,000

(a) On December 4, 2018, at an extraordinary general meeting of the Company, by an ordinary resolution, the authorized share capital of the Company was increased from 15,003,000 to 40,003,000 in the first instance.

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

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

(c) 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.

14. REVALUATION RESERVE

	2019	2018
	$	$
Opening reserve balance	164,914,526	-
Revaluation of buildings	-	219,897,700
Deferred taxation on revalued buildings	-	(54,983,174)
Reversal of revaluation of buildings	(164,914,526)	-
	-	164,914,526

Revaluation reserve represents unrealised gains arising on changes in fair value of the property at lot 36 Bogue Industrial Estate and lots 5,6 and 7 Manchester Shopping Centre. During the current period, the properties were transferred to a related party company.

(Expressed in Jamaican dollars unless otherwise stated)

15. NOTES PAYABLE

	2019 $	2018 $
Non-current notes payable	-	51,344,000
Current notes payable	-	26,185,440
Total notes payable	-	77,529,440

This represents US$600,000 balance of the purchase consideration for the Barbican store location from First Venture Investments Limited. The loan attracts 8% interest per annum with 3 principal payments of US$200,000 in each year of the loan. The loan was repaid in full during the year.

16. BANK LOANS PAYABLE

	2019 $	2018 $
a. BNS Consolidation Loan	8,222,220	32,888,880
b. BNS Motor Vehicle Loan	3,818,494	5,651,350
c. BNS DBJ	-	4,083,317
d. BNS Energy Loan	17,332,378	-
e. BNS Bridge Loan	128,069,330	-
Total bank loans payable	157,442,422	42,623,547
Due in less than 12 months	(145,323,254)	(30,582,833)
Due in more than 12 months	12,119,168	12,040,714

a. This is a loan at a rate of interest of 8.5% per annum. The loan is repayable over thirty-six (36) months, in fixed monthly payments of $2,055,555 plus interest. The purpose of the loan was to repay and consolidate all the previous loans from First Global Bank

b. This is a loan at a rate of interest of 8.5% per annum. The loan is repayable over thirty-six (36) month, in fixed monthly payments of $152,738 plus interest. The purpose of the loan was to purchase a motor vehicle.

c. This is a loan with at a rate of interest of 9% per annum. The loan is repayable over twenty-seven (27) months, in fixed monthly payments of $583,333 plus interest. The purpose of the loan was to repay and consolidate all the previous loans from First Global Bank. This loan was fully repaid during the year.

d. During the year the Company secured a loan in the amount of $28,795,369 for the installation of solar panels to the Fairview Montego Bay location as part of our energy conservation project. This is a loan at a rate of interest of 6.75% per annum. The loan is repayable over fifty-four (54) months, including 6 months moratorium on principal payments, in fixed monthly payments of $599,904 plus interest. During the year, $20,931,803 of the total loan facility was drawn down.

e. This is a loan with a rate of interest of 6% per annum. The loan is fully repayable twelve (12) months after disbursement. The purpose of the loan was to assist with financing of the build out cost of the new Waterloo store (St. James Park).

(Expressed in Jamaican dollars unless otherwise stated)

17. SHAREHOLDERS' LOAN

	2019 $	2018 $
	13,044	13,044

This is an interest free loan with no fixed terms of repayment.

18. DEFERRED TAX ASSET / (LIABILITY)

Certain deferred tax assets and liabilities have been offset in accordance with International Accounting Standard ("IAS") 12. IAS 12 permits the offsetting of deferred tax assets and liabilities if the entity has a legal right to settle current tax amounts on a net basis and the deferred tax amounts are levied by the same tax authority on the same entity.

The following is the analysis of the deferred tax balances (after offset) for financial statement purposes:

	2019 $	2018 $
Deferred tax asset / (liability)	1,470,315	(72,802,206)

Deferred tax asset and liability are attributable to the following:

	2019 $	2018 $
Property, plant and equipment	434,888	(72,366,454)
Conversion of foreign currency	1,035,427	(435,752)
	1,470,315	(72,802,206)

The movement during the year in the Company's deferred tax position was as follows:

	2019 $	2018 $
Balance at the beginning of the period	(72,802,206)	(68,892,638)
Movement during the period	74,272,521	(3,909,568)
Balance at the end of the period	1,470,315	(72,802,206)

The movement during the year in the Company's deferred tax position was as follows:

		2019	
	Opening balance	Recognized in profit or loss	Closing balance
Property, plant and equipment	(72,366,455)	72,801,342	434,887
Conversion of foreign currency	(435,751)	1,471,179	1,035,428
	(72,802,206)	74,272,521	1,470,315

		2018	
	Opening balance	Recognized in profit or loss	Closing balance
Property, plant and equipment	(69,010,454)	(3,356,001)	(72,366,455)
Conversion of foreign currency	117,816	(553,567)	(435,751)
	(68,892,638)	(3,909,568)	(72,802,206)

(Expressed in Jamaican dollars unless otherwise stated)

19. TRADE AND OTHER PAYABLES

	2019	2018
	$	$
Trade payables	317,631,101	312,714,684
Statutory liabilities	11,039,836	9,494,221
Accrued salaries	5,949,506	4,657,444
GCT payable	9,872,722	12,799,273
Credit cards payable	33,837,685	37,025,746
Accrued interest	-	513,440
Other payables and accruals (i)	81,959,325	18,825,278
	460,290,175	396,030,086

(i) This includes accrued charges of $76,434,220 associated with the development of a new store location.

20. BANK OVERDRAFT

	2019	2018
	$	$
First Global Bank	6,871,588	-

These represents uncleared cheques as at the year end.

21. TAXATION PAYABLE

Taxation payable is based on profits for the year, adjusted for taxation purposes, subject to the agreement of the Taxpayer Audit and Assessment Department, and is calculated at 25%.

	2019	2018
	$	$
Taxation payable:		
Income tax payable at beginning of period	27,908,229	43,345,633
Tax liability for the current period:	37,911,399	51,847,314
	65,819,628	95,192,947
Less: payments made during the current period	(46,979,647)	(67,284,718)
Taxation payable at the end of the year	18,839,981	27,908,229

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22. COST OF SALES

	2019	2018
	$	$
Opening inventories	589,111,431	549,696,807
Add: Net purchases	2,415,694,670	2,168,099,954
	3,004,806,101	2,717,796,761
(Less) / add: Provision for inventory obsolescence	(55,642,098)	41,971
Closing inventories	(570,989,831)	(589,111,431)
	2,378,174,172	2,128,727,301

23. ADMINISTRATIVE AND GENERAL EXPENSES

	2019	2018	
	$	$	
Directors' renumeration	69,615,191	64,954,850	
Salaries	442,524,278	405,099,537	
Statutory contributions	54,741,157	50,089,053	
Casual labour	16,395,968	13,414,079	
Repairs and maintenance	18,722,892	18,521,266	
Staff welfare	28,401,720	22,205,668	*
Electricity	42,457,486	38,873,711	
Staff pension	6,155,178	5,929,109	
Shop rental	115,365,479	71,728,500	*
Motor vehicle and travelling	7,253,469	7,576,118	
Insurance – general	9,383,091	38,234,813	
- life	1,714,737	571,096	
- health	14,329,263	13,142,171	
Overseas travel	19,415,533	21,793,877	
Telephone, internet and postage	17,294,715	13,367,332	
Printing and stationery	2,822,556	1,397,471	
Strata plan maintenance	17,998,222	15,658,864	
Staff uniform	1,564,029	2,894,690	
Security	27,398,167	24,316,430	
Subscriptions and donations	6,004,191	3,412,209	
Rates and taxes	5,970,729	5,536,015	
Audit fee	2,500,000	1,800,000	
Professional and legal fees	3,027,730	2,137,429	
Consultancy fees	1,270,278	3,383,132	
Bad debts	15,852,778	2,706,557	*
Depreciation	29,118,276	35,700,059	*
Expected credit losses	6,752,172	-	
Provision for doubtful debts	-	13,154,137	*
General office expenses	13,345,572	7,491,140	
Irrecoverable GCT	-	17,944,974	
Rental of equipment	2,210,034	430,848	
	1,000,172,313	923,465,136	*

*** - Reclassified to conform to 2019 presentation**

(Expressed in Jamaican dollars unless otherwise stated)

24. SELLING AND PROMOTION

	2019	2018
	$	$
Advertising	56,226,401	54,209,133
Commissions	22,290,100	17,060,257
	78,516,501	71,269,390

25. OPERATING PROFIT

	2019	2018
	$	$
	244,944,350	294,273,508
Stated after charging the following:		
Directors' remuneration	69,615,191	64,954,850
Auditor's remuneration	2,500,000	1,800,000

26. OTHER INCOME

	2019	2018
	$	$
Interest income	7,063,492	816,976
Commission	24,134,557	20,850,935
Gain on disposal of asset	722,776	-
Licence fee income	-	5,136,797
Rental income	8,416,269	6,473,025
	40,337,094	33,277,734

27. FINANCE COSTS

	2019	2018
	$	$
Bank charges and interest	22,622,013	19,639,582
Gain on foreign exchange	(12,874,041)	(728,479)
Loan interest	5,888,270	6,392,032
Cash shortage	(348,829)	(706,444)
Credit card chargeback	(271,018)	(108,690)
	15,016,395	24,488,001

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28. TAXATION (CREDIT) / CHARGE

(a) Income tax charge is computed based on the six (6) months profits ended December 31, 2019, as a result of the Company's enlistment on the Jamaica Stock Exchange Junior Market effective January 8th, 2019, which entitles the Company to full remission of income tax for the first 5 years and fifty percent (50%) remission for the following 5 years, providing that it adheres to the rules and regulations of the Jamaica Stock Exchange Junior Market.

Income tax is computed at 25% of the pre-tax profit for the six (6) month period, as adjusted for taxation purposes. Deferred taxation is computed at 25% for the financial year based on the applicable income tax rate for unregulated companies with effective date from January 1, 2013.

The taxation charge is made up as follows:

	2019 $	2018 $
Current:		
Provision for income tax on current profit	37,911,399	51,847,314
Deferred:		
Origination and reversal of temporary differences	(74,272,521)	3,909,568
	(36,361,122)	55,756,882

(b) Reconciliation of effective tax rate and charge:

	2019 $		2018 $	
Profit before taxation	270,265,049		303,063,241	
Computed tax charge	67,566,262	25%	75,765,810	25%
Employment tax credit	(16,669,118)	-6%	(21,218,880)	-7%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	(74,169,531)	-27%	4,029,054	1%
Disallowed expenses	(7,799,831)	-3%	(2,944,378)	-1%
Foreign exchange (gain) / loss	(435,753)	0%	125,276	0%
Remission of income taxes	(4,853,151)	-2%	-	0%
Actual tax rate and (credit) / charge	(36,361,122)	-13%	55,756,882	18%

29. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit after taxation and the weighted average number of shares in issue during the year.

	2019 $	2018 $
Net profit attributable to shareholders	306,626,171	247,306,359
Weighted average number of shares in issue	1,189,130,958	1,124,437,260
Basic earnings per stock price	0.26	0.22

(Expressed in Jamaican dollars unless otherwise stated)

30. PROFIT BEFORE INTEREST AND TAXATION

	2019 $	2018 $
Net profit for the year	306,626,171	247,306,359
Current period taxation	(36,361,122)	55,756,882
Profit before interest	270,265,049	303,063,241
Interest expense	5,888,270	6,392,032
Profit before interest and taxation	276,153,319	309,455,273

31. RELATED PARTIES

(a) Balances between the Company and its related company

	2019 $	2018 $
Related companies (see note 7)	13,626,224	525,911

The Company's statement of comprehensive income includes the following transactions, undertaken with related parties in the ordinary course of business:

	2019 $	2018 $
(b) Rental expense – Fontana Properties Limited	39,519,500	-
Transactions with key management personnel:		
- Directors' remuneration	69,615,191	64,954,850

32. STAFF COSTS

The number of employees at the end of the year was as follows:

	2019	2018
Permanent	359	330

The aggregate payroll costs for these persons were as follows:

	2019 $	2018 $
Salaries and profit related pay	442,524,278	405,099,537
Statutory payroll contributions	54,741,157	50,089,053
	497,265,435	455,188,590

33. DIVIDEND

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$300,000. This was paid in full on December 05, 2018. When translated to Jamaican dollars, the total dividend amounted to $37,992,000.

FONTANA LIMITED
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34. FINANCIAL INSTRUMENTS

(a) Fair value

Fair value is 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. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The company's equities are the only financial instrument that is carried at fair value, also where fair value of financial instruments approximates carrying value, no fair value computation is done.

The carrying values reflected in the financial statements for cash and cash equivalent, trade and other receivables, and trade and other payables are assumed to approximate fair value due to their relatively short-term nature.

The fair value of long-term loans is assumed to approximate carrying value as the loans bear interest at market rates and all other conditions are at market terms.

The amounts included in the financial statements for cash and bank deposits, receivables, trade payables and current portion of notes payable reflect the approximate fair values because of short-term maturity of these instruments.

IFRS requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

(b) Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Cash flow risk

FONTANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(Expressed in Jamaican dollars unless otherwise stated)

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd):

(b) Financial management (cont'd)

The Board of Directors, together with senior management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company in order to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's principal financial assets are cash and cash equivalents and trade receivables.

Cash and cash equivalents
The credit risk on cash and bank deposits is limited as they are held with financial institutions with high credit ratings.

Trade receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristic of each customer. Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit. Management's policy is to provide for balances based on past default experience, current economic conditions and expected recovery.
The impairment requirements of IFRS 9 are based on an Expected Credit Loss (ECL) model. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

For trade receivables and contract assets that do not have a financing component, it is a requirement of IFRS 9 to recognize a lifetime expected credit loss. This was achieved in the current year by the development and application of historical data relating to trade receivables and write-offs, as well as forecasting payment probabilities.

The company estimates expected credit losses (ECL) on trade receivables using a provision matrix based on historical credit loss experience as well as the credit risk and expected developments for each group of customers. The following table provides information about the ECL's for trade receivables as at 31 December 2018.

Aging	Gross Carrying Amount	Weighted Average Loss Rate	Lifetime ECL Allowance
Current	16,802,234	0.064	1,078,956
31-60 days	3,892,866	0.297	1,154,727
61-90 days	1,759,766	0.695	1,223,136
91 days and over	3,709,963	0.888	3,295,353
Total	26,164,829		6,752,172

FONTANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019
(Expressed in Jamaican dollars unless otherwise stated)

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd):

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company.

Management aims at maintaining sufficient cash and the availability of funding through an amount of committed facilities. The management maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

The following are the contractual maturities of the non-derivative financial liabilities, including interest payments and excluding the impact of netting agreements.

	Carrying amount $	Contractual cash flow $	Less than 1 year $	More than 1 year $
June 30, 2019:				
Trade and other payables	460,290,175	460,290,175	460,290,175	-
Bank loans payable	157,442,422	169,593,929	147,237,202	22,356,727
	617,732,597	629,884,104	607,527,377	22,356,727
June 30, 2018:				
Trade and other payables	396,030,086	396,030,086	396,030,086	-
Notes payable	77,529,440	89,338,560	32,175,573	57,162,987
Bank loans payable	42,623,547	45,498,564	41,325,096	4,173,468
	516,183,073	530,867,210	469,530,755	61,336,455

(iii) Market risk

Market risks is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the Company's income or the value of its holding of financial instruments. The objective of market is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Company contracts material financial liabilities at fixed interest rates for the duration of the term. When utilized, bank overdrafts are subject to fixed interest rates which may be varied by appropriate notice by the lender. At June 30, 2019 and 2018, there were no financial liabilities subject to variable interest rate risk.

FONTANA LIMITED
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YEAR ENDED JUNE 30, 2019
(Expressed in Jamaican dollars unless otherwise stated)

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial risk management (cont'd):

(iii) Market risk (cont'd):

Interest-bearing financial assets comprises of bank deposits, which have been contracted at fixed interest rates for the duration of their terms.

Fair value sensitivity analysis for fixed rate instruments
The Company does not hold any fixed rate financial assets that are subject to material changes in fair value through profit or loss. Therefore, a change in interest rates at the reporting dates would not affect profit or equity.

Foreign currency risk:
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to significant foreign currency risk, primarily on purchases that are denominated in a currency other than the Jamaican dollar. Such exposures comprise the monetary assets and liabilities of the Company that are not denominated in that currency. The main foreign currency risks of the Company are denominated in United States dollars (US$), which is the principal intervening currency for the Company.

The Company jointly manages foreign exchange exposure by maintaining adequate liquid resources in appropriate currencies and by managing the timing of payments on foreign currency liabilities.

The table below shows the Company's main foreign currency exposure at the reporting date.

	2019			2018		
	US$	CND$	GBP$	US$	CND$	GBP$
Bank and cash	1,346,621	18,193	7,273	937,313	16,843	6,639
Notes Payables	-	-	-	(604,000)	-	-
Trade and other payables	(463,116)	(79,869)	-	(279,679)	(83,984)	-
Net exposure	883,505	(61,676)	7,273	53,634	(67,141)	6,639

Sensitivity analysis:

A strengthening of 400 (2018: 200) basis points of the Jamaica dollar against the currencies indicated above at June 30 would have decreased the Company's profit or loss by $4,416,661 (2018: $27,588).

A weakening of 600 (2018: 400) basis points of the Jamaica dollar against the currencies indicated above at June 30 would have increased the Company's profit or loss by $6,624,991 (2018: $55,175)

This analysis assumes that all other variables, in particular interest rates, remain constant.

(iv) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate because of changes in market interest rates. The Company manages this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(c) Capital management

The Company's objectives when managing capital are to comply with capital requirements, safeguard the Company's ability to continue as a going concern and to maintain strong capital base to support the development of its business. The Company achieves this by retaining earnings from past profits and by managing the returns on borrowed funds to protect against losses on its core business.

Fontana Limited

SCHEDULE OF TOP TEN (10) SHAREHOLDERS
AS AT JUNE 30, 2019

Shareholder	Units
1. Burbank Holdings Limited	999,499,860
2. Mayberry Jamaican Equities Limited	23,593,603
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 JUNE 30, 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		