



FONTANA LIMITED

UNAUDITED FINANCIAL STATEMENTS

1st QUARTER ENDED SEPTEMBER 30, 2019



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DIRECTOR'S REPORT TO SHAREHOLDERS

We are pleased to present our unaudited financial statements for the 1st quarter ended September 30, 2019.

Revenues for the quarter were \$920.7 million, representing an 8.8% increase over the \$845.9 million recorded in the corresponding quarter of the previous year (Q1/2018). Gross profit also increased to \$316.4 million or 7% higher than the \$295.7 million recorded in Q1/2018.

Operating expenses for the quarter increased by 21%, a consequence mainly of the impending opening of the Waterloo Square location. In addition, Finance expenses, increased by \$7 million over Q1/2018 due mainly to the adoption of IFRS 16 in July 2019.

Profit before tax, declined mainly as a result of the imminent opening of the Waterloo Square location. Increased expenses were incurred to recruit and train the new team, for store set-up and for increased marketing and promotional activities ahead of the October opening. Now that the new Waterloo Square store has opened, we are encouraged by the response from our customers, and we anticipate healthy growth in our revenues.

Total Assets at the end of the quarter stood at \$2.931 Billion, up from \$1.488 Billion in the previous year, reflecting an increase of \$1.443 Billion or 97%. This was due primarily to the increase in fixed assets and inventory from the new Waterloo store, as well as the impact of IFRS 16 where the value and liability associated with applicable leased properties are now recognized on the Balance sheet. Shareholder's Equity grew to \$1.284 Billion, up from \$817 Million or 57% over prior year.

Fontana continues to sponsor meaningful causes. Among our many outreach projects in this quarter was the 'Miss Lou' initiative in partnership with the Ministry of Culture. Over 1,700 storyboards depicting the life and national contribution of the Mother of Jamaican Culture were distributed to every school and library in the country, as well as to Government Ministries and Embassies. We also partnered in the Unicycle initiative with Campion College and the Ministry of Education, whereby used khaki uniforms of good quality were collected at every Fontana branch and donated to students who might otherwise have struggled to be properly attired for school.

There was great anticipation about our coming addition at Waterloo Square with its 140 parking spaces, and we are confident that we will benefit from an increased customer base and economies of scale, and that as befits the country's largest city and business hub, our Kingston operations will drive the growth of Fontana Limited.

As we grow, we want to thank our dedicated team and our customers for their continued support.

Kevin Chang
Director/Chairman

Anne Chang
Director/CEO

FONTANA LIMITED
STATEMENT OF COMPREHENSIVE INCOME (unaudited)
FIRST QUARTER ENDED SEPTEMBER 30, 2019

	Note	First Quarter ended September 30		Audited Year ended 30-Jun-19
		2019 \$	2018 \$	
Revenues		920,675,302	845,936,994 *	3,701,807,336
Cost of Sales		<u>604,262,336</u>	<u>550,212,439</u>	<u>2,378,174,172</u>
Gross Profit		316,412,966	295,724,555	1,323,633,164
Administrative and other expenses		276,550,485	229,560,533 *	1,000,172,313
Selling and promotion		<u>19,684,892</u>	<u>15,439,270</u>	<u>78,516,501</u>
		296,235,376	244,999,803	1,078,688,814
Operating profit		20,177,590	50,724,752	244,944,350
Other income		<u>12,412,124</u>	<u>8,519,431</u>	<u>40,337,094</u>
		32,589,714	59,244,184	285,281,444
Finance costs	2	<u>14,218,869</u>	<u>7,192,853</u> *	<u>15,016,395</u>
Profit before taxation		18,370,845	52,051,331	270,265,049
Taxation charge/(credit)		-	9,681,314	(36,361,122)
Net profit for the period/year		<u>18,370,845</u>	<u>42,370,017</u>	<u>306,626,171</u>
EARNINGS PER SHARE	7	0.01	0.04	0.26

* Restated to conform to current year presentation

FONTANA LIMITED
STATEMENT OF FINANCIAL POSITION (unaudited)
AS AT SEPTEMBER 30, 2019

	Note	UNAUDITED		AUDITED
		Sep-19	Sep-18	Jun-19
ASSETS				
Non-Current Assets				
Property, plant and equipment		749,677,213	213,803,988	700,886,166
Right of use asset	2	832,556,060	-	-
Deposit on asset		-	106,340,262	-
Intangible asset		165,461,145	165,461,145	165,461,145
Deferred tax asset		1,470,315	-	1,470,315
		<u>1,749,164,733</u>	<u>485,605,395</u>	<u>867,817,626</u>
Current Assets				
Due from related parties		9,923,967	650,911	13,626,224
Due from directors		4,768,519	26,121,706	7,569,949
Trade and other receivables	3	84,445,389	98,613,361	66,992,605
Inventories		769,303,489	680,045,657	570,989,831
Cash and cash equivalents		314,049,270	197,957,362	382,735,422
		<u>1,182,490,634</u>	<u>1,003,388,998</u>	<u>1,041,914,031</u>
TOTAL ASSETS		<u>2,931,655,367</u>	<u>1,488,994,393</u>	<u>1,909,731,657</u>
EQUITY & LIABILITIES				
Equity				
Issued share capital		252,589,301	30,006,000	252,589,301
Accumulated surplus		1,032,055,992	787,420,992	1,013,685,146
		<u>1,284,645,292</u>	<u>817,426,992</u>	<u>1,266,274,447</u>
Non-Current Liabilities				
Deferred tax liability		-	72,802,207	-
Shareholder's loan		13,044	13,044	13,044
Notes Payable		-	77,802,207	-
Lease Liability - ROU Asset	2	812,628,211	-	-
Bank loans payable	4	9,861,242	26,347,637	12,119,168
		<u>822,502,497</u>	<u>176,965,095</u>	<u>12,132,212</u>
Current Liabilities				
Lease Liability - ROU Asset		23,885,009	-	-
Bank loans payable - Current portion	4	211,087,259	28,832,834	145,323,254
Trade and other payables	5	580,236,998	438,986,612	460,290,175
Bank overdraft		-	-	6,871,588
Taxation payable	6	9,298,312	26,782,859	18,839,981
		<u>824,507,578</u>	<u>494,602,306</u>	<u>631,324,998</u>
TOTAL EQUITY AND LIABILITIES		<u>2,931,655,367</u>	<u>1,488,994,393</u>	<u>1,909,731,657</u>


Kevin Chang
Director/Chairman


Anne Chang
Director/CEO

FONTANA LIMITED
STATEMENT OF CHANGES IN EQUITY (unaudited)
FIRST QUARTER ENDED SEPTEMBER 30, 2019

	No of SHARES	SHARE CAPITAL \$	REVALUATION RESERVE \$	ACCUMULATED SURPLUS \$	TOTAL \$
Unaudited Balance as at June 30, 2018	15,003,000	30,006,000	164,914,526	869,553,116	1,064,473,642
Derecognition of revaluation reserve			(164,914,526)		(164,914,526)
Derecognition of land and building cost				(124,502,141)	(124,502,141)
Net Profit for the period	-	-		42,370,017	42,370,017
Balance at September 30, 2018	<u>15,003,000</u>	<u>30,006,000</u>	<u>-</u>	<u>787,420,992</u>	<u>817,426,992</u>
Audited Balance as at June 30, 2019	1,249,374,825	252,589,301	-	1,013,685,146	1,266,274,447
Net Profit for the period	-	-	-	18,370,845	18,370,845
Balance at September 30, 2019	<u>1,249,374,825</u>	<u>252,589,301</u>	<u>-</u>	<u>1,032,055,991</u>	<u>1,284,645,292</u>

FONTANA LIMITED
STATEMENT OF CASH FLOWS (unaudited)
As at September 30, 2019

	Unaudited 30-Sep-19 \$	Unaudited 30-Sep-18 \$	Audited 30-Jun-19 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	18,370,845	52,051,331	270,265,049
Adjustment for items not affecting cash resources:			
Gain on disposal of property, plant and equipment	-	-	(722,776.00)
Depreciation	8,223,831	6,863,376	29,118,276
Depreciation Exp-Lease Related	11,918,830	-	-
Lease Interest expense	10,874,387	-	-
Interest expense	517,935	1,051,234	5,888,270
	<u>49,905,828</u>	<u>59,965,941</u>	<u>304,548,819</u>
(Increase)/decrease in operating assets:			
Inventories	(198,313,658)	(90,934,226)	18,121,601
Deposit on asset	-	(37,155,755)	-
Due to/from related parties	3,702,257	9,984,751	(13,100,314)
Trade and other receivables	(17,452,784)	(34,354,508)	(2,733,751)
Increase/(decrease) in operating liabilities:			
Trade and other payables	119,946,823	43,229,293	64,260,085
	<u>(42,211,534)</u>	<u>(49,264,505)</u>	<u>371,096,440</u>
Cash flows provided for operating activities			
Taxation paid	(9,541,669)	(10,806,684)	(46,979,647)
	<u>(51,753,203)</u>	<u>(60,071,189)</u>	<u>324,116,793</u>
Net cash (used in/provided by) operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance lease asset	-	-	811,812
Proceeds from sale of property, plant and equipment	-	-	722,776
Acquisition of property, plant and equipment	(57,014,877)	(1,622,619)	(46,953,954)
Cost of work in progress	-	-	(394,821,236)
	<u>(57,014,877)</u>	<u>(1,622,619)</u>	<u>(440,240,602)</u>
Net cash used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	-	-	(37,992,000)
Net proceeds from the issue of shares	-	-	222,583,301
Proceeds from loans	71,930,670	20,931,803	237,616,616
Repayment of loans	(8,424,591)	(8,374,879)	(200,327,179)
ROU Lease asset - principal portion	(7,961,670)	-	(811,812)
Repayment of director's loans	2,801,430	(5,695,222)	22,966,284
Lease Interest paid	(10,874,387)	-	-
Interest paid	(517,935)	(1,051,234)	(5,888,270)
	<u>46,953,517</u>	<u>5,810,468</u>	<u>238,146,940</u>
Net cash provided by financing activities			
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(61,814,563)	(55,883,340)	122,023,131
CASH AND CASH EQUIVALENTS - Beginning of the period	375,863,833	253,840,702	253,840,702
CASH AND CASH EQUIVALENTS - End of the period	<u>314,049,270</u>	<u>197,957,362</u>	<u>375,863,833</u>
REPRESENTED BY:			
Bank overdraft	-	-	(6,871,588)
Short term investment	58,683,158	39,056,369	1,450,267
Cash and bank deposits	255,366,112	158,900,993	381,285,154
	<u>314,049,270</u>	<u>197,957,362</u>	<u>375,863,833</u>

FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS
1st QUARTER ENDED 30 SEPTEMBER 2019 (unaudited)

1 IDENTIFICATION AND PRINCIPAL ACTIVITIES

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

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

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

2 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited interim financial statements for the 3 months ended September 30, 2019 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These interim financial statements should be read in conjunction with the accounting policies as set out in **Note # 2 & #3** of the audited financial statements for the year ended 30 June 2019 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

The company has adopted IFRS 16 from 1 July 2019, and has not restated comparatives for the 2018/2019 reporting period, as permitted under the specific transitional provisions in the standard in applying the simplified transition approach. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

IFRS 16 introduces a single lease accounting model for lessees. It requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets. For lessors, the accounting stays almost the same.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3 TRADE AND OTHER RECEIVABLES

	2019	30-Sep	2018
	\$		
Trade Receivables	19,253,520		36,255,350
Other Receivables	11,992,843		22,565,355
Pre-payments	43,867,685		31,280,264
Deferred GCT	-		432,651
Security Deposits	9,331,342		8,079,742
	84,445,389		98,613,361

4	BANK LOANS PAYABLE (LONG TERM)	30-Sep	
		2019	2018
		\$	
	a. BNS Consolidated Loan	2,055,555	26,722,215
	b. BNS DBJ Loan	-	2,333,318
	c. BNS Motor Vehicle Loan	3,360,280	5,193,136
	d. BNS Energy Loan 2018 (FV)	15,532,667	20,931,803
	e. BNS BRIDGE LOAN - WATERLOO	200,000,000	-
		220,948,501	55,180,472
	Less: Current Portion	(211,087,259)	(28,832,834)
		9,861,242	26,347,638

a., c. and d. are existing loans as at the year end and are detailed in **Note #16** of the audited financial statements for year ended June 30, 2019.
f. This loan is a bridge facility to fund the new Waterloo location at a fixed rate of 6%

5	TRADE AND OTHER PAYABLES	30-Sep	
		2019	2018
		\$	
	Trade payables	484,454,490	360,124,850
	Statutory Liabilities	14,890,454	10,813,903
	GCT Payable	-	5,159,316
	Credit cards payable	39,101,163	36,167,562
	Other payables and accruals	41,790,891	26,720,982
		580,236,998	438,986,612

6 TAXATION

The company's 100% income tax remission under the rules of the Jamaica Junior Stock Exchange began on January 8, 2019.

7	EARNINGS PER SHARE	30-Sep	
		2019	2018
		\$	
	Profit attributable to shareholders	18,370,845	43,041,611
	Weighted average number of shares in issue	1,249,374,825	1,124,437,260
	Earnings per Share	0.01	0.04

Fontana Limited

LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT SEPTEMBER 30, 2019

Shareholder	Units
1. Burbank Holdings Limited	999,499,860
2. Mayberry Jamaican Equities Limited	20,987,832
3. Mrs. Jacqueline Sharp/Jason Sharp	7,094,000
4. JN General Insurance Company Limited	6,250,000
5. Fontana Employee Share Trust	5,423,233
6. Victory Island Limited	5,319,000
7. St. Elizabeth Holdings Limited	5,319,000
8. SJIML A/C 3119	4,711,169
9. Andrew Desnoes	3,968,385
10. Guardian Life Limited/Pensions Fund	3,835,637

SHAREHOLDINGS OF DIRECTORS, OFFICERS AND CONNECTED PARTIES AS AT SEPTEMBER 30, 2019

Director	Shareholdings	Connected Parties	Shareholdings
Raymond Therrien	----	Burbank Holdings Limited	999,499,860
Kevin O'Brien Chang	----	Burbank Holdings Limited Nicole Watson-Chang	999,499,860 594,550
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	354,923		