Fontana
PHARMACY

It's All **GOOD** Inside!

ANNUAL Report 2019

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Fontana PHARMACY

VISION & MISSION *Statement*

To offer the widest variety of goods at competitive prices, in a pleasant atmosphere with easy parking and above all, warm, friendly and efficient service. Our main business is satisfying customers.

Fontana's secret of success is our team of the most dedicated employees in the country.

By emphasizing communication, respect and teamwork, we strive to create a virtuous cycle:

Happy Employees = Happy Customers = Happy Directors = Happy Managers = Happy Employees = Happy Customers.

We continue to adhere to the fundamental principles instilled by our founders Bobby and Angela Chang: service, respect, family and community.

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NOTICE OF Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting of **FONTANA LIMITED** will be held at the Grand-A-View Restaurant and Event Place on **Thursday 9th January 2020** at **11:00 a.m** for the purpose of transacting the following business:

1. To receive the Audited Accounts for the year ended June 30, 2019 together with the reports of the Directors and Auditors thereon,

The Company is asked to consider, and if thought fit, pass the following resolution:

Resolution No. 1
"THAT the Audited Accounts for the year ended June 30, 2019, together with the reports of the Directors and Auditors thereon, be and are hereby adopted."

2. To elect Directors.

(i) In accordance with Regulation 97 of the Company's Articles of Incorporation, the Director retiring by rotation is Mr. Kevin O'Brien Chang, who being eligible for re-election, offer himself for re-election.

The Company is being asked to consider, and if thought fit, pass the following resolutions:

Resolution No. 2
"THAT Mr. Kevin O'Brien Chang, who is retiring by rotation in accordance with Regulation 97 of the Articles of Incorporation be and are hereby re-elected as a Director of the Company."

(ii) In accordance with Regulation 103 of the Company's Articles of Incorporation, the Directors appointed since the last Annual General Meeting are Mmes. Jacqueline Sharp and Heather Goldson and being eligible offer themselves for re-election.

The Company is being asked to consider, and if thought fit, pass the following resolutions:

Resolution No. 3
"THAT Mrs. Jacqueline Sharp be and is hereby re-elected as a Director of the Company."

Resolution No. 4
"THAT Mrs. Heather Goldson be and is hereby re-elected as a Director of the Company."

3. To approve the Remuneration of the Directors.

The Company is asked to consider, and if thought fit, to pass the following resolution:

Resolution No. 5
"THAT the amount shown in the Audited Accounts of the Company for the year ended June 30, 2019 as fees of the Directors for their services as Directors, be and are hereby approved."

4. To appoint Auditors and to authorize the Directors to fix the remuneration of the Auditors.

The Company is asked to consider, and if thought fit, pass the following resolution:

Resolution No. 6
"THAT the remuneration of the Auditors, CrichtonMullings & Associates, who have signified their willingness to continue in office, be such as may be agreed between the Directors of the Company and the Auditors."

5. Special Business

Resolution No. 7
To consider and (if thought fit) pass the following Special Resolutions to amend the amended/adopted Company's Articles of Incorporation to provide for notices and documents to be sent to shareholders electronically with their consent and for the position of Director Emeritus that Article 1, Article 99 under the heading "Rotation of Directors" and Article 145 under the heading "Notices" be amended respectively to read:-

THAT ARTICLE 1: to include the following definitions following the definition of "bankrupt":-

"Electronic Format" means any technology utilized by facsimile machines, scanning devices, mail sent using computers or other similar automated or photographic devices, any other technological form of representation of information having electrical, digital, magnetic, wireless, optical, electromagnetic, photographic or similar capabilities including but not limited to compact discs, tapes, soundtracks or other devices in which printed words, writing, sounds or other data are embodied so as to be capable of being reproduced (with or without the aid of some other equipment).

"Electronic Means" means any method of dispatch or communication of sounds, documents, words, writing, maps, photography, graphs, plans or other data which involves the use of equipment or technology having electrical, digital, magnetic, wireless, optical, electromagnetic, photographic or similar capabilities including but not limited to facsimile machines, electronic mail sent via computers, mobile or scanning devices, instant messages via mobile devices, short message services or via the internet.

THAT ARTICLE 99: Article 99 under the heading "Rotation of Directors" which presently reads "A retiring director shall be eligible for re-election."

be amended to read as follows:

"A retiring director shall be eligible for re-election. Founding director, Shinque (Bobby) Chang, named as Chairman Emeritus is not subject to retirement by rotation."

THAT ARTICLE 145: Article 145 under the heading "Notices" which presently reads "A notice may be given by the Company to any member either personally or by sending it by post to him or to his registered address or (if he has no registered address within the island) to the address if any, within the Island supplied by him to the Company for the giving of notice to him. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying, and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting at the expiration of twenty–four (24) hours after the letter containing the same is posted, and in any other case at the time at which the letter would be delivered in the ordinary course of post."

be amended to read as follows:-

"Any notice to be given or any document required to be sent by the Company to any member may be:-

1. **(a)** sent to him personally in writing or by electronic format;

(b) sent by post to him or to his registered address, or (if he has no registered address within Jamaica) to the address if any, within Jamaica supplied by him to the Company for the giving of notice to him in writing or electronic format; or

(c) sent to him by electronic means.

PROVIDED HOWEVER that where such notice or document is specifically required by law or these Articles to be sent in writing (otherwise than in electronic format or by electronic means) the Company shall obtain the member's written consent prior to sending same to him in electronic format or by electronic means.

2. Where a notice is sent by post, service of the notice shall be deemed to be effected by properly addressing, prepaying and posting a letter containing the notice, and to have been effected in the case of a notice of a meeting at the expiration of forty-eight (48) hours after the letter containing the same is posted, and in any other case at the time at which the letter would have been delivered in the ordinary course of post.

3. Where a notice or document is sent by electronic means service of the notice or document shall be deemed to be effected by properly dispatching the notice or document to the email address, any other electronic address or by facsimile, internet, or by short message service to the number provided by the member, and is deemed to be received by the intended recipient at the expiration of twenty-four (24) hours after the notice or document is so dispatched by the Company."

By Order of the Board

Denise Douglas
Company Secretary
October 22, 2019

Registered Office
Manchester Shopping Centre
Mandeville, Manchester

NOTE:

1. A member entitled to attend and vote at the meeting may appoint a proxy, who need not be a member, to attend and so on a poll, vote on his/her behalf. A suitable form of proxy is enclosed.

Forms of Proxy must be lodged with the Registrar of the Company, Jamaica Central Securities Depository, 40 Harbour Street, Kingston not less than 48 hours before the time of the meeting.

2. A Corporate shareholder may (instead of appointing a proxy) appoint a representative in accordance with Regulation 70 of the Company's Articles of Incorporation. A copy of Regulation 70 is set out on the enclosed detachable proxy form.


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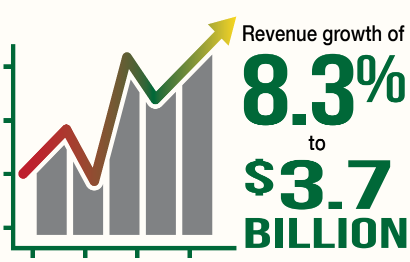
CHAIRMAN'S *Message*

The global history of retail is defined by major tipping points. From the invention of the cash register in 1883 to the dawn of experiential retail, online shopping and predictive marketing, developments in retail continue to define and impact how people live. Amid these massive changes and movements in the industry **Fontana Pharmacy** has made its own mark on the retail experience in Jamaican and we have observed many momentous achievements of our own.

Our biggest and most momentous would have to be our founding in 1968, becoming a landmark, "appointment" retail location in Mandeville. Our first foray outside of our hometown was the opening of our Montego Bay branch in 1993, and the opening of both the Kingston and Ocho Rios markets in 2013 was yet another pivotal moment. But our fiscal year 2018-2019 was a truly transformational one. It marked the official transition of **Fontana** from a family operated entity into a structured, limited company publicly listed on the Jamaica Junior Stock Exchange. We are changing the face of retail in Jamaica one town at a time.

The IPO was significantly over-subscribed, and the offer had to be closed within 5 minutes of opening; a signal of the market's confidence in the legacy and potential of our business. A priority for us was to be very inclusive in our IPO, offering top customers a preferential right to buy shares, and ensuring that the very engine that runs our business – our employees, also shared in the benefits through gifts of shares. Due to strong confidence in our continued growth and success, our share price has increased by over 400% since we launched the IPO at $1.88 in December 2018, already bringing attractive returns to our shareholders.

Fontana's five stores in *Kingston, Mandeville, Montego Bay, Ocho Rios and Sav La Mar* for the period July 1, 2018 to June 30, 2019, combined to deliver healthy revenue growth of 8.3%, with revenue increasing from $3.4 Billion to $3.7 Billion. Net profits increased from $247,306,359 to $306,626,171 or from $0.22 to $0.26 per share, a 24% increase.



We anticipate similar organic growth at these stores in the coming fiscal year. We are confident in the expected growth from our new Waterloo Square branch. We have increased our focus on ensuring that our customer experience is peerless, offering a distinctive range of products that provide exceptional value at competitive prices. This 35,000 sq. ft. store includes an escalator and elevator and, 140+ parking spaces, making it Jamaica's largest, most convenient pharmacy. We expect this to be our flagship store in terms of both customer impact and revenue.

Fontana has achieved these and other important milestones over the past 50 years in the face of many economic and competitive challenges over the course of our country's history. One of the many secrets to our success is a laser sharp focus on our customers, reinforced by the continuous training of our staff. By emphasizing communication, respect and teamwork, we strive to create a virtuous cycle: **Happy Employees = Happy Customers = Happy Directors = Happy Managers = Happy Employees = Happy Customers =** ***the best customer service in the country.***

Secondly, our compelling range of products and our recognition that the retail landscape is largely underserved, provide a challenging opportunity that we are more than equipped to take on. Our CEO, Anne Chang, who is our Chief Purchasing Officer, continues to focus on identifying unique, high-quality products to meet our customers' needs and desires. Through these efforts, **Fontana** has over the years, created and maintained the national reputation for 'always having what you want and can't get anywhere else'. At the core, our pharmacy operates at an ever increasing level of efficiency and industry knowledge, raising the bar on service and availability across a wide range of customer needs.

Equally important are **Fontana's** consistent efforts to identify new markets and customer segments, and to bring our offering to those markets. Ray Therrien, our Chief Operating Officer, has been leading these efforts, and has been instrumental in growing Fontana's footprint over the last 15 years. With the growing strength of our brand and offering, we will continue to look for opportunities to further expand into under-served markets.

These major moves and inherent differentiators are what has made 2017/2018 the single largest year of growth in our company's history. During this journey, **Fontana** has ensured that our success is shared, and our environment has benefitted. We are committed to supporting small and medium size businesses in Jamaica. Over the years, we have proactively engaged talented and creative Jamaican manufacturers, artists, and entrepreneurs, and helped them to showcase their product offerings and build their businesses. This is a core part of our values, and we are proud to continue this tradition into the future. Our new Artisan section in our Waterloo location will be dedicated to entrepreneurs who do quality work and just need a little bit of a spotlight in which to grow.

It has indeed been a ***"tipping point"*** for **Fontana** in 2018, and this year's events and positive trajectory have further strengthened our resolve to uphold and build on our important family legacy for many years to come. In closing, Anne, Ray and I would like to thank our Management team and staff for their dedication and commitment to **Fontana**, and our customers for your continued loyalty and support. We will continue to adhere to the fundamental principles instilled by our founders Bobby and Angela Chang in 1968: service, respect, family and community.

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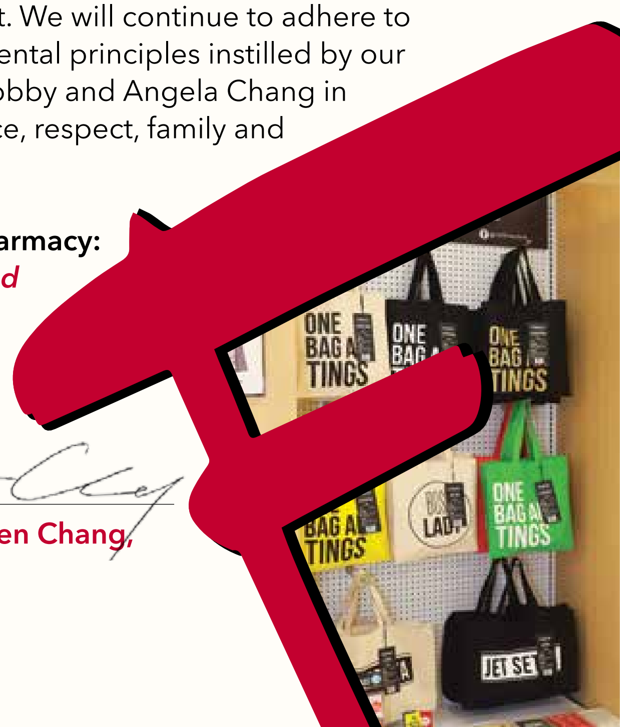
Kevin O'Brien Chang,
Chairman



DIRECTORS' Report

FINANCIAL RESULTS

The Directors' are pleased to present this report for the financial year ended June 30, 2019.

	$
Profit before Taxation	270,265,049
Taxation Credit	36,361,122
Net Profit/(Loss)	**306,626,171**
Earnings per share	0.26

THE BOARD

The Directors as at **June 30, 2019** were as follows:

Bobby Chang
Kevin O'Brien Chang
Anne Chang
Raymond Therrien
Jacqueline Sharp
Heather Goldson

In accordance with Regulation 97 of the Company's Articles of Incorporation, the Directors retiring by rotation are Messrs. Bobby Chang, Kevin O'Brien Chang and Raymond Therrien, who being eligible for re-election, offer themselves for re-election.

In accordance with Regulation 103 of the Company's Articles of Incorporation, Directors Jacqueline Sharp and Heather Goldson having been appointed since the last Annual General Meeting and, being eligible, offer themselves for re-election.

AUDITORS

CrichtonMullings & Associates has indicated their willingness to continue in office and their re-appointment will be proposed at the forthcoming Annual General Meeting.

The Directors wish to place on record their appreciation and recognition of the dedicated efforts and hard work given by the Management and Staff for the work they have done during the year.

By Order of the Board

Denise Douglas

Denise Douglas
Company Secretary

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BOARD OF Directors' Profile

BOBBY CHANG,
Chairman **Emeritus**

Shinque (Bobby) Chang is the co-founder of **Fontana Pharmacy**. He has a wealth of knowledge and over 50 years of success in Retail. After 10 years of operating a supermarket in Christiana, Bobby and his late wife, Angela started **Fontana Pharmacy** in November 1968 at Manchester Shopping Centre. From the start they stressed the importance of always putting the customer first, empowering employees and having a personal relationship with key staff members.

This approach contributed to **Fontana's** success. Bobby remains a well-informed "éminence grise" whose calm counsel and past experience provide him with the knowledge to continue to guide key strategic decisions.

KEVIN O'BRIEN CHANG,
Executive Director/Chairman

Kevin O'Brien Chang is the Chairman of the Company. On his return home from Canada in 1989 he oversaw the growth of the original **Fontana** location in Mandeville, which became the then -largest pharmacy in Jamaica. Kevin also spearheaded the opening of **Fontana** Montego Bay in 1994 and Fontana's transformation from a local to a national business.

Kevin holds a BSc in Statistics and an MBA from the University of Toronto. Before returning to Jamaica, he was Marketing Systems Manager at Mastercraft Group Development in Toronto and Ottawa Canada, where he transformed their customer marketing presentation systems. He has written two books on Jamaica – 'Reggae Routes: the Story of Jamaican Music' and 'Jamaica Fi Real: Beauty Vibes and Culture'. He has written columns for the Jamaica Observer and the Jamaica Gleaner since 1998, and hosts a talk show on NCU91 FM on Sundays from 2-4 pm. He is also a frequent guest on radio and television as a public affairs analyst.

ANNE CHANG,
Executive Director/Chief Executive Officer

Anne Chang is the Chief Executive Officer and has been a director of the company for the past 18 years. She has oversight of local and foreign purchasing, supplier relations and marketing.

Anne has also been integral in establishing Fontana's social media footprint in Jamaica as well the customer Rewards program that now boasts over 120,000 members and confirms Fontana as the premier Jamaican beauty destination for women of all ages.

Prior to joining **Fontana,** Anne was a senior executive at Bell Canada Inc, Canada's largest telecommunications company for 10 years holding several key positions in Operator Services, Bell retail centres, Finance and Consumer Marketing. Anne holds an Honors Bachelor of Commerce degree with a major in marketing from McMaster University.

RAYMOND THERRIEN,
Executive Director/Chief Operating Officer

Raymond (Ray) Therrien is the Chief Operations Officer of the company and has been a Director of **Fontana Limited** for the past 18 years. Ray oversees all aspects of Finance for the organization. His main responsibilities are overseeing the day to day operations of the organization with key areas of focus being the pharmacy department and logistics for all overseas purchasing. He has been instrumental in the expansion of the **Fontana** brand in Montego Bay, Sav La Mar, Ocho Rios and Kingston. Prior to joining **Fontana**, Ray held senior sales and marketing roles for some of Canada's largest pharmaceutical companies including Sanofi Aventis and Roche.

Mr. Therrien holds a BSc in Mathematics from McMaster University, Hamilton, Canada.

JACQUELINE SHARP,
Independent Non-Executive Director & Chairman of the Audit and Compliance and Compensation Committees

Jacqueline (Jackie) Sharp is a director of her family's business, Coffee Traders Limited. She has over 26 years of experience in the financial services industry in Jamaica, of which 20 years were spent with the Scotia Group. Jackie has led different divisions at Scotia, and her final role was Chief Executive, where she led the profitable growth of the operations in Jamaica, with oversight of 4 other countries in the Caribbean.

Jackie is also Vice-President of the Private Sector Organization of Jamaica and sits on the Board of Coffee Traders Limited, Clifton Mount Coffee Estate Limited, CAPRI, and Grace Kennedy Foods. Jackie holds a BSc. degree with honours in Accounting from UWI, is a CFA Charter Holder and has successfully completed the CPA examinations. She has also completed Executive Education programmes at Richard Ivey Business School in Canada and Duke University, USA.

HEATHER GOLDSON,
Independent Non-Executive Director.

Heather Goldson is a non-executive Director of the Company and is currently the Group Chief Marketing Officer at Supreme Ventures Limited. Prior to this role, she held the position of Regional Marketing Director for Scotiabank's English and Spanish operations across 19 countries. Heather has also held senior marketing positions with Digicel as Head of Marketing for Jamaica, and supporting roll out operations in St. Lucia and Barbados. She sits on the board of Chain of Hope Jamaica, and has given her time as Director to several not for profit organizations.

Heather holds a Bachelor's Degree in Business Administration in International Business and Management from Florida International University.


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SENIOR Management Team

Faye Plunkett - Store Manager, Mandeville | **Nicole Watson-Chang** - Store Manager, Mandeville | **Caulene Pat Forbes** - Store Manage, Barbican | **Ruthlyn Sherwood** - Store Manager, Barbican | **Leonie Harvey** - Store Manager, Montego Bay | **Janice Kerr** - Store Manager, Ocho Rios | **Raemonia Clarke-Willie** - Store Manager Sav La Mar **Sharon Vieira** - Store Manager, Waterloo | **Alanah Jones** - Special Projects Manager

Judale Smith – Chief Financial Officer | **Damian Robinson** – Inventory Manager | **Georgia Bonner** – Human Resources Manager | **Valentine Ellis** – IT Manager | **Monica McDowell** – Pharmacy Manager
Daina Dyer – Beauty Manager

Denise Douglas – Company Secretary

LIST OF TOP TEN (10) Largest Shareholders as at June 30, 2019

SHAREHOLDER	UNITS
Burbank Holdings Limited	999,499,860
Mayberry Jamaican Equities Limited	23,593,603
Fontana Employee Share Trust	7,703,112
Jacqueline/Jason Sharp	7,094,000
JN General Insurance Company Limited	6,250,000
Victory Island Limited	5,319,000
St. Elizabeth Holdings Limited	5,319,000
SJIML A/C 3119	4,711,169
Andrew Desnoes	4,318,923
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	999,499,860
		Nicole Watson-Chang	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		


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CORPORATE Governance

BOARD OF DIRECTORS

The Board of Directors of FONTANA LIMITED is responsible for the effective governance of the Company. They recognize that a sound corporate governance policy contributes to the creation of shareholder value and preserves confidence in the Company. Their main responsibility is to oversee the Corporate Affairs on behalf of the shareholders and to act as advisors to our management team in setting vision and strategy.

The Company was listed on the Junior Stock Exchange on January 8, 2019 with a new Board appointed on December 4, 2018 comprising of one **(1) Chairman Emeritus, three (3) Executive Directors** and **two (2) Independent Non-Executive Directors.**

The definitions of these directors are:

- **Chairman Emeritus** is a member of the board of directors who is engaged in volunteer or advocacy activities in his service on the board.
- **An independent non-executive director** is a member of the board of directors who does not engage in the day to day management but may be involved in policymaking and planning exercises and who does not have any material financial relationship with the with the company.
- **An executive director** is a member of the board of directors who is heavily involved in the day to day management of the company.

The Board and its Committees -

BOARD OF DIRECTORS

Bobby Chang	Chairman Emeritus
Raymond Therrien	Executive Director/ Chief Operating Officer
Kevin O'Brien Chang	Chairman
Jacqueline Sharp	Independent Non-Executive Director & Chairman of the Audit Audit and Compliance and Compensation Committees
Anne Chang	Executive Director/Chief Executive Officer
Heather Goldson	Independent Non-Executive Director.

We are pleased to advise that our board members are qualified, objective and committed. They possess certain key characteristics such as professionalism, integrity and strong leadership skills in their respective fields. The names of the directors and their qualifications are set out in the Directors' Profile section of this report.

The new Board met two (2) times during the financial year in January and May 2019. At the meeting held in January the Members of the Committees were appointed; duties and responsibilities of the Board were discussed and Management gave a presentation on the Financial, Customer, Internal and Staff and Learning Perspectives of the Company.

BOARD COMMITTEES

The Audit and Compliance Committee main responsibilities are to monitor the integrity of the financial statements of the company; to review the internal financial controls; to monitor and review the effectiveness of the internal audit function and to review and monitor the external auditor's independence and objectivity and effectiveness of the audit process. The Audit Committee also met two (2) times during the financial year.

The Chairman of the Audit and Compliance Committee is Mrs. Jacqueline Sharp and she joined the Board on December 4, 2018.

THE AUDIT AND COMPLIANCE COMMITTEE CONSISTS OF 3 DIRECTORS:

Jacqueline Sharp	Independent Non-Executive Chairman
Heather Goldson	Independent Non-Executive Director
Raymond Therrien	Executive Director/ COO

The Compensation Committee main responsibilities are to decide (subject to Board approval) the remuneration of Executive Directors; to monitor and review a Performance Management Scheme and to review the organizational structure and its salary ranges for all staff.

The Chairman of the Compensation Committee is Mrs. Jacqueline Sharp and she joined the Board on December 4, 2018.

THE COMPENSATION COMMITTEE CONSISTS OF 3 DIRECTORS:

Jacqueline Sharp	Independent Non-Executive Chairman
Heather Goldson	Independent Non-Executive Director
Anne Chang	Executive Director/CEO

The Members of the Committee and their attendance at the respective meetings for the 2019 financial year is reflected in the Table above:

	ANNUAL GENERAL MEETING	BOARD DIRECTORS' MEETING	AUDIT COMMITTEE MEETING	COMPENSATION COMMITTEE MEETING
Number of meetings for the year	-	2	2	-
Bobby Chang	-	2	2	-
Kevin O'Brien Chang	-	2	2	-
Anne Chang	-	2	2	-
Raymond Therrien	-	2	2	-
Jacqueline Sharp	-	2	2	-
Heather Goldson	-	2	2	-

MANAGEMENT DISCUSSION & Analysis

Fontana Pharmacy is Jamaica's leading pharmacy and retail chain with 5 stores in the major cities of *Kingston, Montego Bay, Ocho Rios, Mandeville* and *Savanna-La-Mar* and the 6th and largest to be opened in Waterloo Square, Kingston in October 2019.

The company's familiar branding has been part of the Jamaican pharmaceutical landscape for over 50 years, and the business has expanded to include housewares, beauty and cosmetics, home décor, toys, electronics, souvenirs and other products.

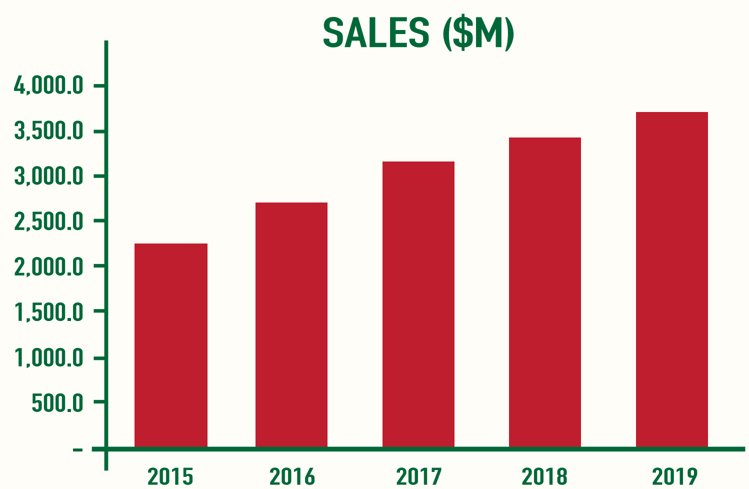
Our oversubscribed initial public offering (IPO) in December 2018 raised $222.58 million net of transaction costs. This assisted us to further invest in the new store and pay off high cost debts. We seek to deliver strong, consistent business results and superior shareholder returns by providing our customers with quality products that will enrich their lives.

REVENUES

Total revenues for the 2019 financial year increased by $284 million to $3.7 billion or 8% higher when compared with 2018. The growth in revenues is mainly driven by marketing and sourcing initiatives. Our strategic focus has been to build greater awareness of our brand and product offering and to ensure the provision of a wide variety of quality products at competitive prices.

Growth has also been driven by excellent customer service and our focus on maintaining a warm and welcoming environment in all our Fontana stores.

The Fairview, Montego Bay and Barbican, Kingston branches continue to account for the bulk of the sales with a combined contribution of 62.8% to total revenue. Growth in the number of customers as well as average customer spend continues to follow the increasing trend seen in previous years.



GROSS PROFIT/MARGIN

Cost of goods sold as a percentage of sales increased from 62% last financial year to 64% this financial year, as the growth in sales reflected primarily growth in beauty products which

have lower margins. Despite this, gross profit for the year was $1.324 billion, reflecting an increase of 3% over the prior year.

OPERATING EXPENSES

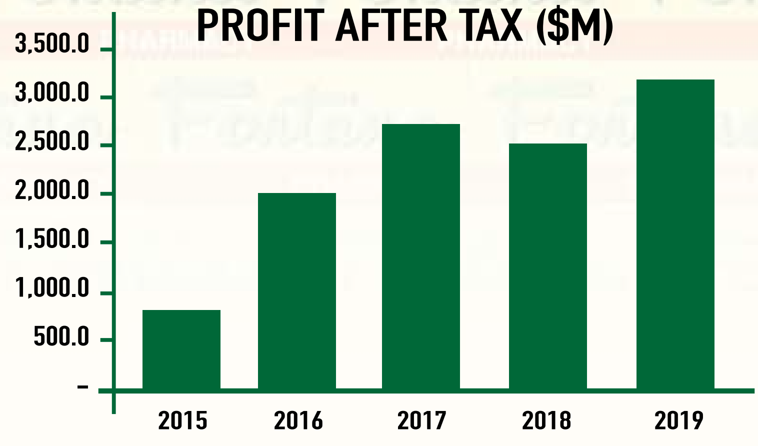
Administrative, selling and promotion and other expenses grew by 8% over the previous year to $1.079 billion. The main contributing factors to this increase were the staff costs as well as lease expense for the two locations that were transferred to a related party prior to the IPO. The increase in staff costs were attributed mainly to the strengthening of the Management Team and the build out of infrastructure in anticipation of the company's medium to long term growth. New positions were added in Marketing, Brand, Beauty, Inventory and Pharmacy Operations. Also, our investment in staff welfare, largely represented by the observation of the 50th Anniversary of the founding of our company increased that spend in 2018 by 60% over the previous year.

INCOME TAX

Fontana Limited enlisted on the Jamaica Stock Exchange Junior Market effective January 8, 2019. This entitles the Company to full remission of income tax for the first 5 years and fifty percent (50%) remission for the following 5 years, according to the rules and regulations of the Jamaica Stock Exchange Junior Market. The 5-year tax free status goes from January 2019 to December 2023. For the financial year ended 2019, we recorded a taxation credit resulting from the deferred taxation adjustment caused by the reduced carrying value of the fixed assets after the property transfers.

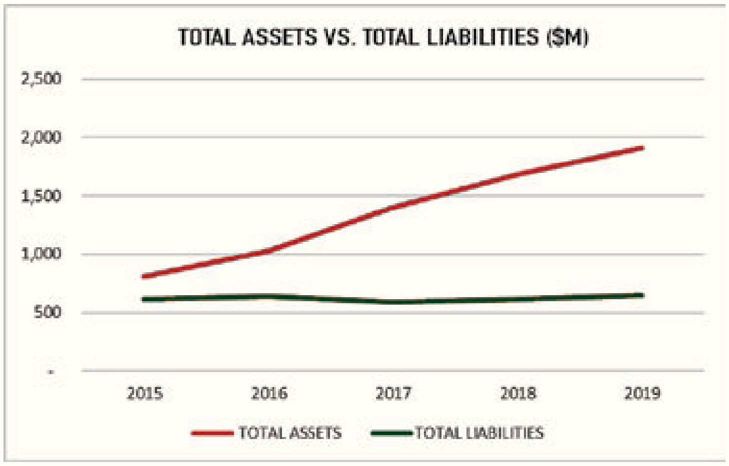
NET PROFIT

The net profit after tax increased by $59.3 million to $306.6 million, a positive change of 24% over the comparative period last year.



FINANCIAL POSITION

Net assets continue to increase as we invest in additional fixed and operating assets to facilitate our expanding operations. Non-current assets increased by $123 million, a 21% increase over prior year. There has been no significant increase in total liabilities over the years. With only a 4% increase in total liabilities for 2019 when compared with 2018, we still have a healthy current ratio of 1.7 for 2019.

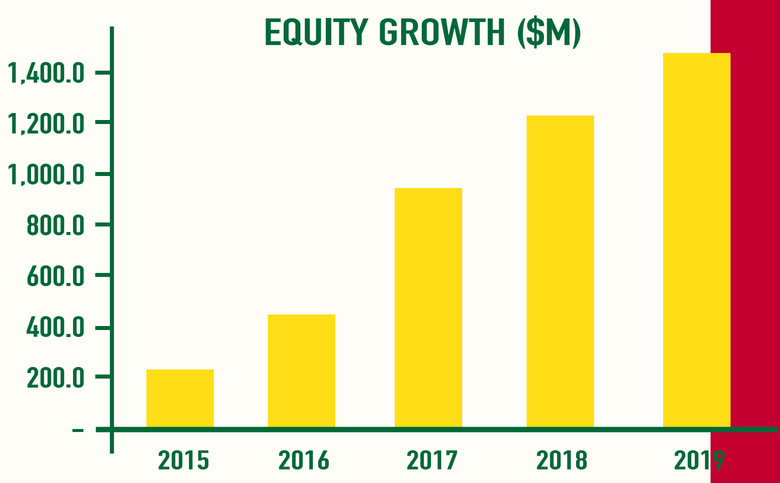


LIQUIDITY

Our primary sources of liquidity in 2019 included funds from the IPO ($222.6m), funds provided by operating activities ($371m) and loan proceeds ($237.3m). Cash and cash equivalents increased by $122 million a 93% increase over that of 2018.

During the year the company acquired fixed assets amounting to $46.9 million, invested $394.8 million in the development of the new store, paid dividends amounting to $37.99 million and repaid loans totaling $200.3 million.

Net Equity grew by 19% year over year to $1.266 billion due to profits earned during the year. The company has a healthy capital base that will allow us to capitalize on future growth opportunities.



Outlook

With the opening of the Waterloo Square branch in October 2019, we expect strong growth in customer base, revenues and profitability. The brand continues to maintain strong equity as shown in our growth numbers, and we continue to assess expanding our footprint to further leverage that strength and positioning. As we continue to create efficiencies in inventory management and strategic sourcing, we expect to capitalize through improved margins, ensuring greater returns to shareholders.

*The value of the Jamaican customer is still untapped, and our strategic focus will be to ensure that we identify all revenue opportunities as applicable to the market, including e-commerce/online product availability, pricing competitiveness and customer awareness. For the fiscal year ending 2020 our major focus will be on cementing Fontana as the **"go-to store"** not only for pharmaceuticals but as a home and personal products retail destination for customers across the island.*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FIVE-YEAR Financial Review

INCOME STATEMENT HIGHLIGHTS (J$)

	2015	2016	2017	2018	2019
Revenue	2,242,627,088	2,719,452,374	3,145,274,038	3,417,735,335	3,701,807,336
change over prior year	26%	21%	16%	9%	8%
COGS	1,476,908,082	1,722,761,808	1,927,476,041	2,128,727,301	2,378,174,172
% of Revenue	66%	63%	61%	62%	64%
Gross Profit	765,719,006	996,690,566	1,217,797,997	1,289,008,034	1,323,633,164
change over prior year	29%	30%	22%	6%	3%
Operating Expenses	578,848,102	696,340,082	845,622,593	994,734,526	1,078,688,814
change over prior year	20%	20%	21%	18%	8%
Other Income	26,133,842	30,163,504	37,580,664	33,277,734	40,337,094
change over prior year	68%	15%	25%	-11%	21%
Finance Costs	97,855,566	93,535,736	88,211,244	24,488,001	15,016,395
change over prior year	26%	-4%	-6%	-72%	-39%
PBT	115,149,180	236,978,252	321,544,824	303,063,241	270,265,049
change over prior year	133%	106%	36%	-6%	-11%
Taxation	36,232,185	41,888,094	59,659,811	55,756,882	(36,361,122)
Net Profit	78,916,995	195,090,158	261,885,013	247,306,359	306,626,171
change over prior year	84%	147%	34%	-6%	24%
Ratios					
EPS ($)	5.26	13.00	17.46	0.22	0.26
NP Margin (%)	4%	7%	8%	7%	8%
GP Margin (5)	34%	37%	39%	38%	36%

FINANCIAL POSITION HIGHLIGHTS (J$)

	2015	2016	2017	2018	2019
Non-Current Assets	307,351,960	354,187,981	503,302,993	743,107,063	867,817,626
change over prior year	21%	15%	42%	48%	17%
Current Assets	503,870,921	674,109,388	900,006,770	939,084,943	1,041,914,031
change over prior year	18%	34%	34%	4%	11%
Total Assets	811,222,881	1,028,297,369	1,403,309,763	1,682,192,006	1,909,731,657
change over prior year	19%	27%	36%	20%	14%
Non-Current Liabilities	254,468,460	179,645,621	147,238,969	136,199,964	12,132,212
change over prior year	-6%	-29%	-18%	-7%	-91%
Current Liabilities	361,476,835	458,284,004	438,903,511	481,518,400	631,324,998
change over prior year	24%	27%	-4%	10%	31%
Total Liabilities	615,945,295	637,929,625	586,142,480	617,718,364	643,457,210
change over prior year	9%	4%	-8%	5%	4%
Equity	195,277,586	390,367,744	817,167,283	1,064,473,642	1,266,274,447
change over prior year	68%	100%	109%	30%	19%
Ratios					
Current Ratio	1.4	1.5	2.1	2.0	1.7
Return on Asset	9.7	19.0	18.7	14.7	16.1
Debt to Equity	3.2	1.6	0.7	0.6	0.5
Inventory Turns Ratio	3.8	4.0	3.8	3.7	4.1

Fontana
PHARMACY
IT'S ALL
Good
INSIDE
Fontana
PHARMACY

CORPORATE SOCIAL *Responsibility*

Fontana Pharmacy has maintained a harmonious relationship with its customers, neighbors, friends and families over the years since its inception in 1968.

This successful company is fueled by its fundamental principles instilled by founders Bobby and Angela Chang: service, respect, family and community.

In this regard, **Fontana** gives back to its communities with various outreach activities and sponsorships throughout the year. Below is a listing of the major activities and sponsorships that took place in the last 12 months.

NOV- DEC 2018

These months Fontana made donations to multiple event/ charities to list:

- The CSEC/CAPE Educational Achievement Awards Ceremony in November.
- In December there was the annual Customer Appreciation Day at all locations.
- The Christmas Outreach "Wishing Tree" project that saw all stores participating and making donations to their selected charities.
- Donations to the children's Christmas treat put on by the Caribbean Institute for Health Research (CAIHR) Sickle Cell Unit, UWI Mona.
- In partnership with Irie FM Fontana donated appliances to the Widows Mite Residential Care home & went to Falmouth Hospital to donate Mommy Baby Baskets.
  - 50th Anniversary Staff Gala
  - Black Friday Sale
  - Pharmacy Week

2019: JAN - MARCH

- The First event in January is the annual Barbican branch treat and fun day
- Donated gifted basket to Dundee Primary Teacher's Day Fundraiser
- Valentine's Day Promotions
- CARIMAC, UWI Kickstart Careers Sponsorship
- Gleaner Spelling Bee Sponsorship
- Barbican Football Club Sponsorship
- Jamaican Foreign Service Association Quiz Competition sponsorship
- Sponsorship of Ladies Expo
- Sponsorship for Mother of the Year- Pre Mother's Day Dinner and Crowning
- JCDC Festival Queen Sponsorship
- Pediatric Association of Jamaica Conference sponsorship

APR - JUN

Below are the sponsorships/donations made for this period and activities that Marketing took part in.

- Sponsored World Physical Activity Day
- Carnival in store Promotion
- St. Hugh's Past Students Association Charity Golf Tournament 2019
- Cheerleading Regional Championship
- Miss Jamaica World Sponsorship
- Hope Zoo Easter Eggcitement
- Mandeville Health Fair
- Mobay City Run
- Read Across Jamaica Day
- Teacher's Day Promo
- Mommy & Baby Mother's Day hospital visit/ Nurses Day discount
- JCF Women of Worth Law Enforcement Conference
- Mother's Day Promotions
- Play Day Ja activities at Sandhurst Basic School
- Father's Day Promotions
- Medical Association of Jamaica Symposium
- **JIBE** - Jamaica International Beauty Expo

Fontana PHARMACY

It's All **GOOD** Inside!

INDEX TO *Financial Statements* YEAR ENDED JUNE 30, 2019

FONTANA LIMITED
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

CONTENTS

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

CrichtonMullings & ASSOCIATES

Chartered Accountants
Certified Public Accountants

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.

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CrichtonMullings & ASSOCIATES

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.

CrichtonMullings & ASSOCIATES

Independent Auditor's Report (cont'd)

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

Independent Auditor's Report (cont'd)

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.

CrichtonMullings & Assoc.
CrichtonMullings & Associates
Chartered Accountants

Kingston Jamaica
August 29, 2019

CrichtonMullings & ASSOCIATES

Independent Auditor's Report (cont'd)

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.

CrichtonMullings & ASSOCIATES

Independent Auditor's Report (cont'd)

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

The accompanying notes form an integral part of the financial statements

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

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

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.

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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.

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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.

FONTANA LIMITED
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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.

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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**

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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.

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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).

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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)

FONTANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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(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

FONTANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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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**

FONTANA LIMITED
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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

(Expressed in Jamaican dollars unless otherwise stated)

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

FONTANA LIMITED
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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
NOTES TO THE FINANCIAL STATEMENTS
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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

(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
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(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.

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.

NOTES

FORM OF *Proxy*

I/We ______________________________ of ______________________________

in the Parish of ______________________________ being member/members of the above named company hereby appoint ______________________________

of ______________________ or failing him/her ______________________ of ______________________ as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at **Grand-A-View Restaurant and Event Place, 7 The Queens Drive, Montego Bay** on **Thusday, 9th January 2020** at **11a.m** and at any adjournment thereof.

Signed this ______________________ **day of** ______________________ **20** ____

Signature ______________________________

NOTES:

1. An instrument appointing a proxy, shall, unless the contrary is stated thereon be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.
2. If the appointer is a corporation, this form must be under its common seal or under the hand of an officer or attorney duly authorized in writing.
3. In the case of joint holders, the vote of the senior will be accepted to the exclusion of the votes of others, seniority being determined by the order in which the names appear on the register.
4. To be valid, this form must be received by the Registrar of the Company at the address given below not less than 48 hours before the time fixed for holding the meeting or adjourned meeting.
5. The proxy form should bear stamp duty of One Hundred dollars **($100.00)** which may be in the form of adhesive stamp duly cancelled by the person signing the proxy form.


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