



FONTANA LIMITED

UNAUDITED FINANCIAL STATEMENTS

THIRD QUARTER ENDED MARCH 31, 2020



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DIRECTOR'S REPORT TO SHAREHOLDERS

Fontana Limited is pleased to present our unaudited financial statements for the quarter ended March 31, 2020.

Revenues for the quarter were \$1.17 billion, representing a 33% increase over the \$885.1 million achieved in the corresponding quarter of the previous year. Gross profit also increased to \$404.1 million or over 36% higher than the \$296.6 million recorded in the prior year.

The increase in operating expenses for the quarter of 32% over the prior year was largely due to the addition of a new location to our footprint. Our flagship Waterloo Square location's expenses were \$79.7 million of the total increase of \$84.6 million. Despite this, operating profit increased by 69% from \$34.2M recorded last year to \$57.7M this quarter. Finance costs were impacted by the adoption of the new accounting standard on leases, IFRS 16, in July 2019. The decline of 27% in profit before tax, over corresponding period last year, was due to a \$26.4 million unrealized loss in the value of our short-term unit trust investment this quarter. This dip in value is in keeping with the decline in financial markets locally and globally.

Total assets at the end of the quarter stood at \$3.2 billion, up from \$1.8 billion in the comparative prior period, reflecting an increase of 75%. 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 \$1.45 billion, up from \$1.16 billion or 25% over prior year.

Fontana has been significantly impacted by the ongoing Covid-19 pandemic. As we adhere to the government protocols that have been implemented, the restrictions on opening hours and the corresponding effect on consumer behaviour affected our overall business in the second half of March 2020. As an essential service, Fontana has been fortunate to be able to support the economy and our customers by continuing to operate during this difficult period. The combination of restricted hours imposed by ongoing curfews and the drastic decline in economic activity has resulted in a decline in consumer purchasing power.

We anticipate that the Covid-19 fallout will continue to affect business for the remainder of 2020. We continue to monitor the situation daily and are implementing changes to meet the challenges ahead and to become a leaner and more efficient company. We are in the advanced stages of developing and implementing a new integrated POS and accounting system which will improve our efficiencies, controls and the customer experience.

Fontana continues to focus on community and nationally related sponsorships. Notably we were the first private sector entity to partner with the Ministries of Education and Culture on Jamaica Day school celebrations. The Fontana Jamaica Day Creative competition invited all primary and secondary schools to send in a video of a Jamaica themed student performance, with winners getting substantial prizes such as notebooks and computers. The contest proved so popular that the Gleaner posted the top ten videos on their social media.

It has been a difficult quarter for everyone, and we want to take this opportunity to thank our incredible team for their continued dedication and professionalism during these difficult times. We would also like to thank our customers for their continued support and remind all to practice social distancing and to stay safe as we work through these challenging times.



Kevin Chang
Director/Chairman



Anne Chang
Director/CEO

FONTANA LIMITED
STATEMENT OF COMPREHENSIVE INCOME (unaudited)
THIRD QUARTER ENDED MARCH 31, 2020

	Note	Third Quarter ended March 31		9 months ended March 31		Audited Year ended
		2020	2019	2020	2019	30-Jun-19
		\$	\$	\$	\$	
Revenues		1,174,370,892	885,137,046 *	3,493,225,259	2,802,042,421 *	3,701,807,336
Cost of sales		770,197,963	588,562,565 *	2,188,722,854	1,758,073,826 *	2,378,174,172
Gross profit		404,172,928	296,574,481	1,304,502,404	1,043,968,596	1,323,633,164
Administrative and other expenses		324,693,027	245,417,838 *	943,833,216	741,813,534 *	1,000,172,313
Selling and promotion		22,309,360	16,986,829	79,386,518	52,544,554	78,516,501
		347,002,387	262,404,667	1,023,219,734	794,358,088	1,078,688,814
Operating profit		57,170,541	34,169,815	281,282,671	249,610,508	244,944,350
(Unrealised fair value loss)/Other income	7	(10,617,080)	8,468,619	16,969,181	25,045,903	40,337,094
		46,553,462	42,638,434	298,251,852	274,656,411	285,281,444
Finance costs		24,959,572	12,863,343 *	63,615,492	30,173,900 *	15,016,395
Profit before taxation		21,593,890	29,775,091	234,636,360	244,482,511	270,265,049
Taxation charge/(credit)		-	-	-	39,810,268	(36,361,122)
Net profit for the period/year		21,593,890	29,775,091	234,636,360	204,672,243	306,626,171
EARNINGS PER SHARE	8	0.02	0.02	0.19	0.16	0.26

* Restated to conform to current year presentation

FONTANA LIMITED
STATEMENT OF FINANCIAL POSITION (unaudited)
AS AT MARCH 31, 2020

	Note	UNAUDITED		AUDITED
		Mar-20	Mar-19	Jun-19
ASSETS				
Non-Current Assets				
Property, plant and equipment		776,889,715	236,539,011	700,886,166
Right of use asset	2	862,922,230	-	-
Deposit on asset		33,232,806	250,301,228	-
Intangible asset		165,461,145	165,461,145	165,461,145
Deferred tax asset		1,470,314	-	1,470,315
		<u>1,839,976,211</u>	<u>652,301,384</u>	<u>867,817,626</u>
Current Assets				
Due from related parties		9,022,531	1,896,855	13,626,224
Due from directors		5,101,691	25,614,284	7,569,949
Trade and other receivables	3	66,337,142	108,472,309	66,992,605
Taxation recoverable		290,470	-	-
Inventories		751,077,223	622,019,847	570,989,831
Cash and cash equivalents		533,394,291	418,351,825	382,735,422
		<u>1,365,223,348</u>	<u>1,176,355,121</u>	<u>1,041,914,031</u>
TOTAL ASSETS		<u>3,205,199,559</u>	<u>1,828,656,505</u>	<u>1,909,731,657</u>
EQUITY & LIABILITIES				
Equity				
Issued share capital		252,589,301	252,589,301	252,589,301
Accumulated surplus		1,198,346,513	911,731,218	1,013,685,146
		<u>1,450,935,814</u>	<u>1,164,320,519</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	739,697,838	-	-
Bank loans payable	4	168,857,608	125,559,271	12,119,168
		<u>908,568,490</u>	<u>198,374,521</u>	<u>12,132,212</u>
Current Liabilities				
Due to related parties		-	-	-
Lease Liability - ROU Asset	2	139,151,234	-	-
Bank loans payable - Current portion	4	51,790,018	28,028,643	145,323,254
Trade and other payables	5	654,754,002	407,675,209	460,290,175
Bank overdraft		-	-	6,871,588
Taxation payable	6	-	30,257,613	18,839,981
		<u>845,695,254</u>	<u>465,961,465</u>	<u>631,324,998</u>
TOTAL EQUITY AND LIABILITIES		<u>3,205,199,559</u>	<u>1,828,656,505</u>	<u>1,909,731,657</u>

Approved on behalf of the Board of Directors on May 22, 2020 by:



Kevin Chang
 Director/Chairman



Anne Chang
 Director/CEO

FONTANA LIMITED
STATEMENT OF CHANGES IN EQUITY (unaudited)
THIRD QUARTER ENDED MARCH 31, 2020

	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	-	-	-	204,672,243	204,672,243
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 March 31, 2019	1,249,374,825	252,589,301	-	911,731,218	1,164,320,519
Audited Balance as at June 30, 2019	1,249,374,825	252,589,301	-	1,013,685,146	1,266,274,447
Dividend paid - See note 9	-	-	-	(49,974,993)	(49,974,993)
Net profit for the period	-	-	-	234,636,360	234,636,360
Balance at March 31, 2020	1,249,374,825	252,589,301	-	1,198,346,513	1,450,935,814

FONTANA LIMITED
STATEMENT OF CASH FLOWS (unaudited)
THIRD QUARTER ENDED MARCH 31, 2020

	Unaudited 31-Mar-20 \$	Unaudited 31-Mar-19 \$	Audited 30-Jun-19 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	234,636,360	244,482,511	270,265,049
Adjustment for items not affecting cash resources:			
Gain on disposal of property, plant and equipment	(500,000)	-	(722,776)
Depreciation	38,742,399	21,225,065	29,118,276
Depreciation Exp-Lease Related	61,833,075	-	-
Lease Interest expense	44,561,195	-	-
Interest expense	7,562,382	5,129,146	5,888,270
	<u>386,835,410</u>	<u>270,836,722</u>	<u>304,548,819</u>
(Increase)/decrease in operating assets:			
Inventories	(180,087,392)	(32,908,416)	18,121,601
Deposit on asset	(33,232,806)	(181,116,721)	-
Due to/from related parties	4,603,693	(1,370,944)	(13,100,314)
Trade and other receivables	655,463	(44,213,456)	(2,733,751)
Increase in operating liabilities:			
Trade and other payables	194,463,827	11,645,122	64,260,085
	<u>194,463,827</u>	<u>11,645,122</u>	<u>64,260,085</u>
Cash flows provided for operating activities	373,238,196	22,872,307	371,096,440
Taxation paid	(19,041,595)	(37,460,884)	(46,979,647)
	<u>354,196,600</u>	<u>(14,588,577)</u>	<u>324,116,793</u>
Net cash provided by/(used in) operating activities	354,196,600	(14,588,577)	324,116,793
CASH FLOWS FROM INVESTING ACTIVITIES			
Notes payable	-	(77,529,440)	-
Finance lease asset	-	811,812	811,812
Proceeds from sale of property, plant and equipment	500,000	-	722,776
Acquisition of property, plant and equipment	(114,834,801)	(38,719,332)	(46,953,954)
Cost of work in progress	-	-	(394,821,236)
	<u>(114,334,801)</u>	<u>(115,436,960)</u>	<u>(440,240,602)</u>
Net cash used in investing activities	(114,334,801)	(115,436,960)	(440,240,602)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(49,974,993)	(37,992,000)	(37,992,000)
Net proceeds from the issue of shares	-	222,583,301	222,583,301
Proceeds from loans	294,653,405	228,436,878	237,616,616
Repayment of loans	(231,448,202)	(117,472,511)	(200,327,179)
Finance lease	-	(811,812)	(811,812)
ROU Lease asset - principal portion	(45,906,232)	-	-
Repayment of director's loans	2,468,258	4,921,950	22,966,284
Lease Interest paid	(44,561,195)	-	-
Interest paid	(7,562,382)	(5,129,146)	(5,888,270)
	<u>(82,331,341)</u>	<u>294,536,660</u>	<u>238,146,940</u>
Net cash (used in)/provided by financing activities	(82,331,341)	294,536,660	238,146,940
NET INCREASE IN CASH AND CASH EQUIVALENTS	157,530,458	164,511,123	122,023,131
CASH AND CASH EQUIVALENTS - Beginning of the period	375,863,833	253,840,702	253,840,702
	<u>533,394,291</u>	<u>418,351,825</u>	<u>375,863,833</u>
CASH AND CASH EQUIVALENTS - End of the period	533,394,291	418,351,825	375,863,833
REPRESENTED BY:			
Bank overdraft	-	-	(6,871,588)
Short term investment	82,749,062	1,410,343	1,450,267
Cash and bank deposits	450,645,229	416,941,483	381,285,154
	<u>533,394,291</u>	<u>418,351,825</u>	<u>375,863,833</u>

FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS
THIRD QUARTER ENDED 31 MARCH 2020 (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 9 months ended March 31, 2020 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 July 1, 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

	2020	31-Mar	2019
	\$		\$
Trade receivables	29,583,541		40,427,553
Other receivables	10,778,359		25,364,623
Pre-payments	15,636,525		33,841,286
Deferred GCT	1,007,376		759,105
Security deposits	9,331,342		8,079,742
	66,337,142		108,472,309

FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS
THIRD QUARTER ENDED 31 MARCH 2020 (unaudited)

4. BANK LOANS PAYABLE (LONG TERM)	31-Mar	
	2020	2019
	\$	\$
a. BNS Consolidated Loan	-	14,388,885
c. BNS Motor Vehicle Loan	2,443,852	4,276,707
d. BNS Energy Loan 2018 (FV)	11,933,243	19,132,091
e. FV-ALLIANCE LOAN	-	217
f. BNS BRIDGE LOAN - WATERLOO	-	111,182,177
g. BNS - INSURANCE FINANCING LOAN	7,541,746	4,607,837
h. BNS M/VEHICLE LOAN	7,062,120	-
i. BNS WATERLOO CAPEX	191,666,666	-
	<u>220,647,626</u>	<u>153,587,913</u>
Less: Current Portion	(51,790,018)	(28,028,643)
	<u>168,857,608</u>	<u>125,559,271</u>

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-Mar	
	2020	2019
	\$	\$
Trade payables	536,280,125	314,073,387
Statutory Liabilities	13,019,074	12,314,066
GCT payable	13,900,161	11,646,013
Salary accruals	2,752,399	-
Credit cards payable	58,207,463	39,031,031
Other payables and accruals	30,594,781	30,610,712
	<u>654,754,002</u>	<u>407,675,209</u>

6. **TAXATION**

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

7. **(UNREALISED FAIR VALUE LOSS)/OTHER INCOME**

Due to the impact of Covid-19 on the world markets, the company saw a reduction in the value of our short term unit trust investment towards the end of the quarter. The fair value loss on the investment was recognized as the change in the fair value of the investment from one period to the next.

8. **EARNINGS PER SHARE**

	31-Mar	
	2020	2019
	\$	\$
Profit attributable to shareholders	234,636,360	204,672,243
Weighted average number of shares in issue	1,249,374,825	1,249,374,825
Earnings per share	0.19	0.16

9. **DIVIDENDS**

Dividends of 4 cents (\$0.04) per share was paid on January 17, 2020 to shareholders registered at close of business on January 3, 2020.

Fontana Limited

LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT MARCH 31, 2020

Shareholder	Units
1. Burbank Holdings Limited	999,499,860
2. Sagicor Select Fund Limited – ('Class C' Shares) Manufacturing & Distribution	10,028,143
3. Mayberry Jamaican Equities Limited	8,052,107
4. Mrs. Jacqueline Sharp/Jason Sharp	7,094,000
5. JCSD Trustee Services Ltd. A/C#76579-02	6,725,794
6. St. Elizabeth Holdings Limited	5,319,000
7. Victory Island Limited	5,319,000
8. Fontana Employee Share Trust	4,966,124
9. SJIML A/C 3119	4,711,169
10. Andrew Desnoes	3,968,385

SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES AS AT MARCH 31, 2020

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 1,547,290
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 MARCH 31, 2020

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