



FONTANA LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR SECOND QUARTER ENDED DECEMBER 31, 2020



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DIRECTORS' REPORT TO SHAREHOLDERS – Q2 2020/21

Fontana Limited is pleased to present our unaudited financial statements for the second quarter ended December 31, 2020 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Despite the challenges of this year's Covid-19 environment, our results continue to improve over the prior financial year.

Revenues for the quarter were \$1.54 billion, representing a 10.3% increase over the \$1.40 billion achieved in the corresponding quarter of the previous year. Gross profit also increased to \$621.9 million, which was \$38.0 million or 6.5% higher than the \$583.9 million recorded in the prior year. Net profits increased to \$248.6, a \$53.9 million or 27.7% improvement from the \$194.7 million recorded in the prior year.

Gross profit margins decreased slightly from 41.8% to 40.3% because of a slight reduction in revenue on some of our higher-margin products, which were offset by increases in lower-margin products, particularly in the health department, which drove the top line. Operating profit margins increased significantly from 14.6% to 17.3%, primarily due to successful cost control measures. These measures saw operating expenses decrease by \$24.4 million or 6.5%, moving from \$380 million to \$355.6 million. We thank our team for their continued focus on managing internal and external expenses during these challenging times.

Finance costs were impacted primarily by the foreign exchange losses recorded in relation to the revaluation of the lease liability (IFRS 16), which resulted in an additional cost of \$11.9 million for the period.

Net profits attributable to shareholders for the quarter was \$0.20 per share, a 27.7% increase from the prior year's \$0.16 per share. For the fiscal year to date (July to December) Fontana's earnings of \$293.8 million or \$0.24 per share, represents an \$80.8 million or 37.9% increase over the \$213.0 million or \$0.17 per share for the corresponding period in the previous year.

Total assets at the end of the quarter stood at \$3.4 billion, up from \$3.3 billion in the comparative prior period, reflecting an increase of 3%. Shareholder's Equity grew to \$1.69 billion, up from \$1.43 billion or 18% over prior year. Our balance sheet and significant cash on hand will anchor Fontana through the continued challenges of the current pandemic, while allowing us to continue to explore acquisitions and expansion for the brand.

For the 5th straight year, we staged our annual Christmas "Wishing Tree". Each of our six branches selected a children's home and customers were given the opportunity to purchase Christmas gifts for their wards. Fontana then purchased additional gifts so that every child received a Christmas present. We also took part in the Lessons Alive campaign where we purchased digital tablets for children and partnered with Irie FM in their Christmas Cheer packages for Frontline Workers initiative.

We are thankful for our dedicated team members who continue to go above and beyond the expectations of our customers in these difficult times. We thank our customers for their continued goodwill and their unwavering support, undoubtedly, without them our sales would not continue to grow as they have during this pandemic. We are committed to remaining resilient, adaptable, and are hopeful for the future.

Kevin Chang
Director/Chairman

Anne Chang
Director/CEO

FONTANA LIMITED
STATEMENT OF COMPREHENSIVE INCOME (unaudited)
SECOND QUARTER ENDED DECEMBER 31, 2020

	Note	Second Quarter		6 months		Audited Year ended
		ended December 31		ended December 31		30-Jun-20
		2020	2019	2020	2019	
		\$	\$	\$	\$	
Revenues		1,542,338,404	1,398,179,065	2,655,940,587	2,318,854,367	4,509,856,155
Cost of sales		920,423,021	814,262,555	1,639,108,042	1,418,524,891	2,811,516,338
Gross profit		621,915,383	583,916,510	1,016,832,545	900,329,476	1,698,339,817
Administrative and other expenses		328,364,633	342,589,704	617,362,486	619,140,189	1,231,444,037
Selling and promotion		27,258,346	37,392,267	48,014,489	57,077,158	99,280,875
		355,622,979	379,981,970	665,376,975	676,217,347	1,330,724,912
Operating profit		266,292,404	203,934,540	351,455,571	224,112,129	367,614,905
Other income		16,955,891	15,174,137	28,417,434	27,586,261	51,650,408
		283,248,295	219,108,676	379,873,005	251,698,390	419,265,313
Finance costs	6	34,674,635	24,437,050	86,084,580	38,655,919	155,373,613
Profit before taxation		248,573,661	194,671,626	293,788,424	213,042,471	263,891,700
Taxation credit		-	-	-	-	(12,616,396)
Net profit for the period/year		248,573,661	194,671,626	293,788,424	213,042,471	276,508,096
EARNINGS PER SHARE	7	0.20	0.16	0.24	0.17	0.22

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

	Note	UNAUDITED		AUDITED
		Dec-20	Dec-19	Jun-20
ASSETS				
<i>Non-Current Assets</i>				
Property, plant and equipment		738,810,710	789,413,476	769,835,263
Right of use asset		796,144,200	887,879,352	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
		<u>1,714,502,767</u>	<u>1,844,224,289</u>	<u>1,789,147,596</u>
<i>Current Assets</i>				
Due from related parties		13,509,638	9,411,300	9,058,886
Due from directors		9,352,773	12,050,658	6,062,887
Trade and other receivables	3	103,513,401	118,136,857	94,309,180
Taxation recoverable		619,156	256,206	345,008
Inventories		747,543,671	741,127,211	650,602,515
Cash and cash equivalents		822,797,533	599,780,889	599,256,692
		<u>1,697,336,171</u>	<u>1,480,763,122</u>	<u>1,359,635,168</u>
TOTAL ASSETS		<u>3,411,838,938</u>	<u>3,324,987,411</u>	<u>3,148,782,764</u>
EQUITY & LIABILITIES				
<i>Equity</i>				
Issued share capital		252,589,301	252,589,301	252,589,301
Accumulated surplus		1,434,056,688	1,176,752,624	1,240,218,249
		<u>1,686,645,989</u>	<u>1,429,341,925</u>	<u>1,492,807,550</u>
<i>Non-Current Liabilities</i>				
Shareholder's loan		-	13,044	-
Lease Liability - ROU Asset		821,926,099	759,170,456	836,705,219
Bank loans payable	4	163,395,540	179,919,658	177,057,318
		<u>985,321,639</u>	<u>939,103,158</u>	<u>1,013,762,537</u>
<i>Current Liabilities</i>				
Due to related parties		-	-	312,061
Lease Liability - ROU Asset		89,860,271	138,830,962	83,508,196
Bank loans payable - Current portion	4	45,848,272	57,593,480	45,669,181
Trade and other payables	5	604,162,768	760,117,886	512,723,239
		<u>739,871,311</u>	<u>956,542,328</u>	<u>642,212,677</u>
TOTAL EQUITY AND LIABILITIES		<u>3,411,838,938</u>	<u>3,324,987,411</u>	<u>3,148,782,764</u>



Kevin Chang
 Director/Chairman



Anne Chang
 Director/CEO

STATEMENT OF CHANGES IN EQUITY (unaudited)
SECOND QUARTER ENDED DECEMBER 31, 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
Dividend payment	-	-	(49,974,993)	(49,974,993)
Net profit for the period	-	-	213,042,471	213,042,471
<i>Balance at December 31, 2019</i>	<u>1,249,374,825</u>	<u>252,589,301</u>	<u>1,176,752,624</u>	<u>1,429,341,925</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 payment (see note 8)	-	-	(99,949,986)	(99,949,986)
Net profit for the period	-	-	293,788,424	293,788,424
<i>Balance at December 31, 2020</i>	<u>1,249,374,825</u>	<u>252,589,301</u>	<u>1,434,056,687</u>	<u>1,686,645,988</u>

FONTANA LIMITED
STATEMENT OF CASH FLOWS (unaudited)
As at December 31, 2020

	Unaudited 31-Dec-20 \$	Unaudited 31-Dec-19 \$	Audited 30-Jun-20 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	293,788,424	213,042,471	263,891,700
Adjustment for items not affecting cash resources:			
Depreciation on property, plant and equipment	33,289,071	21,927,661	56,257,174
Depreciation expense - Lease Related	43,620,276	36,875,952	88,858,565
Lease interest expense	33,289,476	27,713,062	60,837,804
Interest expense	7,490,907	4,592,066	11,287,927
Reclassification of work in progress	-	-	186,717
	<u>411,478,155</u>	<u>304,151,212</u>	<u>481,319,887</u>
(Increase)/decrease in operating assets:			
Inventories	(96,941,156)	(170,137,380)	(79,612,684)
Due from related parties	(4,450,752)	4,214,924	4,554,294
Trade and other receivables	(9,204,221)	(51,144,252)	(27,316,575)
Increase/(decrease) in operating liabilities:			
Trade and other payables	91,439,529	249,855,272	52,433,068
Due to related parties	(312,061)	-	312,061
	<u>392,009,495</u>	<u>336,939,776</u>	<u>431,690,051</u>
Cash flows provided by operating activities			
Taxation paid	(274,148)	(19,096,187)	(19,184,989)
	<u>391,735,346</u>	<u>317,843,589</u>	<u>412,505,062</u>
Net cash provided by operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	(2,264,519)	(110,457,524)	(125,392,988)
	<u>(2,264,519)</u>	<u>(110,457,524)</u>	<u>(125,392,988)</u>
Net cash used in investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(99,949,986)	-	(49,974,993)
Proceeds from loans	-	294,653,405	302,653,405
Repayment of loans	(13,482,687)	(214,582,690)	(237,369,332)
ROU Lease liability, net	(41,716,521)	(54,466,948) *	(69,247,431)
Director's loans, net	(3,289,886)	(4,480,709)	1,507,063
Interest paid	(7,490,907)	(4,592,066)	(11,287,927)
	<u>(165,929,987)</u>	<u>16,530,992</u>	<u>(63,719,215)</u>
Net cash (used in)/provided by financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS	223,540,841	223,917,056	223,392,859
CASH AND CASH EQUIVALENTS - Beginning of the period/year	599,256,692	375,863,833	375,863,833
CASH AND CASH EQUIVALENTS - End of the period/year	<u><u>822,797,533</u></u>	<u><u>599,780,889</u></u>	<u><u>599,256,692</u></u>
REPRESENTED BY:			
Short term investment	39,826,186	79,032,413	41,577,635
Cash and bank deposits	782,971,346	520,748,476	557,679,057
	<u><u>822,797,533</u></u>	<u><u>599,780,889</u></u>	<u><u>599,256,692</u></u>

* - to conform to current year presentation

FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS
SECOND QUARTER ENDED 31 DECEMBER 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 6 months ended December 31, 2020 have been prepared in accordance with IAS 34, 'Interim financial reporting'. These interim financial statements should be read in conjunction with the accounting policies as set out in **Note # 2 & #3** of the audited financial statements for the year ended 30 June 2020 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

3. TRADE AND OTHER RECEIVABLES

	31-Dec	
	2020	2019
	\$	\$
Trade receivables	20,227,287	40,448,034
Other receivables	13,129,497	18,168,155
Pre-payments	61,076,875	48,678,263
Deferred GCT	-	1,511,063
Security deposits	9,079,742	9,331,342
	103,513,401	118,136,857

4. BANK LOANS PAYABLE (LONG TERM)

	31-Dec	
	2020	2019
	\$	\$
a. BNS Motor Vehicle Loan	1,985,638	2,902,066
b. BNS Energy Loan 2018 (FV)	10,133,531	13,732,955
c. BNS - INSURANCE PREMIUM FINANCING	-	13,345,208
d. BNS M/VEHICLE LOAN	6,591,312	7,532,910
e. BNS WATERLOO CAPEX	183,333,332	200,000,000
f. BNS Van Loan	7,200,000	-
	209,243,812	237,513,139
Less: Current Portion	(45,848,272)	(57,593,480)
	163,395,540	179,919,658

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

	31-Dec	
	2020	2019
	\$	\$
Trade payables	470,806,388	555,711,359
Statutory liabilities	16,834,690	18,091,641
GCT payable	50,980,931	46,423,934
Salary accruals	17,097,989	10,341,564
Credit cards payable	41,138,769	35,653,831
Other payables and accruals	7,304,001	43,920,565
Dividends payable (Declared: Oct. 29, 2019)	-	49,974,993
	604,162,768	760,117,886

FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS
SECOND QUARTER ENDED 31 DECEMBER 2020 (unaudited)

6. FINANCE COSTS	31-Dec	
	2020	2019
	\$	\$
Bank service charges	2,640,585	3,113,494
Finance charges	1,888,247	1,792,872
Loan interest	3,692,229	4,074,131
Lease interest expense (IFRS 16)	16,441,057	16,838,675
Foreign exchange loss (Revaluation of Lease liability - IFRS 16)	11,892,252	-
Foreign exchange gain	(1,879,736)	(1,382,123)
	34,674,635	24,437,050

7. EARNINGS PER SHARE	31-Dec	
	2020	2019
	\$	\$
Profit attributable to shareholders	248,573,661	194,671,626
Weighted average number of shares in issue	1,249,374,825	1,249,374,825
Earnings per share	0.20	0.16

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 was 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 DECEMBER 31, 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. QWI Investments Limited	5,362,040
7. St. Elizabeth Holdings Limited	5,319,000
8. Victory Island Limited	5,319,000
9. SJIML A/C 3119	4,711,169
10. Fontana Employee Share Trust	4,676,124

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

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