



FONTANA LIMITED

UNAUDITED FINANCIAL STATEMENTS

SECOND QUARTER ENDED DECEMBER 31, 2019



TABLE OF CONTENTS

Director's Report to the Shareholders	2
Unaudited Statement of Comprehensive Income	3
Unaudited Statement of Financial Position	4
Unaudited Statement of Changes in Equity	5
Unaudited Statement of Cash Flows	6
Notes to Unaudited Financial Statements	7-8
Top 10 Shareholders & Shareholdings of Directors, Officers and Connected Parties	9



DIRECTOR'S REPORT TO SHAREHOLDERS

Fontana Limited is pleased to present our unaudited financial statements for the quarter ended December 31, 2019.

The company recorded its most successful quarter in its over 50-year history of operations with the new Waterloo Square location surpassing planned expectations. The company was named the best performing stock on the Jamaica Stock Exchange for 2019 by Caribbean Value Investor, with capital gains of 273.52%.

Revenues for the quarter were \$1.398 billion, representing a record 31% increase over the \$1.07 billion recognized in the corresponding quarter of the previous year. Gross profit also increased to \$583.9 million or 29.3% higher than the \$451.7 million recorded in the prior year.

The increase in operating expenses for the quarter of 35% over the prior year was due primarily to the addition of the Waterloo Square location to our footprint. The grand opening, media launch, lease expenses, staff expenses and other associated costs account for the bulk of the increase. Expenses were also impacted by the adoption of the new accounting standard on leases, IFRS 16, in July 2019.

Profit before tax increased by 20% moving from \$161.98 million to \$194.67 million over corresponding period, mainly due to the addition of Waterloo Square, new customer acquisition and our strategic focus on efficient buying.

Total assets at the end of the quarter stood at \$3.324 billion, up from \$1.959 billion in the comparative prior period, reflecting an increase of \$1.365 billion or 70%. This was due primarily to the increase in fixed assets for the new Waterloo store, as well as the impact of IFRS 16 where the value and liability associated with right of use leased properties are now recognized on the balance sheet. Shareholder's Equity grew to \$1.429 billion, up from \$1,134 billion or 26% over prior year.

At our Board of Directors meeting held on October 29, 2019 the company declared a dividend of 4 cents (\$0.04) per share as the final dividend for the year ended June 30, 2019. This dividend was paid on Friday, January 17, 2020 to shareholders registered at close of business on Friday, January 3, 2020.

Fontana continues to sponsor meaningful causes. During the quarter we donated yoga equipment to the Maxfield Park Children's Home for the implementation of their trauma mitigation program, which seeks to integrate physical education and mental stability.

We staged our annual "Wishing Tree" event in December where each of our six branches selected a children's home and gave customers the opportunity to extend the Christmas spirit by purchasing gifts for our most vulnerable youngsters. Fontana then purchased additional gifts and presented to each home.

It has been a rewarding and gratifying quarter, and 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)
SECOND QUARTER ENDED DECEMBER 31, 2019

	Note	Second Quarter ended December 31		6 months to December ended December 31		Audited Year ended
		2019	2018	2019	2018	30-Jun-19
		\$	\$	\$	\$	
Revenues		1,398,179,065	1,070,968,381 *	2,318,854,367	1,916,905,375 *	3,701,807,336
Cost of sales		814,262,555	619,298,821 *	1,418,524,891	1,169,511,261 *	2,378,174,172
Gross profit		583,916,510	451,669,560	900,329,476	747,394,115	1,323,633,164
Administrative and other expenses		342,589,704	260,560,697	619,140,189	496,395,697	1,000,172,313
Selling and promotion		37,392,267	20,118,456	57,077,158	35,557,726	78,516,501
		379,981,970	280,679,153	676,217,347	531,953,422	1,078,688,814
Operating profit		203,934,540	170,990,407	224,112,129	215,440,692	244,944,350
Other income		15,174,137	8,057,853	27,586,261	16,577,284	40,337,094
		219,108,676	179,048,260	251,698,390	232,017,976	285,281,444
Finance costs	2	24,437,050	17,063,766	38,655,919	17,310,557	15,016,395
Profit before taxation		194,671,626	161,984,494	213,042,471	214,707,419	270,265,049
Taxation charge/(credit)		-	30,128,954	-	39,810,268	(36,361,122)
Net profit for the period/year		194,671,626	131,855,541	213,042,471	174,897,151	306,626,171
EARNINGS PER SHARE	7	0.16	0.12	0.17	0.15	0.26

* Restated to conform to current year presentation

FONTANA LIMITED
STATEMENT OF FINANCIAL POSITION (unaudited)
AS AT DECEMBER 31, 2019

	Note	UNAUDITED		AUDITED
		Dec-19	Dec-18	Jun-19
ASSETS				
Non-Current Assets				
Property, plant and equipment		789,413,476	212,261,047	700,886,166
Right of use asset	2	887,879,352	-	-
Deposit on asset		-	167,458,270	-
Intangible asset		165,461,145	165,461,145	165,461,145
Deferred tax asset		1,470,315	-	1,470,315
		<u>1,844,224,288</u>	<u>545,180,462</u>	<u>867,817,626</u>
Current Assets				
Due from related parties		9,411,300	-	13,626,224
Due from directors		12,050,658	48,050,396	7,569,949
Trade and other receivables	3	118,136,857	347,921,937	66,992,605
Taxation recoverable		256,206	-	-
Inventories		741,127,211	653,906,628	570,989,831
Cash and cash equivalents		599,780,889	364,264,131	382,735,422
		<u>1,480,763,122</u>	<u>1,414,143,092</u>	<u>1,041,914,031</u>
TOTAL ASSETS		<u>3,324,987,411</u>	<u>1,959,323,554</u>	<u>1,909,731,657</u>
EQUITY & LIABILITIES				
Equity				
Issued share capital		252,589,301	252,589,301	252,589,301
Accumulated surplus		1,176,752,624	881,956,127	1,013,685,146
		<u>1,429,341,925</u>	<u>1,134,545,428</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
Lease Liability - ROU Asset	2	759,170,456	-	-
Bank loans payable	4	179,919,658	19,182,340	12,119,168
		<u>939,103,158</u>	<u>91,997,590</u>	<u>12,132,212</u>
Current Liabilities				
Due to related parties		-	17,541,062	-
Lease Liability - ROU Asset	2	138,830,962	-	-
Bank loans payable - Current portion	4	57,593,480	182,735,161	145,323,254
Trade and other payables	5	760,117,886	486,346,991	460,290,175
Bank overdraft		-	-	6,871,588
Taxation payable	6	-	46,157,323	18,839,981
		<u>956,542,328</u>	<u>732,780,536</u>	<u>631,324,998</u>
TOTAL EQUITY AND LIABILITIES		<u>3,324,987,411</u>	<u>1,959,323,554</u>	<u>1,909,731,657</u>



Kevin Chang
 Director/Chairman



Anne Chang
 Director/CEO

FONTANA LIMITED
STATEMENT OF CHANGES IN EQUITY (unaudited)
SECOND QUARTER ENDED DECEMBER 31, 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
Subdivision of shares	1,109,434,260	-	-	-	-
Share issue net of transaction cost	124,937,565	222,583,301	-	-	222,583,301
Comprehensive income:					
Net profit for the period	-	-	-	174,897,151	174,897,151
Other Comprehensive income:					
De-recognition of PPE through Owner's Equity	-	-	(164,914,526)	(124,502,141)	(289,416,667)
Dividend paid	-	-	-	(37,992,000)	(37,992,000)
Balance at December 31, 2018	<u>1,249,374,825</u>	<u>252,589,301</u>	<u>-</u>	<u>881,956,126</u>	<u>1,134,545,427</u>
Audited Balance as at June 30, 2019	1,249,374,825	252,589,301	-	1,013,685,146	1,266,274,447
Dividend declaration (see note 8)	-	-	-	(49,974,993)	(49,974,993)
Net profit for the period	-	-	-	213,042,471	213,042,471
Balance at December 31, 2019	<u>1,249,374,825</u>	<u>252,589,301</u>	<u>-</u>	<u>1,176,752,624</u>	<u>1,429,341,925</u>

FONTANA LIMITED
STATEMENT OF CASH FLOWS (unaudited)
As at December 31, 2019

	Unaudited 31-Dec-19 \$	Unaudited 31-Dec-18 \$	Audited 30-Jun-19 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	213,042,471	214,707,419	270,265,049
Adjustment for items not affecting cash resources:			
Gain on disposal of property, plant and equipment	-	-	(722,776)
Depreciation	21,927,661	13,833,932	29,118,276
Depreciation Exp-Lease Related	36,875,952	-	-
Lease Interest expense	27,713,062	-	-
Interest expense	4,592,066	3,708,921	5,888,270
	<u>304,151,212</u>	<u>232,250,272</u>	<u>304,548,819</u>
(Increase)/decrease in operating assets:			
Inventories	(170,137,380)	(64,795,197)	18,121,601
Deposit on asset	-	(98,273,763)	-
Due to/from related parties	4,214,924	18,066,973	(13,100,314)
Trade and other receivables	(51,144,252)	(283,663,084)	(2,733,751)
Increase in operating liabilities:			
Trade and other payables	249,855,273	90,316,905	64,260,085
	<u>336,939,776</u>	<u>(106,097,894)</u>	<u>371,096,440</u>
Cash flows provided for/(used) in operating activities			
Taxation paid	(19,096,187)	(21,561,174)	(46,979,647)
	<u>317,843,589</u>	<u>(127,659,068)</u>	<u>324,116,793</u>
Net cash (used in)/provided by operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Notes payable	-	(77,529,440)	-
Finance lease asset	-	-	811,812
Proceeds from sale of property, plant and equipment	-	-	722,776
Acquisition of property, plant and equipment	(110,457,524)	(7,050,235)	(46,953,954)
Cost of work in progress	-	-	(394,821,236)
	<u>(110,457,524)</u>	<u>(84,579,675)</u>	<u>(440,240,602)</u>
Net cash used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	-	(37,992,000)	(37,992,000)
Net proceeds from the issue of shares	-	-	222,583,301
Proceeds from loans	294,653,405	184,349,449	237,616,616
Repayment of loans	(214,582,690)	(25,055,495)	(200,327,179)
Finance lease	-	-	(811,812)
ROU Lease asset - principal portion	(26,753,886)	-	-
Repayment of director's loans	(4,480,709)	(17,514,162)	22,966,284
Proceeds from issuance of shares	-	222,583,301	-
Lease Interest paid	(27,713,062)	-	-
Interest paid	(4,592,066)	(3,708,921)	(5,888,270)
	<u>16,530,992</u>	<u>322,662,172</u>	<u>238,146,940</u>
Net cash provided by financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS	223,917,056	110,423,429	122,023,131
CASH AND CASH EQUIVALENTS - Beginning of the period	375,863,833	253,840,702	253,840,702
	<u>599,780,889</u>	<u>364,264,131</u>	<u>375,863,833</u>
CASH AND CASH EQUIVALENTS - End of the period			
REPRESENTED BY:			
Bank overdraft	-	-	(6,871,588)
Short term investment	79,032,413	1,410,343	1,450,267
Cash and bank deposits	520,748,476	362,853,788	381,285,154
	<u>599,780,889</u>	<u>364,264,131</u>	<u>375,863,833</u>

**FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS
SECOND QUARTER ENDED 31 DECEMBER 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 six locations dispersed over Jamaica as well as the retailing of consumer goods such as cosmetics, household essentials, school supplies and more.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited interim financial statements for the 6 months ended December 31, 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

	31-Dec	
	2019	2018
	\$	\$
Trade receivables	40,448,034	40,828,770
Other receivables	18,168,155	11,074,662
Pre-payments	48,678,263	58,182,897
Deferred GCT	1,511,063	1,690,340
Security deposits	9,331,342	8,079,742
IPO proceeds due from lead broker	-	228,065,526
	118,136,857	347,921,937

FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS
SECOND QUARTER ENDED 31 DECEMBER 2019 (unaudited)

4. BANK LOANS PAYABLE (LONG TERM)	31-Dec	
	2019	2018
	\$	\$
a. BNS Consolidated Loan	-	20,555,550
b. BNS DBJ Loan	-	583,319
c. BNS Motor Vehicle Loan	2,902,066	4,734,922
d. BNS Energy Loan 2018 (FV)	13,732,955	20,931,803
e. FV-ALLIANCE LOAN	-	72,938,872
f. BNS BRIDGE LOAN - WATERLOO	-	73,046,826
g. BNS - INSURANCE FINANCING LOAN	13,345,208	9,126,209
h. BNS M/VEHICLE LOAN	7,532,910	-
i. BNS WATERLOO CAPEX	200,000,000	-
	<hr/>	<hr/>
	237,513,138	201,917,501
Less: Current Portion	(57,593,480)	(182,735,161)
	<hr/>	<hr/>
	179,919,658	19,182,340

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.

g. This is the annual financing for the general insurance portfolio

h. This was used to purchase a new delivery truck

i. This loan liquidated the bridge facility (f.) to fund the assets for the Waterloo location

5. TRADE AND OTHER PAYABLES	31-Dec	
	2019	2018
	\$	\$
Trade payables	555,711,359	363,897,156
Statutory Liabilities	18,091,641	14,460,167
GCT payable	46,423,934	41,914,966
Salary accruals	10,341,564	6,021,812
Credit cards payable	35,653,831	32,849,410
Other payables and accruals	43,920,565	27,203,480
Dividends Payable (Declared - October 29, 2019)	49,974,993	-
	<hr/>	<hr/>
	760,117,886	486,346,991

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

	31-Dec	
	2019	2018
	\$	\$
Profit attributable to shareholders	194,671,626	131,855,541
Weighted average number of shares in issue	1,249,374,825	1,129,869,328
Earnings per share	0.16	0.12

8. DIVIDENDS

The directors declared an interim dividend of 4 cents (\$0.04) per share as the final dividend for the year ended June 30, 2019 to be paid on Friday, January 17, 2020 to shareholders registered at close of business on Friday, January 3, 2020.

Fontana Limited

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

Shareholder	Units
1. Burbank Holdings Limited	999,499,860
2. Mayberry Jamaican Equities Limited	20,687,832
3. Mrs. Jacqueline Sharp/Jason Sharp	7,094,000
4. St. Elizabeth Holdings Limited	5,319,000
5. Victory Island Limited	5,319,000
6. Fontana Employee Share Trust	5,096,892
7. SJIML A/C 3119	4,711,169
8. Andrew Desnoes	3,968,385
9. Guardian Life Limited/Pensions Fund	3,835,637
10. Grace Kennedy Pension Fund Custodian Ltd. For Grace Kennedy Pension Scheme	3,776,000
11. JN Fund Managers Limited for JN Pooled Pension Local Equity Fund	3,773,442

SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES AS AT DECEMBER 31, 2019

Director	Shareholdings	Connected Parties	Shareholdings
Raymond Therrien	----	Burbank Holdings Limited	999,499,860
Kevin O'Brien Chang	----	Burbank Holdings Limited Nicole Watson-Chang	999,499,860 594,550
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	2,075,575	David L. Goldson (joint holder)	

SHAREHOLDINGS OF OFFICERS AND CONNECTED PARTIES AS AT DECEMBER 31, 2019

Denise Douglas	25,352	Ryan McCalla (joint holder)
Judale Samuels-Smith	354,923	