



FONTANA LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR FIRST QUARTER ENDED SEPTEMBER 30, 2020



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DIRECTORS' REPORT TO SHAREHOLDERS – Q1 2020/21

Fontana Limited is pleased to present our unaudited financial statements for the first quarter ended September 30, 2020. Despite the challenges of this year's Covid-19 environment, our results show significantly improved performance over the corresponding period of 2019.

Revenues for the quarter were \$1.11 billion, representing a 21% increase over the \$920.7 million achieved in the corresponding quarter of the previous year. Gross profit also increased to \$394.9 million or 25% higher than the \$316.4 million recorded in the prior year as margins improved year over year. Net profits increased to \$45.2 million, a 146% improvement from the \$18.4 million recorded in the prior year.

The minimal increase in operating expenses for the quarter of 5% over the prior year, was achieved through our concerted efforts to contain costs and improve efficiencies, while we adjusted our spending mindset in reaction to the changed circumstances brought about by the pandemic. We continue to benefit from economies of scale with the addition of the Waterloo Square location whose expenses were the major contributing factor to the increases recorded. The operating profit moved to \$85.2 million from the \$20.2 million recorded last year, a 322% increase. Finance costs were impacted primarily by the foreign exchange losses recorded in relation to the revaluation of the lease liability (IFRS 16) accounting for \$22.8 million of the overall loss.

In commenting on the performance, CEO Anne Chang said "Despite the impact of COVID-19 and reduced operating hours, we saw increases in prescription sales, transaction volumes and average basket sizes. We continue to be encouraged by the growth in new customers, which is driven by our new Waterloo Square location as well as the strength of our brand."

Total assets at the end of the quarter stood at \$3.3 billion, up from \$2.9 billion in the comparative prior period, reflecting an increase of 13%. Shareholder's Equity grew to \$1.43 billion, up from \$1.28 billion or 12% over prior year. This is after providing for dividends of \$99.95 million declared in the period.

Though we had to reduce our sponsorship budget, we supported the following initiatives in this quarter: providing gift baskets for the Mt Olivet Boys Home and Gospel JA Amazing Race Grand finale. We sponsored the TVJ virtual show as well as the Ministry of Health social media competition. We also made back to school donations to the St. Barnabas ECI center and continue to support our Fontana Food for Families initiative as well as the Unicycle School Uniform initiative.

We continue to be impacted by Covid-19 as it relates to our operating hours as well as reductions in disposable income of our customers. Our pivoting efforts in providing convenient customer service options continued into this quarter supporting our customers wanting to shop on their own terms. We are responsive and accommodating to their demands and will deliver the supplies they want in the channel that best suits their needs.

We are thankful for our dedicated team members who continue to go above and beyond the expectations of our customers in these difficult times.

Kevin Chang
Director/Chairman

Anne Chang
Director/CEO

FONTANA LIMITED
STATEMENT OF COMPREHENSIVE INCOME (unaudited)
FIRST QUARTER ENDED SEPTEMBER 30, 2020

	Note	First Quarter ended September 30		Audited Year ended
		2020 \$	2019 \$	30-Jun-20
Revenues		1,113,602,183	920,675,302	4,509,856,155
Cost of sales		<u>718,685,021</u>	<u>604,262,336</u>	<u>2,811,516,338</u>
Gross profit		394,917,162	316,412,966	1,698,339,817
Administrative and other expenses		288,997,853	276,550,485	1,231,444,037
Selling and promotion		<u>20,756,143</u>	<u>19,684,892</u>	<u>99,280,875</u>
		309,753,996	296,235,376	1,330,724,912
Operating profit		85,163,167	20,177,590	367,614,905
Other income		<u>11,461,543</u>	<u>12,412,124</u>	<u>51,650,408</u>
		96,624,709	32,589,714	419,265,313
Finance costs	6	<u>51,409,946</u>	<u>14,218,869</u>	<u>155,373,613</u>
Profit before taxation		45,214,764	18,370,845	263,891,700
Taxation charge/(credit)		-	-	(12,616,396)
Net profit for the period/year		<u>45,214,764</u>	<u>18,370,845</u>	<u>276,508,096</u>
EARNINGS PER SHARE	7	0.04	0.01	0.22

FONTANA LIMITED
STATEMENT OF FINANCIAL POSITION (unaudited)
AS AT SEPTEMBER 30, 2020

	Note	UNAUDITED		AUDITED
		Sep-20	Sep-19	Jun-20
ASSETS				
Non-Current Assets				
Property, plant and equipment		754,380,131	749,677,213	769,835,263
Right of use asset		820,383,443	832,556,060	839,764,477
Intangible asset		165,461,145	165,461,145	165,461,145
Deferred tax asset		14,086,711	1,470,315	14,086,711
		1,754,311,430	1,749,164,733	1,789,147,596
Current Assets				
Due from related parties		22,760,523	9,923,967	9,058,886
Due from directors		7,430,545	4,768,519	6,062,887
Trade and other receivables	3	91,242,433	84,445,389	94,309,180
Taxation recoverable		398,989	-	345,008
Inventories		813,341,208	769,303,489	650,602,515
Cash and cash equivalents		630,878,066	314,049,270	599,256,692
		1,566,051,765	1,182,490,634	1,359,635,168
TOTAL ASSETS		3,320,363,195	2,931,655,367	3,148,782,764
EQUITY & LIABILITIES				
Equity				
Issued share capital		252,589,301	252,589,301	252,589,301
Accumulated surplus		1,185,483,027	1,032,055,991	1,240,218,249
		1,438,072,328	1,284,645,292	1,492,807,550
Non-Current Liabilities				
Shareholder's loan		-	13,044	-
Lease Liability - ROU Asset		834,562,038	812,628,211	836,705,219
Bank loans payable	4	174,857,608	9,861,243	177,057,318
		1,009,419,646	822,502,498	1,013,762,537
Current Liabilities				
Due to related parties		-	-	312,061
Lease Liability - ROU Asset		87,120,158	23,885,009	83,508,196
Bank loans payable - Current portion	4	45,848,272	211,087,259	45,669,181
Trade and other payables	5	739,902,790	580,236,998	512,723,239
Taxation payable		-	9,298,313	-
		872,871,221	824,507,578	642,212,677
TOTAL EQUITY AND LIABILITIES		3,320,363,195	2,931,655,367	3,148,782,764



Kevin Chang
 Director/Chairman



Anne Chang
 Director/CEO

FONTANA LIMITED
STATEMENT OF CHANGES IN EQUITY (unaudited)
FIRST QUARTER ENDED SEPTEMBER 30, 2020

	No of SHARES	SHARE CAPITAL \$	ACCUMULATED SURPLUS \$	TOTAL \$
<i>Audited Balance as at June 30, 2019</i>	1,249,374,825	252,589,301	1,013,685,146	1,266,274,447
Net profit for the period	-	-	18,370,845	18,370,845
<i>Balance at Septmber 30, 2019</i>	<u>1,249,374,825</u>	<u>252,589,301</u>	<u>1,032,055,991</u>	<u>1,284,645,292</u>
<i>Audited Balance as at June 30, 2020</i>	1,249,374,825	252,589,301	1,240,218,249	1,492,807,550
Dividend declaration (see note 8)	-	-	(99,949,986)	(99,949,986)
Net profit for the period	-	-	45,214,764	45,214,764
<i>Balance at Septmber 30, 2020</i>	<u>1,249,374,825</u>	<u>252,589,301</u>	<u>1,185,483,027</u>	<u>1,438,072,328</u>

FONTANA LIMITED
STATEMENT OF CASH FLOWS (unaudited)
As at September 30, 2020

	Unaudited 30-Sep-20 \$	Unaudited 30-Sep-19 \$	Audited 30-Jun-20 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	45,214,764	18,370,845	263,891,700
Adjustment for items not affecting cash resources:			
Depreciation on property, plant and equipment	16,106,296	8,223,831	56,257,174
Depreciation expense - Lease Related	19,381,034	11,918,830	88,858,565
Lease interest expense	16,848,418	10,874,387	60,837,804
Interest expense	3,798,678	517,935	11,287,927
Reclassification of work in progress	-	-	186,717
	<u>101,349,191</u>	<u>49,905,828</u>	<u>481,319,887</u>
(Increase)/decrease in operating assets:			
Inventories	(162,738,693)	(198,313,658)	(79,612,684)
Due from related parties	(13,701,637)	3,702,257	4,554,294
Trade and other receivables	3,066,747	(17,452,784)	(27,316,575)
Increase/(decrease) in operating liabilities:			
Trade and other payables	127,229,565	119,946,823	52,433,068
Due to related parties	(312,061)	-	312,061
	<u>54,893,111</u>	<u>(42,211,534)</u>	<u>431,690,051</u>
Cash flows provided by/(used) in operating activities			
Taxation paid	(53,981)	(9,541,669)	(19,184,989)
	<u>54,839,130</u>	<u>(51,753,203)</u>	<u>412,505,062</u>
Net cash provided by/(used in) operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(651,164)	(57,014,877)	(125,392,988)
	<u>(651,164)</u>	<u>(57,014,877)</u>	<u>(125,392,988)</u>
Net cash used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	-	-	(49,974,993)
Proceeds from loans	-	71,930,670	302,653,405
Repayment of loans	(2,020,619)	(8,424,591)	(237,369,332)
ROU Lease liability, net	(15,379,637)	(18,836,057) *	(69,247,431)
Director's loans, net	(1,367,658)	2,801,430	1,507,063
Interest paid	(3,798,678)	(517,935)	(11,287,927)
	<u>(22,566,592)</u>	<u>46,953,517</u>	<u>(63,719,215)</u>
Net cash (used in)/provided by financing activities			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	31,621,374	(61,814,563)	223,392,859
CASH AND CASH EQUIVALENTS - Beginning of the period	599,256,692	375,863,833	375,863,833
	<u>630,878,066</u>	<u>314,049,270</u>	<u>599,256,692</u>
CASH AND CASH EQUIVALENTS - End of the period			
REPRESENTED BY:			
Short term investment	37,573,186	58,683,158	41,577,635
Cash and bank deposits	593,304,880	255,366,112	557,679,057
	<u>630,878,066</u>	<u>314,049,270</u>	<u>599,256,692</u>

* - to conform to current year presentation

FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS
FIRST QUARTER ENDED 30 SEPTEMBER 2020 (unaudited)

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES**

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

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

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

2. **STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

These unaudited interim financial statements for the 3 months ended September 30, 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These interim financial statements should be read in conjunction with the accounting policies as set out in **Note # 2 & #3** of the audited financial statements for the year ended 30 June 2020 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

3. **TRADE AND OTHER RECEIVABLES**

	30-Sep	
	2020	2019
	\$	\$
Trade receivables	18,261,464	19,253,520
Other receivables	12,422,240	11,992,843
Pre-payments	51,227,388	43,867,685
Security deposits	9,331,342	9,331,342
	91,242,433	84,445,389

4. **BANK LOANS PAYABLE (LONG TERM)**

	30-Sep	
	2020	2019
	\$	\$
a. BNS Consolidated Loan	-	2,055,555
b. BNS Motor Vehicle Loan	2,443,852	3,360,280
c. BNS Energy Loan 2018 (FV)	11,933,243	15,532,667
d. BNS BRIDGE LOAN - WATERLOO	-	200,000,000
e. BNS M/VEHICLE LOAN	7,062,120	-
f. BNS WATERLOO CAPEX	191,666,666	-
g. BNS Van Loan	7,600,000	-
	220,705,880	220,948,502
Less: Current Portion	(45,848,272)	(211,087,259)
	174,857,608	9,861,243

All loans are existing loans as at the year end, and are detailed in **Note #15** of the audited financial statements for year ended June 30, 2020.

5. **TRADE AND OTHER PAYABLES**

	30-Sep	
	2020	2019
	\$	\$
Trade payables	572,182,022	484,454,490
Statutory Liabilities	11,005,849	14,890,454
GCT payable	-	-
Salary accruals	2,580,198	-
Credit cards payable	48,859,627	39,101,163
Other payables and accruals	5,325,109	41,790,891
Dividends Payable (Declared - September 29, 2020)	99,949,986	-
	739,902,790	580,236,998

FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS
FIRST QUARTER ENDED 30 SEPTEMBER 2020 (unaudited)

6. FINANCE COSTS	30-Sep	
	2020	2019
	\$	\$
Bank Service Charges	2,171,610	3,244,861
Finance charges	1,990,124	1,520,288
Loan Interest	3,798,678	517,935
Lease Interest Expense (IFRS 16)	16,848,418	10,874,387
Foreign Exchange Loss/(Gain)	26,601,115	(1,938,601)
	51,409,946	14,218,869

7. EARNINGS PER SHARE	30-Sep	
	2020	2019
	\$	\$
Profit attributable to shareholders	45,214,764	18,370,845
Weighted average number of shares in issue	1,249,374,825	1,249,374,825
Earnings per share	0.04	0.01

8. **DIVIDENDS**

The Board of Directors declared an interim dividend of 8 cents (\$0.08) per share as the final dividend for the year ended June 30, 2020, in their meeting held on September 29, 2020. This is to be paid on Wednesday, November 25, 2020 to shareholders registered at close of business on Wednesday, October 14, 2020.

Fontana Limited

LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT SEPTEMBER 30, 2020

Shareholder	Units
1. Burbank Holdings Limited	989,172,831
2. Sagicor Select Fund Limited – ('Class C' Shares) Manufacturing & Distribution	10,028,143
3. St. Elizabeth International Limited	9,230,953
4. JCSD Trustee Services Ltd. A/C#76579-02	7,725,794
5. Jacqueline Sharp/Jason Sharp	7,094,000
6. St. Elizabeth Holdings Limited	5,319,000
7. Victory Island Limited	5,319,000
8. Fontana Employee Share Trust	4,716,124
9. SJIML A/C 3119	4,711,169
10. Andrew Desnoes	3,968,385

SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES AS AT SEPTEMBER 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 SEPTEMBER 30, 2020

Denise Douglas	25,352	Ryan McCalla (joint holder)
Judale Samuels-Smith	504,923	