



DIRECTOR'S REPORT TO SHAREHOLDERS

Fontana Limited is pleased to present our audited financial statements for the year ended June 30, 2020.

Revenues for the year were \$4.5 billion, representing a 21.8% increase over the \$3.7 billion recognized in the previous year. Gross profit increased to \$1.7 billion or 28.3% higher than the \$1.3 billion recorded in the prior year. Gross margin continues to show improvement moving to 37.7% from 35.8% last year.

Operating expenses increased by 23.4%, directly attributable to the opening of our new flagship location at Waterloo Square, which accounted for most of the overall increase in expenditures for the fiscal year.

Other income increased by 53.5% year over year due primarily to growth in in-store revenues and rentals. Finance costs increased by \$147 million over last year driven primarily by the addition of the Waterloo Square lease expenses, adoption of IFRS 16 in July 2019, and fair value losses in our Unit Trust investment of \$23.1 million. The net impact of the IFRS 16 adoption was \$83.8 million, which included a decline of \$35 million in administrative expenses (rent and depreciation) offset by the increase in finance costs (lease interest expense and loss on foreign exchange movements) of \$118.8 million. As a direct result of these factors, profit before tax declined by 2%, moving from \$270 million to \$264 million.

Net Assets increased by 65% mainly due to the addition of the Right of Use Assets for leased properties in keeping with IFRS 16. The growth in inventories, cash balances and fixed assets is directly attributed to the addition of Waterloo Square. Shareholder equity grew by \$226.5 million, an increase of 17.9%.

CEO, Anne Chang commented "Given the unprecedented impact of Covid-19 on the global and Jamaican economies during the April to June 2020 quarter, we are encouraged by these results. We are particularly pleased that, despite the impact of curfews, reduced operating hours and reduced consumer purchasing power, we were able to achieve solid growth in customers, revenues, and operating profits year over year. We credit that success to the excellent service provided by our team members, our strong brand, and our nimbleness in responding to changing customer needs with respect to products, services and delivery options."

Despite the challenges created by the Covid-19 crisis, Fontana has continued to give back to the community. Our partnership with the Wray & Nephew Foundation resulted in back to school donations to 90 basic school children in communities between Kingston and St. Elizabeth. Our partnership with Unicycle allowed us to donate school uniforms and supplies to students in need. The Fontana Food for Families initiative, which collects clothing and food supplies for families adversely affected by the Covid-19 crisis, continues to provide a much-needed lifeline to our fellow Jamaicans.

The worldwide covid-19 pandemic has created difficult and uncertain times for everyone. The Fontana family is extremely grateful to our hard-working staff, who have truly gone above and beyond to ensure we remain open and that all government protocols are being followed. As an essential service, Fontana

will continue to do our part to ensure that our customers have the safest possible shopping experience. We are truly thankful for their loyalty and cooperation; they are our partners in this battle that we will get through together.

A handwritten signature in blue ink, appearing to read "Kevin Chang". The signature is stylized and cursive.

Kevin Chang
Director/Chairman

A handwritten signature in blue ink, appearing to read "Anne Chang". The signature is stylized and cursive.

Anne Chang
Director/CEO