

Fontana

PHARMACY

It's All **GOOD** Inside!

# ANNUAL REPORT 2020





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## Mission and Core Values

It's All **GOOD** Inside!

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 to 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 customers = happy directors  
happy directors = happy managers  
happy managers = happy employees

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

Fontana Pharmacy:  
**It's ALL Good Inside!**

It's All **GOOD** Inside!

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 2020 Annual General Meeting of **FONTANA LIMITED** will be held at a **Grand-A-View Restaurant and Event Place, 7 The Queens Drive, Montego Bay, St. James** on **Wednesday January 6, 2021** 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, 2020 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, 2020, together with the reports of the Directors and Auditors thereon, be and are hereby adopted.”

## 2. To elect Directors.

- (i) In accordance with Regulation 102 of the Company’s Articles of Incorporation, the Directors retiring by rotation are Raymond Therrien and Anne Chang, who being eligible offer themselves for re-election.

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

## Resolution No. 2

**“THAT** Raymond Therrien, who is retiring by rotation in accordance with Regulation 97 of the Articles of Incorporation be and is hereby re-elected as a Director of the Company.”

## Resolution No. 3

**“THAT** Anne 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.”

## 3. To ratify interim dividends

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

## Resolution No. 4

That the interim dividend of 4 cents per share paid on January 17, 2020 be and is hereby ratified and declared final for 2019.

## Resolution No. 5

That the interim dividend of 8 cents per share paid on November 25, 2020 be and is hereby ratified and declared final for 2020.

## 4. To approve the Remuneration of the Directors.

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

## Resolution No. 6

**THAT** the amount shown in the Audited Accounts of the Company for the year ended June 30, 2020 as fees of the Directors for their services as Directors, be and are hereby approved.”

## 5. 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. 7

**“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.

## SPECIAL RESOLUTION

### 6. To amend the Articles of Incorporation

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

## Resolution No. 8

“That the Articles of Incorporation of the Company be and are hereby amended by revisions to Schedule 1 as shown below:

### Amending Article 1 under the definition of “Electronic Means” to read

**“Electronic Means** - means any method of dispatch or communication of video and audio including live stream and broadcast, 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 telephonic facilities including facsimile machines, electronic mail sent via computers, mobile or scanning devices, instant messages via mobile devices, short message services or via the internet.

Where in these Articles it is provided that members may attend a meeting of the company by electronic means or by way of live stream or broadcast, the relevant computer programme or software (including webcasting, videoconferencing, teleconferencing, a combination of those and/or other electronic platforms) must allow members access to see and hear the proceedings; ask questions; vote electronically (including before and during the meeting and by proxy); and in all respects fully participate and exercise such rights, subject to the Chairman’s directions for the orderly conduct of the meeting.

### Insertion of new Articles numbered 55, 56 and 57 to read

**55. The Company may hold its annual general meeting or any extraordinary general meeting in any of the following manners:**

- a) **Members present at the same physical venue; or**

- b) **Members present at a physical venue together with members in attendance by electronic means; or**

- c) **Members in attendance entirely by electronic means**

**56.** A member who participated in a meeting in accordance with Article 55 shall (notwithstanding being absent from the Island or otherwise remote from the venue of the meeting) be deemed to be present in person at the meeting and shall be counted in the quorum for and be entitled to vote at the meeting.

**57.** Any failure of technology or any failure or inability of a member to remain in any meeting convened in accordance with Article 55 shall not invalidate any resolutions passed or proceedings taken at such meeting provided that a quorum is present at all times.

### Amending Article 72 under the heading “Votes of Members” to read

On a poll votes may be given either personally, by proxy or by the established electronic means (as communicated through the relevant notices, to include e-mail instructions and any other electronic means of instructions for any such meeting) but no member shall be entitled to appoint more than one proxy to attend the same meeting.

### Amending Article 149 to read

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; or
- (d) sent to him by advertisement in a daily newspaper circulating in Jamaica; or



- (e) sent to him by publishing such notice on the company's website and/or such other websites available to public companies from time to time for the dissemination of information.

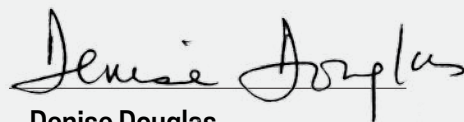
**PROVIDED HOWEVER** that where such notice or document is specifically required by law or these Articles to be sent in writing (otherwise than in electronic format, by electronic means, by advertisement or on a website) the Company shall obtain the member's written consent prior to sending same to him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

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.
4. Where a notice is published in a daily newspaper it shall be deemed to be served on the date of publication.
5. Where a notice is published on the company's website or such other websites available to public companies from time to time for dissemination of information the notice shall be deemed to be served on the date on which the notice is published on such website.

### Renumbering of Existing Articles

By renumbering of existing articles [55 to 153] (inclusive) as articles [58 to 156] respectively.

By Order of the Board



**Denise Douglas**  
Company Secretary  
October 5, 2020

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.

## Chairman's Message

*"Expect the unexpected" is an age old maxim of retailing and indeed life. Yet the unexpected of 2020 have exceeded anything in living memory since at least World War II.*



**Kevin O'Brien Chang,**  
Chairman

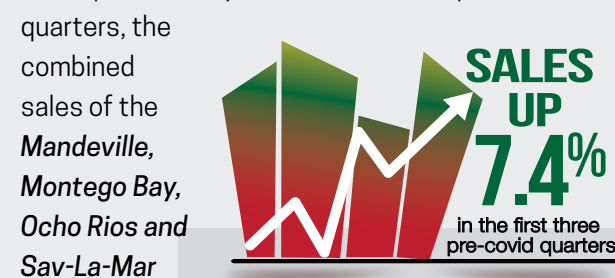
The 'coronavirus crisis' that began sweeping across the globe in February 2020 has disrupted the previous norms of business and existence in hitherto unimagined ways. The most grievous shock of course has been the over one million deaths across the globe so far, which no doubt would have been much greater had countries everywhere not imposed strict measures on personal movements. However this in turn has had major economic impacts, particularly on industries like tourism, and Jamaica is one of the world's most tourist dependent countries.

Covid-19 aside, the most significant achievement for Fontana in fiscal year 2019 - 2020 was the opening of our flagship Waterloo Square store. With 35,000 square feet of retail space, it is the largest pharmacy in the history of Jamaica. We also like to think it is the most attractive and aesthetically pleasing retail establishment in the island. It is certainly the only one to offer an escalator for the comfort of customers, especially those that have difficulty in climbing stairs.

One of the highlights of **Fontana Waterloo Square** is our Artisans of Jamaica section dedicated to locally-made products, a brain child of CEO Anne Chang. We are committed to supporting local artists and entrepreneurs, while offering our customers a wider range of quality products. The success of this section reflects the strong support of our customers as well. Though we never thought it would be an issue, there were some who wondered if the Waterloo Square branch would 'cannibalize' the Barbican branch and significantly impact its sales.

This concern turned out to be groundless. In the pre-covid January to March third quarter, the combined sales of the Waterloo Square and Barbican branches were up over 90% on the sales of Barbican in the previous year. Overall we have been extremely happy with the performance of the Waterloo Square branch so far, and the continued resilience of the Barbican branch.

The performance of the other 4 stores has also been quite healthy. For the first three pre-covid



stores were up 7.4% compared to the same period last year.

The recent Statin report shows that the Jamaican economy declined by 18.3% in the April - June Quarter of 2020 compared to 2019. The wholesale and retail trade fell by 15.6%. Fontana's performance we are pleased to say was not as bad as that, with same store sales declining by 11.1% in that period.

One direct impact of covid-19 on our operations is that we were forced to postpone the revamping of our current Point of Sales and Accounting Systems, which are both over a decade old, with a modern state of the art integrated system. This was originally scheduled for April 2020, but pandemic realities meant the technicians from the United States were unable to travel to Jamaica to do the necessary tests and training. We hope to execute this quite crucial task in 2021, to benefit from the significant improvements in both customer service and back office efficiency.

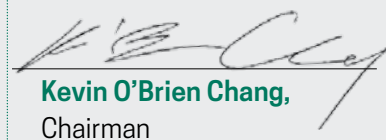
We are very confident that we have and will continue to weather the temporary covid-19 storm better than most. Indeed it has forced us

to become more efficient and to 'do more with less'. One area in which we have made great strides is e-commerce in various forms. For instance customers can send prescriptions via e-mail for faster service.

Our Kingston branches also offer free delivery of goods within certain geographic areas. We now offer curbside pickup for purchases. And we offer fully functioning online website shopping at [fontanapharmacy.com](https://fontanapharmacy.com).

We truly expect our bottom line to flourish when the coronavirus crisis ends. Our core business remains very strong. Our staff remains friendly, loyal and committed. Our management remains focused on always being on the cutting edge of retail. At Fontana, it's still ALL good inside.

**Fontana Pharmacy:**  
*It's ALL Good Inside!*

  
**Kevin O'Brien Chang,**  
Chairman



**Raymond Therrien,**  
Executive Director/  
Chief Operating Officer

# Directors' Report

## FINANCIAL RESULTS

The Directors are pleased to present their report for the financial year ended June 30, 2020.

	\$
<b>Profit before taxation</b>	<b>263,891,700</b>
<b>Taxation (credit)/charge</b>	<b>12,616,396</b>
<b>Net profit for the year</b>	<b>276,508,096</b>
<b>Earnings per share</b>	<b>0.22</b>

## DIVIDENDS

The Directors are recommending that interim dividends of 4 cents paid on January 17, 2020 be ratified and declared final for 2019 by the shareholders in general meeting as the Directors do not propose to declare any further dividends from the audited profits realized during the financial year ended June 30, 2019.

The Directors are also recommending that interim dividends of 8 cents paid on November 25, 2020 be ratified and declared final for 2020 by the shareholders in the general meeting as the Directors do not propose to declare any further dividends from the audited profits realized during the financial year ended June 30, 2020.

## THE BOARD

The Directors as at June 30, 2020 were as follows:

<b>Bobby Chang</b>	<b>Raymond Therrien</b>
<b>Kevin O'Brien Chang</b>	<b>Jacqueline Sharp</b>
<b>Anne Chang</b>	<b>Heather Goldson</b>

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



## AUDITORS

CrichtonMullings & Associates, the retiring Auditors, have 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



**Raymond Therrien,**  
Executive Director/  
Chief Operating Officer



# 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.



**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 19 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 Reward Programme 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 Operating Officer of the Company and has been a Director of **Fontana Limited** for the past 19 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.



# Senior Management Team



**Ruthlyn Sherwood** - Store Manager, Barbican | **Faye Plunkett** - Store Manager, Mandeville | **Caulene 'Pat' Forbes** - Store Manager, Barbican | **Georgia Bonner** - Human Resource Manager | **Leonie Harvey** - Store Manager, Montego Bay | **Alanah Jones** - Special Projects Manager | **Raemonia Clarke-Willie** - Store Manager - Sav La Mar | **Caulette Mornan** - Store Manager, Waterloo | **Janice Kerr** - Store Manager, Ocho Rios



## ENGRAVING

### NOW AVAILABLE

At All Fontana Locations

Get custom engraving done on tumblers, cups, planners and journals purchased from Fontana Pharmacy\*

Engraving starts at **\$500** +tax per item



Visit the Business Centre for more information

\*Conditions apply. Speak with a business centre representative for more information

fontanapharmacy.com | f | i | Kingston, Mandeville, Mobay, Ocho Rios, Sav. | 1 888-429-5887

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Judale Smith - Chief Financial Officer | Damian Robinson - Inventory Manager | Valentine Ellis - IT Manager | Monica M<sup>c</sup>Dowell - Pharmacy Manager | Daina Dyer - Beauty Manager | Stephanie Smith - Marketing Manger | Nicole Watson-Chang - Store Manager, Mandeville | Denise Douglas - Company Secretary

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## List of Top Ten (10) Largest Shareholders as at June 30, 2020

SHAREHOLDER	UNITS
Burbank Holdings Limited	989,172,831
Sagcor Select Fund Limited - ('Class C' Shares) Manufacturing & Distribution	10,028,143
St. Elizabeth International Limited	9,230,953
Jacqueline / Jason Sharp	7,094,000
JCSD Trustee Services Ltd. A/C#76579-02	6,725,794
St. Elizabeth Holdings Limited	5,319,000
Victory Island Limited	5,319,000
Fontana Employee Share Trust	4,966,124
SJIML A/C 3119	4,711,169
Andrew Desnoes	3,968,385

### SHAREHOLDINGS OF OFFICERS AND CONNECTED PARTIES AS AT JUNE 30, 2020

DIRECTOR	SHAREHOLDINGS	CONNECTED PARTIES	SHAREHOLDINGS
Raymond Therrien	----	Burbank Holdings Limited	989,172,831
Kevin O'Brien Chang	----	Burbank Holdings Limited	989,172,831
		Kevin O'Brien Chang	15,000
		Nicole Watson-Chang	1,547,290
Shinque (Bobby) Chang	----	Burbank Holdings Limited	989,172,831
Anne Chang	----	Burbank Holdings Limited	989,172,831
Jacqueline Sharp	7,094,000	Jason Sharp (Joint holder)	
Heather Goldson	2,070,000	David L. Goldson (Joint holder)	
Denise Douglas	25,352	Ryan M <sup>c</sup> Calla (Joint holder)	
Judale Samuels-Smith	354,923		

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# Corporate Governance

## BOARD OF DIRECTORS

**T**he 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.

As of June 30, 2020, the Board of Directors is comprised of **1 Chairman Emeritus**, **3 Executive Directors** and **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 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**

**Kevin O'Brien Chang - Chairman**

**Anne Chang - Chief Executive Officer**

**Raymond Therrien - Chief Operating Officer**

**Jacqueline Sharp - Independent  
Non-Executive Chairman**

**Heather Goldson - Independent  
Non-Executive Chairman**

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.

### 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 three (3) 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**

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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 2020 financial year is reflected in the Table below:

Fontana PHARMACY It's All <b>GOOD</b> Inside!	ANNUAL GENERAL MEETING	BOARD DIRECTORS' MEETING	AUDIT COMMITTEE MEETING	COMPENSATION COMMITTEE MEETING
Number of meetings for the year	1	3	3	1
Bobby Chang	1	-	-	-
Kevin O'Brien Chang	1	3	3	-
Anne Chang	1	3	3	1
Raymond Therrien	1	3	3	1
Jacqueline Sharp	1	3	3	1
Heather Goldson	1	3	3	1

The Corporate Governance Guidelines are available on the company's website at [www.fontanapharmacy.com](http://www.fontanapharmacy.com)

## Management Discussion & Analysis

**F**or the year under review, there were two significant events that impacted the Company. Firstly, we expanded our footprint with the addition of our flagship Waterloo Square store in October 2019.

The store was well received, and its performance met our expectations and positively impacted the Company's financial results in the second and third quarters. Then came the second event, the onslaught of the Covid-19 pandemic. The restrictive measures such as curfews, border closures, and social distancing, together with the slow-down in economic activity and consumer purchasing power all had significant impact on the business in the fourth quarter. Despite this, the Company performed well, driven by the efforts of our dedicated team members and responsiveness to changing customer needs.

### 2020 PERFORMANCE OVERVIEW

Revenue	J\$4.5B	↑ 21.8%
PBT	J\$263.9M	↓ 2%
NET Profit	J\$276.5M	↓ 10%
Assets	J\$3.1B	↑ 65%
Market Capitalization	J\$6.65B	J\$6.0B in 2019

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## The Board and its Committees - BOARD OF DIRECTORS

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**Kevin O'Brien Chang - Chairman**

**Anne Chang - Chief Executive Officer**

**Raymond Therrien - Chief Operating Officer**

**Jacqueline Sharp - Independent  
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**Heather Goldson - Independent  
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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:**

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Non-Executive Chairman**

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**Anne Chang - Executive Director/CEO**

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Jacqueline Sharp	1	3	3	1
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## Management Discussion & Analysis

**F**or the year under review, there were two significant events that impacted the Company. Firstly, we expanded our footprint with the addition of our flagship Waterloo Square store in October 2019.

The store was well received, and its performance met our expectations and positively impacted the Company's financial results in the second and third quarters. Then came the second event, the onslaught of the Covid-19 pandemic. The restrictive measures such as curfews, border closures, and social distancing, together with the slow-down in economic activity and consumer purchasing power all had significant impact on the business in the fourth quarter. Despite this, the Company performed well, driven by the efforts of our dedicated team members and responsiveness to changing customer needs.

### 2020 PERFORMANCE OVERVIEW

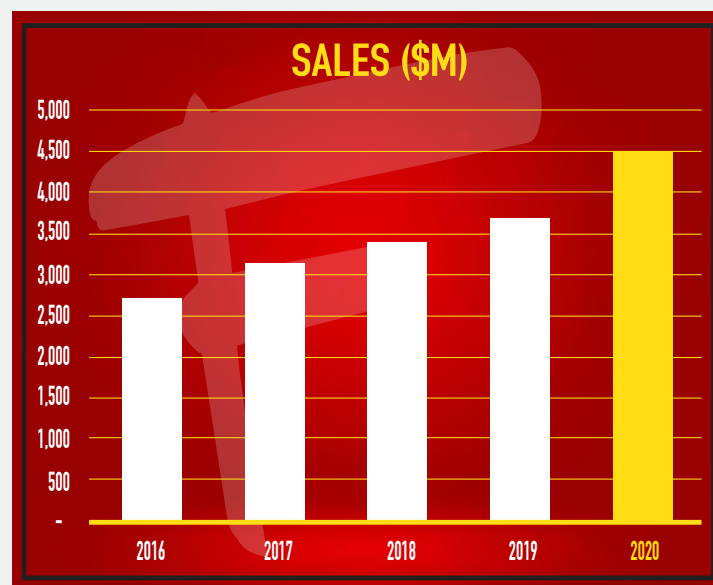
Revenue	J\$4.5B	↑ 21.8%
PBT	J\$263.9M	↓ 2%
NET Profit	J\$276.5M	↑ 10%
Assets	J\$3.1B	↑ 65%
Market Capitalization	J\$6.65B	J\$6.0B in 2019

It's All **GOOD** Inside!

## REVENUES AND GROSS PROFIT

For the 2020 Financial year, the Company registered strong revenue growing by 21.8% to \$4.5 billion. This growth is mainly driven by addition of the Waterloo store in October 2019. Our marketing efforts also bore fruit as our brand awareness grew, resulting in new customer acquisition as well as increased spend per customer. We continue to focus on delivering superior customers service while finding additional avenues to get our products in their hands.

The The Waterloo store has complimented our other stores and allowed for greater accessibility to our offerings in Kingston. These three top stores (**Fairview, Barbican and Waterloo**) combined accounted for 68% contribution to total revenue.



Cost of goods sold as a percentage of sales decreased to 62% this financial year moving from 64% last financial year. This is the direct result of greater cost efficiencies in overseas purchasing as well as increase in sales of higher-margin products. This resulted in a 28.3% increase in gross profits over the prior year. The efficiencies extended to inventory management where our efforts were amplified to reduce the levels of slow moving / aged inventory and concentrate on the

accuracy of inventory valuations. This has resulted in a reversal of our inventory impairment provisions over prior years and an even greater reduction in the error rate of the extrapolated inventory variances of 1%, moving from 5% in 2019.

## OPERATING EXPENSES

Operating expenses increased by 23.4% to \$1.33 billion, 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. Noteworthy increases were in staff costs, utilities, one-off advertising and promotional expenses for the new store opening. There was also a shift in expenses after the adoption of the IFRS 16 standard: where some of the usual shop rental expenses were reversed and depreciation (operating expense) and lease interest (finance cost) booked in their place. Our response to the pandemic saw us implementing cost saving measures with immediate positive impacts and others with cost savings in the future:



- ✓ **We reduced staffing, particularly the non-critical staff.**
- ✓ **We reduced non-critical overheads**
- ✓ **We agreed salary reductions and/or reduced hours for all staff**

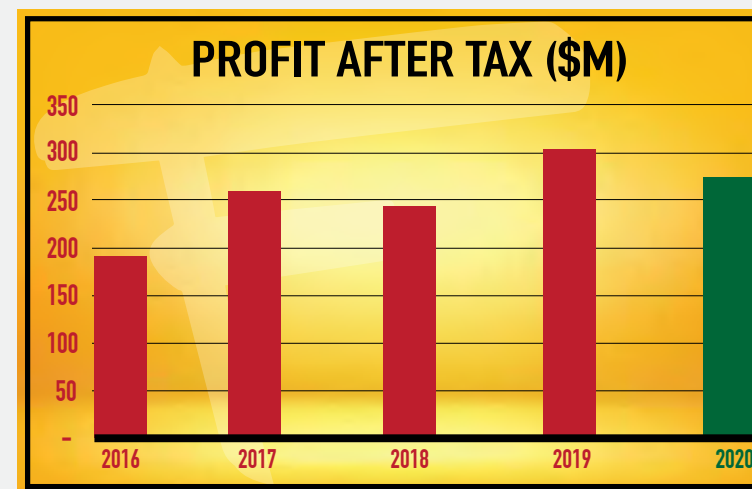
## FINANCE COST AND FOREX MOVEMENTS

Finance costs increased by \$147 million over last year driven primarily by the 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

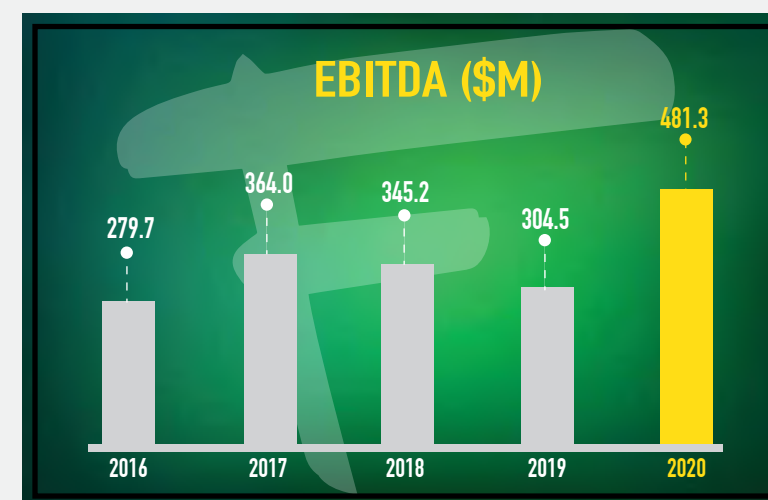
finance costs (lease interest expense and loss on foreign exchange movements) of \$118.8 million.

## NET PROFIT

The profit after tax saw a reduction of 9.8%, moving from \$306.6 million to \$276.5 million over the comparative period. This resulted in an EPS of \$0.22 versus \$0.26 for 2019.



The adoption of the IFRS 16 – Leases standard in July 2019 was not done retrospectively so the 2019 results would not have been impacted by the standard. When normalized the 2020 EPS would show a growth of 12% to an EPS of \$0.29. This is in line with the growth in EBITDA.



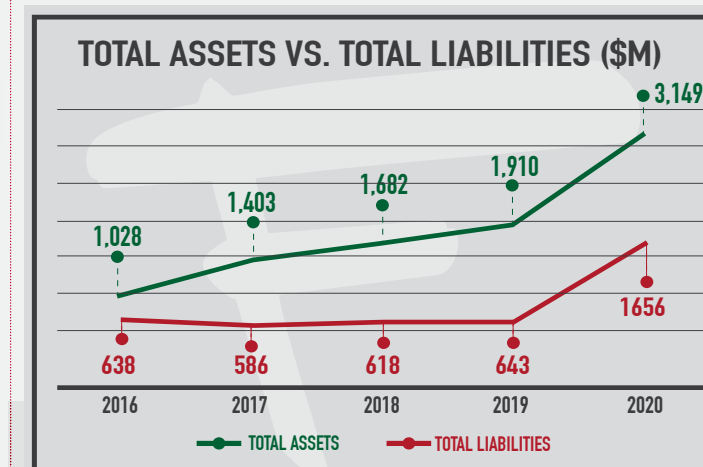
## DIVIDENDS

The Board of Directors approved a final dividend for 2019 of \$0.04 per share to all ordinary shareholders on record as of January 3, 2020. This amounted to \$49,974,993 and was paid on January 17, 2020.



## FINANCIAL POSITION

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%.

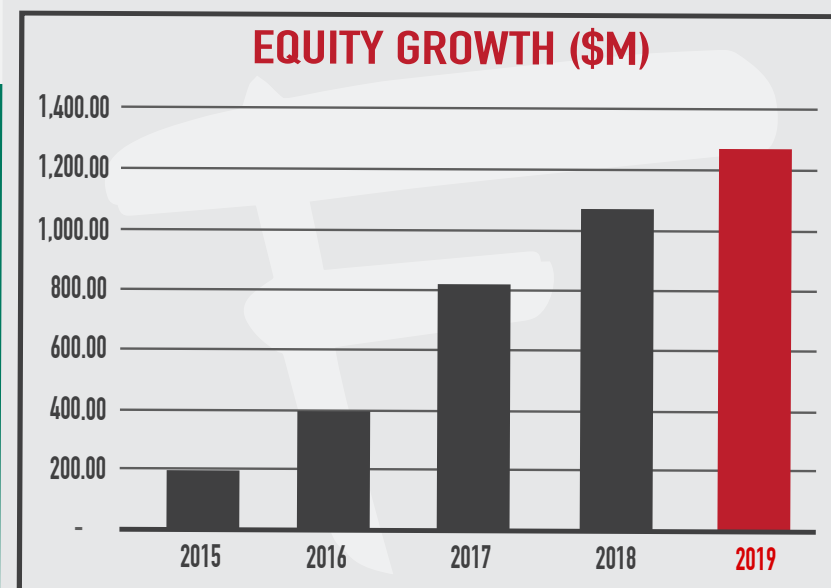


## LIQUIDITY

Our primary sources of liquidity in 2020 included funds provided by operating activities (\$412m) and loan proceeds (\$302.6m). Cash and cash equivalents increased by \$223 million a 59% increase over that of 2019. During the year, the Company acquired fixed assets amounting to \$125.4 million, repaid loans of \$237.3 million and paid dividends amounting to \$49.9 million.



Net Equity grew by 18% year over year to \$1.492 billion due to profits earned during the year. The Company has healthy liquidity ratios with debt to equity being 1.1 and current ratio being 2.1 indicating a good level of asset utilization.



## Outlook

As we continue to navigate these uncharted waters, we will do so with the tenacity that we have developed over our 51 years of operation. We will continue to take proactive steps to minimize business disruptions and mitigate risks. While so much uncertainty abounds, we will remain cautious as we forecast for the future. We anticipate that this new normal will be our reality for months to come and we will continue to adjust while positioning ourselves to come out on top at the end of it all.

During the next financial year our focus will be to strengthen our core business offerings, improve on our efficiencies and set the stage for future growth.

# Five-year Financial Review

## INCOME STATEMENT HIGHLIGHTS (J\$)

	2016	2017	2018	2019	2020
Revenue	2,719,452,374	3,145,274,038	3,417,735,335	3,701,807,336	4,509,856,155
change over prior year	21%	16%	9%	8%	22%
COGS	1,722,761,808	1,927,476,041	2,128,727,301	2,378,174,172	2,811,516,338
% of Revenue	63%	61%	62%	64%	62%
Gross Profit	996,690,566	1,217,797,997	1,289,008,034	1,323,633,164	1,698,339,817
change over prior year	30%	22%	6%	3%	28%
Operating Expenses	696,340,082	845,622,593	994,734,526	1,078,688,814	1,330,724,912
change over prior year	20%	21%	18%	8%	23%
Other Income	30,163,504	37,580,664	33,277,734	33,649,787	51,650,408
change over prior year	15%	25%	-11%	1%	53%
Finance Costs	93,535,736	88,211,244	24,488,001	8,329,088	155,373,613
change over prior year	-4%	-6%	-72%	-66%	1765%
PBT	236,978,252	321,544,824	303,063,241	270,265,049	263,891,700
change over prior year	106%	36%	-6%	-11%	-2%
Taxation	41,888,094	59,659,811	55,756,882	(36,361,122)	(12,616,396)
Net Profit	195,090,158	261,885,013	247,306,359	306,626,171	276,508,096
change over prior year	147%	34%	-6%	24%	-9.8%
<b>Ratios</b>					
EPS (\$)	13.00	17.46	0.22	0.26	0.22
NP Margin (%)	7.2%	8.3%	7.2%	8.3%	6.1%
GP Margin (%)	37%	39%	38%	36%	38%

\*IFRS 16  
adoption

## FINANCIAL POSITION HIGHLIGHTS (J\$)

	2016	2017	2018	2019	2020
Non-Current Assets	354,187,981	503,302,993	743,107,063	867,817,626	1,789,147,596
change over prior year	15%	42%	48%	17%	106%
Current Assets	674,109,388	900,006,770	939,084,943	1,041,914,031	1,359,635,168
change over prior year	34%	34%	4%	11%	30%
Total Assets	1,028,297,369	1,403,309,763	1,682,192,006	1,909,731,657	3,148,782,764
change over prior year	27%	36%	20%	14%	65%
Non-Current Liabilities	179,645,621	147,238,969	136,199,964	12,132,212	1,013,762,537
change over prior year	-29%	-18%	-7%	-91%	8256%
Current Liabilities	458,284,004	438,903,511	481,518,400	631,324,998	642,212,677
change over prior year	27%	-4%	10%	31%	2%
Total Liabilities	637,929,625	586,142,480	617,718,364	643,457,210	1,655,975,214
change over prior year	4%	-8%	5%	4%	157%
Equity	390,367,744	817,167,283	1,064,473,642	1,266,274,447	1,492,807,550
change over prior year	100%	109%	30%	19%	18%
<b>Ratios</b>					
Current Ratio	1.5	2.1	2.0	1.7	2.1
Return on Asset	19.0	18.7	14.7	16.1	8.8
Debt to Equity	1.6	0.7	0.6	0.5	1.1
Inventory Turns Ratio	4.0	3.8	3.7	4.1	4.6

## Corporate Social Responsibility

**A**t Fontana nation building, especially through our youth, has always been our focus. We aim to use our platform to support and collaborate with many stakeholders to make an impact on Jamaica.

**We are committed to our fundamental principles:**

service, respect, family, and community; which have been imbued by our founders Bobby and Angela Chang.

Our Corporate Social Responsibility (CSR) is vital to how we deliver on our purpose. In this regard, Fontana gives back to its communities with various outreach activities and sponsorships throughout the year. Despite the COVID-19 pandemic and the drastic impact it has had on planned activities and events, we were still able to support our various initiatives to the best of our ability.

Below is a listing of the major activities and sponsorships that took place in the last 12 months.

### JULY - SEPTEMBER

For this quarter, Marketing continued with the monthly events, sales and additional Sponsorships listed below.

- **UniCycle School Uniform Initiative** - A uniform collection project which was executed at all six locations.
- **Center for Investigation of Sexual Offences & Child Abuse General Conference Sponsorship**
- **Employee Scholarship Awards** - Geared towards the child/ren of our employees at various stages of their education.
- **Savanna-La-Mar Health & Wellness Fair**
- **Obstetrics & Gynecology Conference**
- **Miss Lou Recognition Initiative** - In Collaboration with the Ministry of Culture we produced over 1,700 Miss Lou storyboards with details on the legacy of the Honourable Louise Bennett. Every school, library and government ministry in Jamaica received a copy
- **Cumi Run** - Mobay



# Look who is shopping at

## Fontana PHARMACY



**STRONG  
YET SOFT  
POWERFUL  
AND ALSO HIS SAFE PLACE  
CHAMPION WOMAN**  
Mrs. Shelly-Ann Fraser-Pryce

It's All **GOOD** Inside!

It's All **GOOD** Inside!



## OCTOBER - DECEMBER

This quarter saw the successful launch of our sixth location, Fontana Waterloo, and also our support of monthly events, sales and additional sponsorships.

- Fontana Pharmacy's Waterloo Store Soft Launch
- Fontana Pharmacy's Waterloo Ribbon Cutting
- Fontana Pharmacy's Waterloo Grand Opening
- The 7<sup>th</sup> Grace Allen Memorial Lecture - (Pharmacy Week)
- Yoga Mat Donation - Maxfield Park Children's Home
- Pharmacy Week - Highlighting the Head Pharmacists across all Fontana Branches
- 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.

## JANUARY - MARCH

Our first quarter of 2020 was off to a great start. Closer to the end of this quarter, we saw the first effects of COVID-19 as the first cases were confirmed. Consequently, schools were closed and numerous events cancelled.

- The First event in January is the annual Barbican branch treat and fun day
- Donation of gift baskets to National Tourism Debate Competition
- Donation of gifts to Lions Club of New Kingston for Salvation Army School for the Blind Birthday Treat
- Gleaner Spelling Bee Sponsorship
- Gospel JA 8<sup>th</sup> Anniversary Broadcast Sponsorship
- Jamaican Day 2020 Competition Sponsorship - A competition for both primary and secondary schools to celebrate their cultural heritage.
- Play Day Jamaica at Sandhurst Early Childhood Development Center - Staff members visited ECDC on Play Day JA and played a variety of games with their students.



- Montego Bay Community College Benefit Concert Donation
- Elderly Care Facility Packages Donation - In partnership with HIC Foundation
- Kingston City Marathon Sponsorship - Cancelled due to COVID-19 Outbreak

## APRIL - JUNE

The final quarter of our financial year, with the country on lockdown, saw a decline in business activity, but nonetheless we pushed forward with projects as best as possible.

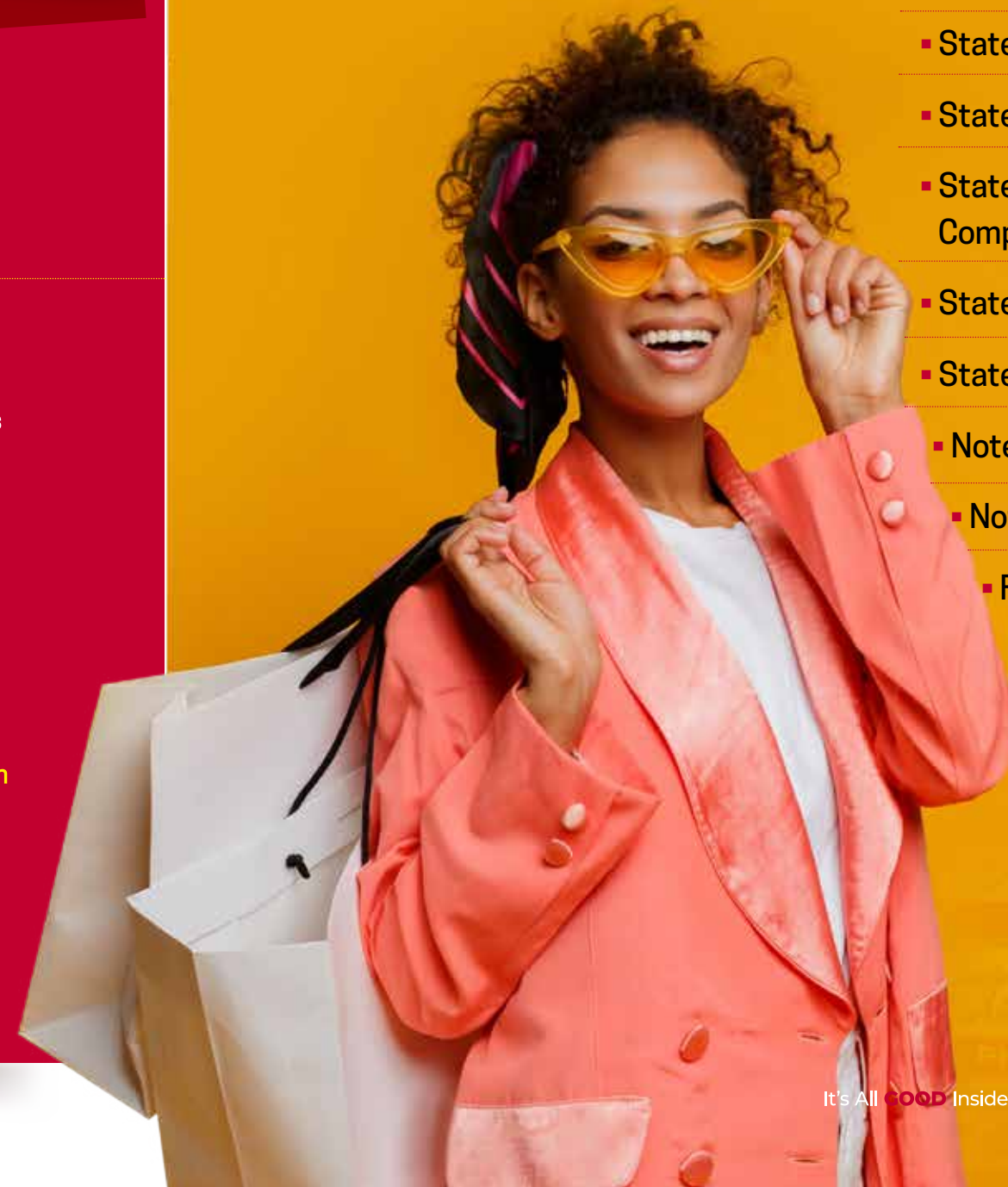
- Distribution of staff PPE and care kits with sanitizers
- Easter Egg (Citement Sponsorship) - Cancelled due to Coronavirus Outbreak
- Reach Academy's Mother's Day special Instagram Live Sponsorship
- Wray & Nephew Foundation School Donation
- Doctor's Appointments Sponsorship
- Consumers Intervention of Jamaica Back Yard Garden Competition Sponsorship.



# Financial Statements

## Year Ended June 30, 2020

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## 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, 2020, the statements 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, 2020, 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.

#### 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.

Cont. /2

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## Independent Auditor's Report (cont'd)

To the members of  
**FONTANA LIMITED**

### The key audit matters (cont'd)

Key audit matters	How the matter was addressed in our audit
<p><b>1) Carrying value of inventory</b></p> <p>Inventory is reported at \$650.6 million and represents 21% of total assets of the Company as at June 30, 2020. 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.</p> <p>In determining the carrying value of inventory, management focuses on conducting periodic counts on high value departments from the overall inventory.</p>	<p>Our audit procedures to address the key audit matter relating to the carrying value of inventory included the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the Company's standard operating procedures, in order to assess the effectiveness of internal controls over inventory.</li> <li>• 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.</li> <li>• The samples from our stock counts were cross checked against the inventory system and unresolved variances were extrapolated to the inventory population of each store.</li> </ul> <p>Based on the procedures performed an adjustment of \$9.29 million was made to the carrying value of inventory. This represented an adjustment of 1% of the year end value.</p>
<p><b>2) Goodwill Impairment Assessment</b></p> <p>The Company has goodwill of \$165.46 million arising from the acquisition of the Barbican store operations, which represents 5% of the total assets as at the year end.</p> <p>The annual impairment assessment requires management's judgement and estimation in determining estimated future earnings from the store, taking into consideration inflation rate, growth rate and other underlying assumptions.</p>	<p>Our audit procedures to address the key audit matter relating to the impairment of goodwill assessment included the following:</p> <ul style="list-style-type: none"> <li>• We have reviewed management's assertions, including the identification of the underlying cash generating assets.</li> <li>• We have assessed and reviewed the store's historical performance and compared actual results to the approved budget. The analysis of the external and internal environments was taken into account in the assessment of the store's performance.</li> </ul> <p>Based on the procedures performed, management's assessment of goodwill impairment appears reasonable.</p>

Cont. /3



### 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 financial statements that give a true and fair view in accordance with IFRS and the 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.

### 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 28, 2020



## 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.

## Independent Auditor's Report (cont'd)

To the members of  
**FONTANA LIMITED**

### Appendix to the independent auditor's report (cont'd)

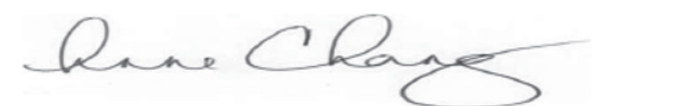
We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

	Note	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	5	769,835,263	700,886,166
Right of use asset	6	839,764,477	-
Intangible asset	7	165,461,145	165,461,145
Deferred tax asset	8	14,086,711	1,470,315
		<u>1,789,147,596</u>	<u>867,817,626</u>
<b>Current Assets</b>			
Inventories	9	650,602,515	570,989,831
Due from related parties	10	9,058,886	13,626,224
Due from directors	11	6,062,887	7,569,949
Trade and other receivables	12	94,309,180	66,992,605
Taxation recoverable	20	345,008	-
Cash and cash equivalents	13	599,256,692	382,735,422
		<u>1,359,635,168</u>	<u>1,041,914,031</u>
<b>TOTAL ASSETS</b>		<u><b>3,148,782,764</b></u>	<u><b>1,909,731,657</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	14	252,589,301	252,589,301
Accumulated surplus		<u>1,240,218,249</u>	<u>1,013,685,146</u>
		<u>1,492,807,550</u>	<u>1,266,274,447</u>
<b>Non-current Liabilities</b>			
Non-current portion of lease liability	6	836,705,219	-
Bank loans payable	15	177,057,318	12,119,168
Shareholders' loan	16	-	13,044
		<u>1,013,762,537</u>	<u>12,132,212</u>
<b>Current Liabilities</b>			
Current portion of lease liability	6	83,508,196	-
Current portion of bank loans payable	15	45,669,181	145,323,254
Trade and other payables	17	512,723,239	460,290,175
Due to related parties	18	312,061	-
Bank overdraft	19	-	6,871,588
Taxation payable	20	-	18,839,981
		<u>642,212,677</u>	<u>631,324,998</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>3,148,782,764</b></u>	<u><b>1,909,731,657</b></u>

APPROVED, on behalf of the Board on August 28, 2020

  
 Director

  
 Director

The accompanying notes form an integral part of the financial statements

It's All **GOOD** Inside!

**FONTANA LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

	Note	2020 \$	2019 \$
<b>Revenues</b>	4	4,509,856,155	3,701,807,336
<b>Cost of sales</b>	21	<u>(2,811,516,338)</u>	<u>(2,378,174,172)</u>
<b>Gross profit</b>		1,698,339,817	1,323,633,164
Administrative and other expenses	22	(1,231,444,037)	(1,000,172,313)
Selling and promotion	23	<u>(99,280,875)</u>	<u>(78,516,501)</u>
<b>Operating profit</b>	24	367,614,905	244,944,350
Other income	25	<u>51,650,408</u>	<u>33,649,787</u> *
		419,265,313	278,594,137
Finance costs	26	<u>(155,373,613)</u>	<u>(8,329,088)</u> *
<b>Profit before taxation</b>		263,891,700	270,265,049
<b>Taxation credit</b>	27	<u>12,616,396</u>	<u>36,361,122</u>
<b>Net profit for the year</b>		<u><b>276,508,096</b></u>	<u><b>306,626,171</b></u>
<b>Earnings per share for profit attributable to the equity holders of the Company during the year</b>	28	<u><b>\$ 0.22</b></u>	<u><b>\$ 0.26</b></u>

\*-Restated to conform to current year presentation

The accompanying notes form an integral part of the financial statements

It's All **GOOD** Inside!



**FONTANA LIMITED**  
**STATEMENT OF OTHER COMPREHENSIVE INCOME**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

	2020 \$	2019 \$
<b>Net profit for the year</b>	276,508,096	306,626,171
<b>Other comprehensive income:</b>		
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)
<b>Other comprehensive income for the year, net of tax</b>	-	(289,416,667)
<b>Total comprehensive income for the year</b>	<u>276,508,096</u>	<u>17,209,504</u>

The accompanying notes form an integral part of the financial statements

It's All **GOOD** Inside!

**FONTANA LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

	Share Capital \$	Revaluation Reserve \$	Accumulated Surplus \$	Total \$
Balance at June 30, 2018	30,006,000	164,914,526	869,553,116	1,064,473,642
<b>Transactions with owners:</b>				
Issue of share, net of transaction cost (note 13)	222,583,301	-	-	222,583,301
Dividend paid (note 32)	-	-	(37,992,000)	(37,992,000)
<b>Other comprehensive income:</b>				
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)
<b>Net profit for the year</b>	-	-	306,626,171	306,626,171
Balance at June 30, 2019	<u>252,589,301</u>	-	<u>1,013,685,146</u>	<u>1,266,274,447</u>
<b>Transactions with owners:</b>				
Dividend paid (note 32)	-	-	(49,974,993)	(49,974,993)
Net profit for the year, being total comprehensive income	-	-	276,508,096	276,508,096
<b>Balance at June 30, 2020</b>	<u>252,589,301</u>	-	<u>1,240,218,249</u>	<u>1,492,807,550</u>

The accompanying notes form an integral part of the financial statements

It's All **GOOD** Inside!

**FONTANA LIMITED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

	Note	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
<b>Profit before interest and taxation</b>	29	275,179,627	276,153,319
<b>Adjusted for:</b>			
Gain on disposal of property, plant and equipment		-	(722,776)
Depreciation on right of use asset		88,858,565	-
Depreciation on property, plant and equipment		56,257,174	29,118,276
Interest expense on right of use asset		60,837,804	-
Reclassification of work in progress		186,717	-
		<u>481,319,887</u>	<u>304,548,819</u>
(Increase) / decrease in operating assets:			
Inventories		(79,612,684)	18,121,601
Due from related parties		4,554,294	(13,100,314)
Trade and other receivables		(27,316,575)	(2,733,751)
Increase in operating liabilities:			
Trade and other payables		52,433,068	64,260,085
Due to related parties		312,061	-
		<u>431,690,051</u>	<u>371,096,440</u>
Cash flows provided by operating activities			
Taxation paid		(19,184,989)	(46,979,647)
		<u>412,505,062</u>	<u>324,116,793</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Finance lease asset		-	811,812
Proceeds from sale of property, plant and equipment		-	722,776
Acquisition of property, plant and equipment		(125,392,988)	(46,953,954)
Cost of work in progress		-	(394,821,236)
		<u>(125,392,988)</u>	<u>(440,240,602)</u>
Net cash used in investing activities			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(49,974,993)	(37,992,000)
Net proceeds from the issue of shares		-	222,583,301
Proceeds from loans		302,653,405	237,616,616
Repayment of loans		(237,369,332)	(200,327,179)
Lease liability, net		(69,247,431)	-
Finance lease obligation		-	(811,812)
Directors' loans, net		1,507,063	22,966,284
Interest paid		(11,287,927)	(5,888,270)
		<u>(63,719,215)</u>	<u>238,146,940</u>
Net cash (used in) / provided by financing activities			
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<u>223,392,859</u>	<u>122,023,131</u>
<b>CASH AND CASH EQUIVALENTS - Beginning of the year</b>		<u>375,863,833</u>	<u>253,840,702</u>
<b>CASH AND CASH EQUIVALENTS - End of the year</b>		<u><u>599,256,692</u></u>	<u><u>375,863,833</u></u>
<b>REPRESENTED BY:</b>			
Bank overdraft		-	(6,871,588)
Short term investments		41,577,635	54,942,885
Cash and bank deposits		<u>557,679,057</u>	<u>327,792,536</u>
		<u><u>599,256,692</u></u>	<u><u>375,863,833</u></u>

The accompanying notes form an integral part of the financial statements

**FONTANA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**  
*(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 Center, 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.



## FONTANA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

*(Expressed in Jamaican dollars unless otherwise stated)*

## 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:

- **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 recognizes 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 recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.
- **IAS 23 Borrowing Cost Amendment**, issued in December 2017, effective for annual periods beginning on or after 1 January 2019. The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. These amendments had no impact on the Company's financial statements.
- **IFRS 9 Amendments 'Prepayment Features with Negative Compensation'** issued in October 2017 and effective for annual periods beginning on or after 1 January 2019. Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments had no impact on the Company's financial statements.
- **IFRS 16 'Leases'** issued in January 2016, effective for annual periods beginning on or after January 1, 2019. IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize 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.

## FONTANA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

*(Expressed in Jamaican dollars unless otherwise stated)*

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

## (b) Changes in accounting standards and interpretations (cont'd):

- **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.

The following new standards, amendments and interpretations, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Company's future financial statements:

- **IAS 1 'Presentation of Financial Statements - Amendment'**, issued October 2018  
Effective for periods commencing on or after 1 January 2020
- **IAS 8 'Changes in Accounting Estimates and Errors - Amendment'**, issued October 2018  
Effective for periods commencing on or after 1 January 2020
- **IFRS 9 'Financial Instruments - Amendment'**, issued September 2019  
Effective for periods commencing on or after 1 January 2020
- **Amendments to References to Conceptual Framework in IFRS Standards** is effective retrospectively for annual reporting periods beginning on or after January 01, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.  
The main change relates to how and when assets and liabilities are recognized and de-recognized in the financial statements:
  - New 'bundle of rights' approach to assets will mean that an entity may recognize a right to use an asset rather than the asset itself;
  - A liability will be recognized if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
  - A new control-based approach to de-recognition will allow an entity to de-recognize an asset when it loses control over all or part of it; as the focus will no longer be on the transfer of risks and rewards.

The Board of directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant to the Company in future periods is unlikely to have any material impact on the financial statements.



## FONTANA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

*(Expressed in Jamaican dollars unless otherwise stated)*

## 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 judgements, 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 recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods.

Judgements made by management in the application of International Financial Reporting Standards (IFRS) that have a significant effect on the financial statements and estimates with material uncertainty that have a significant effect on amounts in the financial statements or that have a significant risk of material adjustment in the next financial year are set out below:

- (i) Critical accounting judgements in applying the Company's accounting policies  
For the purpose of these financial statements, prepared in accordance with IFRS, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the principles set out in IFRS.
- (a) 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.
- (b) Net realizable value of inventories:  
Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realize. 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 realizable value also take into consideration the purpose for which the inventory is held.

## FONTANA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

*(Expressed in Jamaican dollars unless otherwise stated)*

## 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)

## (c) Use of estimates and judgements (cont'd):

- (i) Critical accounting judgements in applying the Company's accounting policies (cont'd)

- (c) 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.
- (d) 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.

- (ii) Key assumptions and other sources of estimation uncertainty  
The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

- (a) Fair value estimation  
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.

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).



**FONTANA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)**

**(c) Use of estimates and judgements (cont'd):**

**(ii) Key assumptions and other sources of estimation uncertainty (cont'd)**

**(a) Fair value estimation (cont'd)**

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.

The fair values of financial instruments that are not traded in an active market are deemed to be determined as follows:

The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, loan, trade and other payables, due to director and related parties.

The carrying values of long-term liabilities approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

**(b) Allowance for expected credit losses**

The Company establishes a provision matrix to calculate ECLs for trade receivables. The provision matrix is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The determination of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of the ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

**(c) Estimating the incremental borrowing rate for leases**

If the company cannot readily determine the interest rate implicit in the lease, an incremental borrowing rate is used to measure lease liabilities. The incremental borrowing rate is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate reflects what the company would have to pay, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Company estimates the incremental borrowing rate using available market interest rates.

**FONTANA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

**2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONT'D)**

**(d) Changes in accounting policies**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the statement of financial position.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. The Company is not a lessor.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

The Company has lease rental contracts for office and storage space.

The Company has adopted IFRS 16 (Leases) from July 1, 2019. IFRS 16 introduces a single lease accounting model for lessees. It requires lessees to recognize 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. The company has classified the lease rental contracts that are on a month by month basis as short-term leases.

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 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.

As at July 01, 2019, the right-of-use assets and lease liabilities are as follows:

	\$
Right-of-use assets	928,623,042
Lease liabilities	928,623,042



**FONTANA LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020***(Expressed in Jamaican dollars unless otherwise stated)***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.

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) Leases**

A contract is, or contains, a lease if it conveys the right of use/control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Leases are recognized as assets and liabilities unless the lease term is 12 months or less or the underlying asset has a low value of less than US\$5,000 or its Jamaica dollar equivalent. The Company applies the short-term lease recognition exemption to its short-term leases (that is, those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost, at the lease commencement date, i.e. the date at which the underlying asset is available for use by the Company. The right-of-use asset is depreciated on a straight-line basis over the remaining lease term.

**FONTANA LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020***(Expressed in Jamaican dollars unless otherwise stated)***3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)****(b) Leases (cont'd)****Lease liability**

The lease liability is initially measured at the present value of lease payments to be made over the lease term.

The present value of lease payments, uses an incremental borrowing rate at the commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate corresponds to the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment, with similar terms and conditions.

**(c) Goodwill**

Goodwill is recorded at cost and represents the excess of the value of consideration paid at acquisition. 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.

**(d) 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.

**(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.

**(f) 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.

**(g) Trade and other payables**

Trade and other payables are stated at amortized cost.



**FONTANA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(h) 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.

**(i) 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 voting 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.

**(j) 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 recognized 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.

**FONTANA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(k) 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.

**(l) Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is recognized when control of goods passes to the customer, as contractual performance obligations are fulfilled.

**(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.



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**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(n) Impairment (cont'd)**

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.

**(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 recognized 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 recognized immediately in profit or loss), as appropriate, on initial recognition.

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cashflows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL.

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(o) Financial instruments (cont'd)**

**Financial assets (cont'd)**

*Subsequent measurement*

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortised cost includes trade and other receivables, due from related parties and cash and bank balances.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

*Impairment*

The Company recognizes an allowance for expected credit losses (ECLs) on the financial instruments measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For financial assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



**FONTANA LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020***(Expressed in Jamaican dollars unless otherwise stated)***3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(o) Financial instruments (cont'd)****Financial assets (cont'd)***Impairment (cont'd)*

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**Financial liabilities***Initial recognition and measurement*

The Company's financial liabilities, comprising loans and accounts payable, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

**(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.

**FONTANA LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020***(Expressed in Jamaican dollars unless otherwise stated)***3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(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 recognized 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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<b>4. REVENUES</b>										
Revenues represent the value of goods and services sold to third parties, excluding discounts, rebates and general consumption tax.										
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>										
	<u>Buildings</u>	<u>Leasehold Improvements</u>	<u>Furniture and Fixtures</u>	<u>Computer Equipment</u>	<u>Machinery and Equipment</u>	<u>Sign Drapes</u>	<u>Motor Vehicles</u>	<u>Work-in Progress</u>	<u>Total</u>	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>At Cost/Valuation:</b>										
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	36,702,685	388,000	109,871	394,821,236	441,775,191	
Disposal	(302,000,000)	-	-	-	-	-	(3,000,000)	-	(305,000,000)	
Balance at June 30, 2019	-	140,912,739	107,725,879	54,972,506	146,879,629	11,556,621	36,774,223	464,005,743	962,827,340	
Transfer from Work in Progress*	-	270,629,035	123,393,905	-	69,075,107	720,979	-	(464,005,743)	(186,717)	
Additions	-	49,714,457	9,107,604	18,794,727	23,569,972	6,467,735	17,748,493	-	125,392,988	
Balance at June 30, 2020	-	<u>461,256,231</u>	<u>240,227,388</u>	<u>73,767,233</u>	<u>239,514,708</u>	<u>18,745,335</u>	<u>54,522,716</u>	-	<u>1,088,033,611</u>	
<b>Accumulated Depreciation:</b>										
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	
Charge for period	-	8,855,568	14,009,136	6,069,889	20,286,704	1,634,909	5,400,968	-	56,257,174	
Disposal	-	-	-	-	-	-	-	-	-	
Balance at June 30, 2020	-	<u>44,482,756</u>	<u>95,444,926</u>	<u>46,883,754</u>	<u>96,862,216</u>	<u>8,368,755</u>	<u>26,155,941</u>	-	<u>318,198,348</u>	
<b>Net Book Value:</b>										
Balance at June 30, 2020	-	<u>416,773,475</u>	<u>144,782,462</u>	<u>26,883,479</u>	<u>142,652,492</u>	<u>10,376,580</u>	<u>28,366,775</u>	-	<u>769,835,263</u>	
Balance at June 30, 2019	-	105,285,551	26,290,089	14,158,641	70,304,117	4,822,775	16,019,250	464,005,743	700,886,166	
Balance at June 30, 2018	269,416,667	108,809,128	27,986,518	10,378,877	45,459,613	5,571,037	20,839,571	69,184,507	577,645,918	

**FONTANA LIMITED**  
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**6. RIGHT-OF-USE ASSETS**

	<u>Buildings</u>
	\$
<b>At Valuation</b>	
Balance at July 1, 2019	-
Additions	928,623,042
<b>Balance at June 30, 2020</b>	<u>928,623,042</u>
<b>Depreciation charge of right-of use asset</b>	
Charge for period	88,858,565
Balance at June 30, 2020	<u>88,858,565</u>
<b>Net Book Value</b>	
Balance at June 30, 2020	<u>839,764,477</u>
<b>Lease Liability:</b>	2020
	\$
Non-current lease liability	<u>836,705,219</u>
Current lease liability	<u>83,508,196</u>
Balance at June 30, 2020	<u>920,213,415</u>

**7. INTANGIBLE ASSET**

	2020	2019
	\$	\$
Goodwill at the end of the year	<u>165,461,145</u>	<u>165,461,145</u>

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.



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**8. DEFERRED TAX ASSET**

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:

	2020 \$	2019 \$
Deferred tax asset	<u>14,086,711</u>	<u>1,470,315</u>

Deferred tax asset and liability are attributable to the following:

	2020 \$	2019 \$
Property, plant and equipment	(4,253,563)	434,888
Conversion of foreign currency	<u>18,340,274</u>	<u>1,035,427</u>
	<u>14,086,711</u>	<u>1,470,315</u>

The movement during the year in the Company's deferred tax position was as follows:

	2020 \$	2019 \$
Balance at the beginning of the period	1,470,315	(72,802,206)
Movement during the period	<u>12,616,396</u>	<u>74,272,521</u>
Balance at the end of the period	<u>14,086,711</u>	<u>1,470,315</u>

The movement during the year in the Company's deferred tax position was as follows:

	2020 Opening balance	2020 Recognized in profit or loss	Closing balance
Property, plant and equipment	434,887	(4,688,450)	(4,253,563)
Conversion of foreign currency	<u>1,035,428</u>	<u>17,304,846</u>	<u>18,340,274</u>
	<u>1,470,315</u>	<u>12,616,396</u>	<u>14,086,711</u>

	2019 Opening balance	2019 Recognized in profit or loss	Closing balance
Property, plant and equipment	(72,366,455)	72,801,342	434,887
Conversion of foreign currency	<u>(435,751)</u>	<u>1,471,179</u>	<u>1,035,428</u>
	<u>(72,802,206)</u>	<u>74,272,521</u>	<u>1,470,315</u>

**FONTANA LIMITED**  
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**9. INVENTORIES**

	2020 \$	2019 \$
Inventories	667,072,183	587,797,414
Goods in transit	<u>31,713,549</u>	<u>50,772,702</u>
	698,785,732	638,570,116
<b>Less:</b>		
Provision for obsolescence	<u>(48,183,217)</u>	<u>(67,580,285)</u>
	<u>650,602,515</u>	<u>570,989,831</u>

**10. DUE FROM RELATED PARTIES**

	2020 \$	2019 \$
Fontana Employee Share Trust (i)	8,395,921	13,018,259
Fontana Montego Bay Ltd.	117,050	117,050
Fontana Sav-La-Mar	123,000	118,000
Fontana Distribution	140,970	115,970
Fontana Holdings	140,970	115,970
Fontana Foundation	<u>140,975</u>	<u>140,975</u>
	<u>9,058,886</u>	<u>13,626,224</u>

(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.

**11. DUE FROM DIRECTORS**

	2020 \$	2019 \$
Due from directors	12,121,139	17,260,085
Due to directors	<u>(6,058,252)</u>	<u>(9,690,136)</u>
	<u>6,062,887</u>	<u>7,569,949</u>

These are unsecured interest free amounts which have no fixed dates of repayment.



**FONTANA LIMITED**  
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<b>12. TRADE AND OTHER RECEIVABLES</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	33,654,435	26,164,829
Less: expected credit losses	(6,913,361)	(6,752,171) *
Net trade receivables	<u>26,741,074</u>	<u>19,412,658</u>
Other receivables (i)	44,759,047	26,391,007 *
Prepayments	12,882,248	12,249,766
Deferred GCT	503,687	379,552
GCT recoverable	91,782	228,280
Security deposits	9,331,342	8,331,342
	<u>94,309,180</u>	<u>66,992,605</u>

(i) This includes deposit on a new point of sale system in the amount of \$34,065,291.

**13. CASH AND CASH EQUIVALENTS**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Term and demand deposits	442,058,165	151,470,880 *
Foreign currency accounts	113,547,480	174,618,245
Short term investments	41,577,635	54,942,885 *
Cash balances	<u>2,073,412</u>	<u>1,703,412</u>
	<u>599,256,692</u>	<u>382,735,422</u>

**14. SHARE CAPITAL**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Authorized:		
2,664,999,860 ordinary shares		
Issued and fully paid:		
1,249,374,825 ordinary shares	<u>252,589,301</u>	<u>252,589,301</u>

- (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.

**\*-Restated to conform to current year presentation**

**FONTANA LIMITED**  
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**15. BANK LOANS PAYABLE**

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
a. BNS Consolidation Loan	-	8,222,220
b. BNS Motor Vehicle Loan	2,443,852	3,818,494
c. BNS Energy Loan	11,933,243	17,332,378
d. BNS Bridge Loan	-	128,069,330
e. BNS Waterloo Capex	191,666,666	-
f. BNS Van Loan	8,000,000	-
g. BNS Motor Vehicle Loan	7,062,120	-
h. BNS Insurance Financing Loan	<u>1,620,618</u>	<u>-</u>
Total bank loans payable	222,726,499	157,442,422
Due in less than 12 months	<u>(45,669,181)</u>	<u>(145,323,254)</u>
Due in more than 12 months	<u>177,057,318</u>	<u>12,119,168</u>

- 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. This loan was fully repaid during the year.
- b. 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 \$152,738 plus interest. The purpose of the loan was to purchase a motor vehicle.

- c. This is a loan at a rate of interest of 6.75% per annum for the installation of solar panels to the Fairview Montego Bay location as part of our energy conservation project. 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.

- d. 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). This loan was fully repaid during the year.

- e. This is a loan with a rate of interest of 6.75% per annum. The loan is repayable sixty (60) months after disbursement, in fixed monthly payments of \$2,777,778 plus interest and a balloon payment \$36,111,098 at maturity. The purpose of the loan was to pay off the bridge loan.

- f. This is a loan at a rate of interest of 6.75% for years 1-2 and thereafter weighted average treasury bill yield currently 1.53237%, plus 6 for years 3-5. The loan is repayable over sixty (60) months, in fixed monthly payments of \$133,333. The purpose of the loan was to purchase a van.

- g. This is a loan at a rate of interest of 6.75% per annum. The loan is repayable over forty-eight (48) months, in fixed monthly payments of \$156,936 plus interest. The purpose of the loan was to purchase a motor vehicle.

- h. This includes two loans at rates of interest of 7% and 4.35% per annum. Each loan is repayable over eight (8) months, in fixed monthly payments of \$641,471 and US\$9,564, respectively. The purpose of the loans was to finance insurance premium payments.



**FONTANA LIMITED**  
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**16. SHAREHOLDERS' LOAN**

	2020 \$	2019 \$
	-	13,044

This is an unsecured interest free loan, which was repaid during the year.

**17. TRADE AND OTHER PAYABLES**

	2020 \$	2019 \$
Trade payables	365,615,685	317,631,101
Statutory liabilities	10,073,577	11,039,836
Accrued salaries	21,307,722	5,949,506
GCT payable	32,819,906	9,872,722
Credit cards payable	58,159,187	33,837,685
Other payables and accruals (i)	24,747,162	81,959,325
	<u>512,723,239</u>	<u>460,290,175</u>

(i) In the prior year accrued charges included \$76,434,220 associated with the development of the Waterloo store location.

**18. DUE TO RELATED PARTIES**

	2020 \$	2019 \$
Fontana Properties limited	<u>312,061</u>	<u>-</u>

These are unsecured interest free advances to related companies, which have no fixed dates of repayment.

**19. BANK OVERDRAFT**

	2020 \$	2019 \$
First Global Bank	<u>-</u>	<u>6,871,588</u>

These represents uncleared cheques as at the year end.

**20. TAXATION (RECOVERABLE) / 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%.

	2020 \$	2019 \$
Taxation payable:		
Income tax payable at beginning of period	18,839,981	27,908,229
Tax liability for the current period:	<u>-</u>	<u>37,911,399</u>
	18,839,981	65,819,628
Less: payments made during the current period	<u>(19,184,989)</u>	<u>(46,979,647)</u>
<b>Taxation (recoverable) / payable at the end of the year</b>	<u>(345,008)</u>	<u>18,839,981</u>

**FONTANA LIMITED**  
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**21. COST OF SALES**

	2020 \$	2019 \$
Opening inventories	570,989,831	589,111,431
Add: Net purchases	<u>2,910,526,090</u>	<u>2,415,694,670</u>
	3,481,515,921	3,004,806,101
Less: Provision for inventory obsolescence	(19,397,068)	(55,642,098)
Closing inventories	<u>(650,602,515)</u>	<u>(570,989,831)</u>
	<u>2,811,516,338</u>	<u>2,378,174,172</u>

**22. ADMINISTRATIVE AND GENERAL EXPENSES**

	2020 \$	2019 \$
Directors' remuneration	67,658,761	69,615,191
Salaries	565,169,639	442,524,278
Statutory contributions	67,744,571	54,741,157
Casual labour	17,121,398	16,395,968
Repairs and maintenance	18,266,398	18,722,892
Staff welfare	20,159,673	28,401,720
Electricity	62,230,355	42,457,486
Staff pension	7,404,891	6,155,178
Shop rental	-	119,301,085 *
Short term leases (see note 3b)	57,069,162	-
Motor vehicle and travelling	6,918,587	7,253,469
Insurance - general	11,471,747	9,383,091
- life	1,353,471	1,714,737
- health	16,275,553	14,329,263
Travel, entertainment and meals	26,410,378	19,415,533
Telephone, internet and postage	20,264,220	17,294,715
Printing and stationery	2,335,181	2,822,556
Strata plan maintenance	31,322,151	17,998,222
Staff uniform	3,622,901	1,564,029
Security	37,271,555	27,398,167
Subscriptions and donations	3,593,343	6,004,191
Rates and taxes	6,857,925	5,970,729
Audit fee	3,400,000	2,500,000
Professional and legal fees	7,672,768	3,027,730
Consultancy fees	1,250,406	1,270,278
Bad debt (recovered) / written off	(750,823)	16,420,202
Depreciation	56,257,174	29,118,276
Depreciation on right of use asset	88,858,565	-
Expected credit losses	161,189	6,752,171 *
General office expenses	20,708,725	9,409,966 *
Rental of equipment	<u>3,364,173</u>	<u>2,210,034</u>
	<u>1,231,444,037</u>	<u>1,000,172,313</u>

\*-Restated to conform to current year presentation



**FONTANA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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*(Expressed in Jamaican dollars unless otherwise stated)*

**23. SELLING AND PROMOTION**

	2020 \$	2019 \$
Advertising	69,309,755	56,226,401
Commissions	29,971,120	22,290,100
	<u>99,280,875</u>	<u>78,516,501</u>

**24. OPERATING PROFIT**

	2020 \$	2019 \$
	<u>367,614,905</u>	<u>244,944,350</u>
Stated after charging the following:		
Directors' remuneration	67,658,761	69,615,191
Auditor's remuneration	<u>3,400,000</u>	<u>2,500,000</u>

**25. OTHER INCOME**

	2020 \$	2019 \$
Interest income	574,129	376,185 *
Other store income and commission	35,484,023	24,134,557
Gain on disposal of asset	-	722,776
Rental income	<u>15,592,256</u>	<u>8,416,269</u>
	<u>51,650,408</u>	<u>33,649,787 *</u>

**26. FINANCE COSTS**

	2020 \$	2019 \$
Bank charges and interest	18,548,995	22,622,013
Gain on foreign exchange	(16,630,561)	(12,874,041)
Loan interest	11,287,927	5,888,270
Fair value loss / (gain) on short term investments	23,141,933	(6,687,307) *
Interest expense on right of use asset	60,837,804	-
Loss on foreign exchange (IFRS 16)	58,040,267	-
Cash shortage	147,248	(348,829)
Credit card chargeback	<u>-</u>	<u>(271,018)</u>
	<u>155,373,613</u>	<u>8,329,088 *</u>

\*-Restated to conform to current year presentation

**FONTANA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

**27. TAXATION CREDIT**

- (a) Income tax charge is computed based on the profits ended June 30, 2020, as a result of the Company's enlistment on the Jamaica Stock Exchange Junior Market effective January 8th, 2019, which entitles the Company to a 100% 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 year, 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:

	2020 \$	2019 \$
Current:		
Provision for income tax on current profit	-	(37,911,399)
Deferred:		
Origination and reversal of temporary differences	<u>12,616,396</u>	<u>74,272,521</u>
	<u>12,616,396</u>	<u>36,361,122</u>
(b) Reconciliation of effective tax rate and charge:		
	2020 \$	2019 \$
Profit before taxation	<u>263,891,700</u>	<u>270,265,049</u>
Computed tax charge	(65,972,925)	(67,566,262)
Employment tax credit	1,212,479	16,669,118
Taxation differences between profit for financial statements and tax reporting purposes on:		
Depreciation and capital allowances	(1,277,038)	74,169,531
Disallowed expenses	10,811,688	7,799,831
Foreign exchange (gain) / loss	(1,035,428)	435,753
Remission of income taxes	<u>68,877,620</u>	<u>4,853,151</u>
Actual tax rate and credit	<u>12,616,396</u>	<u>36,361,122</u>

**28. 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.

	2020 \$	2019 \$
Net profit attributable to shareholders	<u>276,508,096</u>	<u>306,626,171</u>
Weighted average number of shares in issue	<u>1,249,374,825</u>	<u>1,189,130,958</u>
Basic earnings per stock price	<u>0.22</u>	<u>0.26</u>



**FONTANA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

**29. PROFIT BEFORE INTEREST AND TAXATION**

	2020 \$	2019 \$
<b>Net profit for the year</b>	276,508,096	306,626,171
Current period taxation	(12,616,396)	(36,361,122)
Profit before interest	263,891,700	270,265,049
Interest expense	11,287,927	5,888,270
<b>Profit before interest and taxation</b>	<u>275,179,627</u>	<u>276,153,319</u>

**30. RELATED PARTIES**

**(a) Balances between the Company and its related company**

	2020 \$	2019 \$
Related companies (see note 10)	<u>9,058,886</u>	<u>13,626,224</u>

The Company's statement of comprehensive income includes the following transactions, undertaken with related parties in the ordinary course of business:

	2020 \$	2019 \$
<b>(b) Rental expense - Fontana Properties Limited</b>	<u>41,795,350</u>	<u>39,519,500</u>
Transactions with key management personnel:		
- Directors' remuneration	<u>67,658,761</u>	<u>69,615,191</u>

**31. STAFF COSTS**

The number of employees at the end of the year was as follows:

	2020	2019
Permanent	<u>381</u>	<u>359</u>

The aggregate payroll costs for these persons were as follows:

	2020 \$	2019 \$
Salaries and profit related pay	565,169,639	442,524,278
Statutory payroll contributions	<u>67,744,571</u>	<u>54,741,157</u>
	<u>632,914,210</u>	<u>497,265,435</u>

**32. DIVIDEND**

The Company, at a special board of directors meeting held on October 29, 2019, declared a dividend of \$49,974,993 (2019: \$37,992,000), payable on January 17th, 2020, to shareholders on record as at January 3, 2020.

It's All **GOOD** Inside!

**FONTANA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

**33. FINANCIAL INSTRUMENTS**

**(a) 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

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 minimize 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 the year end.

	2020		
	Gross Carrying Amount	Weighted Average Loss Rate	Lifetime ECL Allowance
Aging			
Current	18,948,181	0.56	1,206,591
31-60 days	2,272,289	0.07	864,899
61-90 days	1,287,189	0.04	969,890
91 days and over	<u>11,146,776</u>	<u>0.33</u>	<u>3,871,981</u>
Total	<u>33,654,435</u>		<u>6,913,361</u>

It's All **GOOD** Inside!



**FONTANA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

**33. FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial risk management (cont'd):**

**(i) Credit risk (cont'd):**

*Trade receivables(cont'd)*

	2019		
	Gross Carrying Amount	Weighted Average Loss Rate	Lifetime ECL Allowance
Aging			
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	3,295,352 *
Total	<u>26,164,829</u>		<u>6,752,171 *</u>

**(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, 2020:				
Lease liabilities	920,213,415	1,393,440,405	184,912,360	1,208,528,045
Trade and other payables	512,723,239	512,723,239	512,723,239	-
Bank loans payable	222,726,498	271,240,167	72,870,245	198,369,922
	<u>1,655,663,152</u>	<u>2,177,403,811</u>	<u>770,505,844</u>	<u>1,406,897,967</u>
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
	<u>617,732,597</u>	<u>629,884,104</u>	<u>607,527,377</u>	<u>22,356,727</u>

**(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.

\*-Restated to conform to current year presentation

**FONTANA LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2020**  
*(Expressed in Jamaican dollars unless otherwise stated)*

**33. FINANCIAL INSTRUMENTS (CONT'D)**

**(a) Financial risk management (cont'd):**

**(iii) Market risk (cont'd):**

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, 2020 and 2019, there were no financial liabilities subject to variable interest rate risk.

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.

	2020			2019		
	US\$	CND\$	GBP\$	US\$	CND\$	GBP\$
Bank and cash	1,387,085	23,417	8,558	1,346,321	18,193	7,273 *
Trade and other receivables	42,671	-	-	21,039	-	-
Lease liabilities	(4,777,977)	-	-	-	-	-
Bank loan payables	(75,547)	-	-	-	-	-
Trade and other payables	(418,368)	(64,005)	-	(463,116)	(79,869)	-
Net exposure	<u>(3,842,137)</u>	<u>(40,588)</u>	<u>8,558</u>	<u>904,244</u>	<u>(61,676)</u>	<u>7,273 *</u>

**Sensitivity analysis:**

A strengthening of 200 (2019: 400) basis points of the Jamaica dollar against the currencies indicated above at June 30 would have increased (2019: decreased) the Company's profit or loss by \$10,081,181 (2019: \$4,482,826).

A weakening of 600 (2019: 600) basis points of the Jamaica dollar against the currencies indicated above at June 30 would have decreased (2019: increased) the Company's profit or loss by \$30,243,543 (2019: \$6,724,239)

This analysis assumes that all other variables, in particular interest rates, remain constant.

\*-Restated to conform to current year presentation



**FONTANA LIMITED****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020***(Expressed in Jamaican dollars unless otherwise stated)***33. FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial risk management (cont'd):****(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.

**(b) 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.

**34. IMPACT OF COVID-19 PANDEMIC**

The economic impact of Covid-19 both in Jamaica and globally has been unprecedented and has created tremendous upheavals and uncertainty in almost all business sectors.

While Fontana initially saw a significant increase in our pharmaceutical business during March 2020, the subsequent curfews meant a reduction in opening hours during our fourth quarter, which has had an impact on our front store operations. Continued restrictions and curfews, along with significant declines in global tourism, will likely continue to impact our overall business for the remainder of 2020.

We have worked closely with local and foreign supply chains to ensure that Fontana is fully stocked and prepared for the months ahead. We have significantly moved up our shipping timelines to ensure inventories are in our warehouses and ready for dispatch to our locations to ensure minimal out of stock situations.

We have worked closely with our teams to limit any exposure to Covid-19 and ensure the safest possible environment for our essential workers and customers. We continue to make changes to our protocols and internal processes on a daily and weekly basis as directed by the Ministry of Health and Wellness.

As an essential service, Fontana will continue to do our part to ensure that our customers enjoy the safest possible shopping experience.

**Fontana Limited**  
**LIST OF TOP TEN (10) LARGEST SHAREHOLDERS**  
**AS AT JUNE 30, 2020**

Shareholder	Units
Burbank Holdings Limited	989,172,831
Sagicor Select Fund Limited – ('Class C' Shares) Manufacturing & Distribution	10,028,143
St. Elizabeth International Limited	9,230,953
Mrs. Jacqueline Sharp/Jason Sharp	7,094,000
JCSD Trustee Services Ltd. A/C#76579-02	6,725,794
St. Elizabeth Holdings Limited	5,319,000
Victory Island Limited	5,319,000
Fontana Employee Share Trust	4,966,124
SJIML A/C 3119	4,711,169
Andrew Desnoes	3,968,385

**SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES**  
**AS AT JUNE 30, 2020**

Director	Shareholdings	Connected Parties	Shareholdings
Raymond Therrien	----	Burbank Holdings Limited	989,172,831
Kevin O'Brien Chang	----	Burbank Holdings Limited	989,172,831
		Kevin O'Brien Chang	15,000
		Nicole Watson-Chang	1,547,290
Shinque (Bobby) Chang	----	Burbank Holdings Limited	989,172,831
Anne Chang	----	Burbank Holdings Limited	989,172,831
Jacqueline Sharp	7,094,000	Jason Sharp (joint holder)	
Heather Goldson	2,070,000	David L. Goldson (joint holder)	



SHAREHOLDINGS OF OFFICERS AND CONNECTED PARTIES  
AS AT JUNE 30, 2020

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

Notes





Manchester Shopping Centre  
Mandeville, Manchester

# 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 a **Grand-A-View Restaurant and Event Place, 7 The Queens Drive, Montego Bay, St. James** on **Wednesday, January 6, 2021 at 11:00 a.m** and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
<b>Resolution No. 1</b> Adoption of Directors and Auditors Report, Financial Statement for year ended <b>June 30, 2020</b>		
<b>Resolution No. 2</b> Election of Director retiring by rotation - Raymond Therrien		
<b>Resolution No. 3</b> Election of Directors retiring by rotation - Anne Chang		
<b>Resolution No. 4</b> Ratify interim Dividends paid on <b>January 17, 2020</b>		
<b>Resolution No. 5</b> Ratify interim Dividends paid on <b>November 25, 2020</b>		
<b>Resolution No. 6</b> Remuneration of Directors		
<b>Resolution No. 7</b> To appoint Auditors and to authorize the Directors to fix the remuneration of the Auditors		
<b>Resolution No. 8</b> To amend the Articles of Incorporation		

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.

REGISTRAR AND TRANSFER AGENTS  
Jamaica Central Securities Depository Limited  
40 Harbour Street, Kingston

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