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## **FONTANA LIMITED**

UNAUDITED FINANCIAL STATEMENTS

FOR SECOND QUARTER ENDED DECEMBER 31, 2021



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## **DIRECTORS' REPORT TO SHAREHOLDERS – Q2 2021/22**

Fontana Limited is pleased to present our unaudited financial statements for the second quarter ended December 31, 2021, which were prepared in accordance with International Financial Reporting Standards (IFRS).

Despite the continuing impact of the Covid-19 pandemic, our revenues for the quarter increased to \$1.85 billion, representing an increase of 20.2% over the \$1.54 billion of the corresponding quarter of the previous year. Our newest store, Waterloo continued to show very positive year over year growth. In a period of major disruptions in Jamaica and across the globe, our focus on early ordering and careful management of shipping logistics enabled Fontana to remain fully stocked before and during the busy holiday season.

As all stores have been open for over 2 years, this 20.2% increase can be considered organic growth, not reflecting any temporary boosts. It also compares favourably to the 9.6% reported by PIOJ for the island-wide 'Wholesale & Retail, Repairs; Installation of Machinery & Equipment' sector for October to December 2021 compared to October to December 2020 (<https://www.pioj.gov.jm/product/review-of-economic-performance-october-december-2021/>).

Our cost of sales grew by 24%, impacted primarily by an unprecedented 500% plus increase in global container-freight charges over the past 18 months caused by world-wide supply chain challenges (<https://www.cato.org/blog/why-shipping-prices-have-recently-increased>)

Recognizing the challenges faced by consumers in a Covid-19 affected economy, Fontana chose to absorb a percentage of these unexpected and unavoidable cost increases in order to minimize the impact on our customers. As a result, gross profit margin fell from 40.3% last year to 38.7% this year. Gross profits, however, increased by 15% from \$622 million to \$717 million mainly attributable to volume growth.

Our operating expenses increased by 14% to \$392 million, up from \$344 million over prior year. Staff costs were the main driver here, as we increased man-hours worked in line with the increased operating hours due to the relaxation of Covid-19 protocols. Despite this, our operating profit increased by 17% to \$325 million this quarter.

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 \$36.8 million when compared to the same period last year.

Net profit for the quarter was \$248.8 million, compared with \$248.6 million recorded in the prior year. This represented \$0.20 earnings per share for both periods. This flat result was primarily due to unavoidable external factors: large increases in freight charges added to exchange rate losses due to the lease assessment under the IFRS16 accounting principle. The health of core operations is demonstrated through the increase in cash on hand during the quarter (excluding bond issue) by 59%, from \$223.5 million to \$364 million.

Total assets at the end of the quarter stood at \$4.8 billion, up from \$3.4 billion in the previous comparative period, reflecting an increase of 41%. Cash on hand (including bond issue) more than doubled from \$823 million to \$1.72 billion, an increase of 109%, putting us in a solid position to build inventories and finance the upcoming Portmore expansion and warehouse in Kingston. Shareholder's Equity grew to \$1.99 billion, up from \$1.69 billion or 18% over the prior year.

Despite the Covid-19 restrictions Fontana continues to focus on community and nationally related sponsorships. Among our successful partnerships were:

- The National Tourism Debate Competition
- Yaad Hunt Competition
- "The Psychology Of..." TV Show
- Zoo Lights Sponsorship
- WPYC Health and Wellness Fair
- IrieFM Christmas Treat
- Mello Fm 12 Days of Christmas
- Suncity 12 Days of Christmas

For the 6th 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. Over 200 gifts were given in this initiative. We also donated gift certificates to Doctor's Cave Bathing Club for their Gifts Nursing Fraternity of Cornwall Regional Hospital initiative.

CEO, Anne Chang said 'we are encouraged by the level of growth in revenues and the expansion of our customer base this quarter. Fontana is increasingly being chosen as the preferred pharmacy and retail provider by Jamaican consumers. We continue to focus on expanding our product offerings and improving our customers' shopping experience. We are looking forward to bringing Fontana to the Portmore community, providing the same level of retail excellence as our existing locations. We also are pleased to have played a role in helping to protect our fellow Jamaicans from Covid-19 by partnering with the Ministry of Health & Wellness and to make vaccinations available in our stores. We would like to thank our superb team and other stakeholders for their role in bringing another successful quarter to a close'.



Kevin Chang  
Director/Chairman



Anne Chang  
Director/CEO

**FONTANA LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME (Unaudited)**  
**SECOND QUARTER ENDED DECEMBER 31, 2021**

	Note	Second Quarter		6 Months		Audited Year ended
		ended December 31		ended December 31		30-Jun-21
		2021	2020	2021	2020	
		\$	\$	\$	\$	
<b>Revenues</b>		1,854,561,132	1,542,338,404	3,161,119,753	2,655,940,587	5,151,940,367
<b>Cost of sales</b>		<u>(1,137,283,866)</u>	<u>(920,423,021)</u>	<u>(2,002,538,523)</u>	<u>(1,639,108,042)</u>	<u>(3,203,802,006)</u>
<b>Gross profit</b>		717,277,265	621,915,383	1,158,581,230	1,016,832,545	1,948,138,361
Administrative and other expenses		(367,274,451)	(328,364,633)	(697,863,691)	(617,362,486)	(1,244,040,911)
Selling and promotion		<u>(24,248,680)</u>	<u>(15,717,680) *</u>	<u>(36,859,505)</u>	<u>(28,884,587) *</u>	<u>(55,670,715)</u>
		(391,523,131)	(344,082,313)	(734,723,196)	(646,247,073)	(1,299,711,626)
<b>Operating profit</b>		325,754,135	277,833,070	423,858,034	370,585,473	648,426,735
Other income		<u>17,406,791</u>	<u>14,695,001 *</u>	<u>32,199,317</u>	<u>28,471,182 *</u>	<u>60,180,286</u>
		343,160,925	292,528,072	456,057,351	399,056,655	708,607,021
Finance costs	7	<u>(94,324,726)</u>	<u>(43,954,411) *</u>	<u>(146,094,510)</u>	<u>(105,268,231) *</u>	<u>(167,225,554)</u>
Profit before taxation		248,836,200	248,573,661	309,962,840	293,788,424	541,381,467
Taxation charge		-	-	-	-	(29,054,189)
<b>Net profit for the period/year</b>		<u>248,836,200</u>	<u>248,573,661</u>	<u>309,962,840</u>	<u>293,788,424</u>	<u>512,327,278</u>
<b>EARNINGS PER SHARE</b>	8	<b>0.20</b>	<b>0.20</b>	<b>0.25</b>	<b>0.24</b>	<b>0.41</b>

\* Restated to conform to current year's presentation.

**FONTANA LIMITED**  
**STATEMENT OF FINANCIAL POSITION (Unaudited)**  
**AS AT DECEMBER 31, 2021**

	Note	UNAUDITED		AUDITED
		Dec-21	Dec-20	Jun-21
<b>ASSETS</b>				
<i><b>Non-Current Assets</b></i>				
Property, plant and equipment		739,001,058	738,810,710	716,424,433
Right of use asset		1,014,873,340	796,144,200	747,665,716
Intangible asset		165,461,145	165,461,145	165,461,145
Deferred tax asset		-	14,086,711	-
		<u>1,919,335,544</u>	<u>1,714,502,767</u>	<u>1,629,551,294</u>
<i><b>Current Assets</b></i>				
Due from related parties		7,615,044	13,509,638	7,741,281
Due from directors		8,231,764	9,352,773	3,720,463
Trade and other receivables	3	145,085,801	103,513,401	133,473,836
Taxation recoverable		1,673,607	619,156	1,056,372
Inventories		999,172,978	747,543,671	835,761,847
Cash and cash equivalents		<u>1,715,652,434</u>	<u>822,797,533</u>	<u>859,232,250</u>
		<u>2,877,431,628</u>	<u>1,697,336,171</u>	<u>1,840,986,049</u>
<b>TOTAL ASSETS</b>		<b><u>4,796,767,172</u></b>	<b><u>3,411,838,938</u></b>	<b><u>3,470,537,343</u></b>
<b>EQUITY &amp; LIABILITIES</b>				
<i><b>Equity</b></i>				
Issued share capital		252,589,301	252,589,301	252,589,301
Accumulated surplus		<u>1,737,670,913</u>	<u>1,434,056,688</u>	<u>1,552,645,555</u>
		<u>1,990,260,214</u>	<u>1,686,645,988</u>	<u>1,805,234,856</u>
<i><b>Non-Current Liabilities</b></i>				
Senior Unsecured Bond	5	492,425,200	-	-
Deferred tax liability		14,967,478	-	14,967,478
Non-current portion of lease liability		1,111,164,468	821,926,099	796,095,303
Bank loans payable	4	<u>123,491,508</u>	<u>163,395,540</u>	<u>143,034,760</u>
		<u>1,742,048,653</u>	<u>985,321,639</u>	<u>954,097,541</u>
<i><b>Current Liabilities</b></i>				
Due to related parties		-	-	3,710,711
Current portion of lease liability		110,688,597	89,860,271	86,692,435
Bank loans payable - Current portion	4	39,904,032	45,848,272	43,284,916
Trade and other payables	6	<u>913,865,676</u>	<u>604,162,768</u>	<u>577,516,884</u>
		<u>1,064,458,305</u>	<u>739,871,311</u>	<u>711,204,946</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>4,796,767,172</u></b>	<b><u>3,411,838,938</u></b>	<b><u>3,470,537,343</u></b>



Kevin Chang  
Director/Chairman



Anne Chang  
Director/CEO

**FONTANA LIMITED**  
**STATEMENT OF CHANGES IN EQUITY (Unaudited)**  
**SECOND QUARTER ENDED DECEMBER 31, 2021**

	No of SHARES	SHARE CAPITAL \$	ACCUMULATED SURPLUS \$	TOTAL \$
<b><i>Audited Balance as at June 30, 2020</i></b>	1,249,374,825	252,589,301	1,240,218,249	1,492,807,550
Dividend payment	-	-	(99,949,986)	(99,949,986)
Net profit for the period	-	-	293,788,424	293,788,424
<b><i>Balance at December 31, 2020</i></b>	<b><u>1,249,374,825</u></b>	<b><u>252,589,301</u></b>	<b><u>1,434,056,687</u></b>	<b><u>1,686,645,988</u></b>
 <b><i>Audited Balance as at June 30, 2021</i></b>	 1,249,374,825	 252,589,301	 1,552,645,555	 1,805,234,856
Net profit for the period	-	-	309,962,840	309,962,840
Dividend payment	-	-	(124,937,483)	(124,937,483)
<b><i>Balance at December 31, 2021</i></b>	<b><u>1,249,374,825</u></b>	<b><u>252,589,301</u></b>	<b><u>1,737,670,913</u></b>	<b><u>1,990,260,214</u></b>

**FONTANA LIMITED**  
**STATEMENT OF CASH FLOWS (Unaudited)**  
**As at December 31, 2021**

	Unaudited 31-Dec-21 \$	Unaudited 31-Dec-20 \$	Audited 30-Jun-21 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation	309,962,840	293,788,424	541,381,467
<b>Adjustment for items not affecting cash resources:</b>			
Depreciation on property, plant and equipment	33,965,961	33,289,071	65,441,559
Depreciation expense - Lease Related	68,034,261	43,620,276	92,098,761
Lease interest expense	45,640,770	33,289,476	65,541,946
Interest expense	7,397,558	7,490,907	14,320,461
	<u>465,001,391</u>	<u>411,478,155</u>	<u>778,784,194</u>
<b>(Increase)/decrease in operating assets:</b>			
Inventories	(163,411,131)	(96,941,156)	(185,159,332)
Due from related parties	126,237	(4,450,752)	1,317,605
Trade and other receivables	(11,611,965)	(9,204,221)	(39,164,656)
Taxation recoverable	(617,235)	(274,148) *	(711,363)
<b>Increase/(decrease) in operating liabilities:</b>			
Trade and other payables	336,348,791	91,439,529	64,793,645
Due to related parties	<u>(3,710,711)</u>	<u>(312,061)</u>	<u>3,398,651</u>
<b>Cash flows provided by operating activities</b>	<b>622,125,377</b>	<b>391,735,346</b>	<b>623,258,744</b>
Taxation paid	<u>-</u>	<u>-</u> *	<u>-</u>
<b>Net cash provided by operating activities</b>	<b>622,125,377</b>	<b>391,735,346</b>	<b>623,258,744</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	<u>(56,542,586)</u>	<u>(2,264,519)</u>	<u>(12,030,729)</u>
<b>Net cash used in investing activities</b>	<b>(56,542,586)</b>	<b>(2,264,519)</b>	<b>(12,030,729)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	(124,937,483)	(99,949,986)	(199,899,972)
Proceeds from the issue of a bond	492,425,200	-	-
Repayment of loans	(22,924,136)	(13,482,687)	(36,406,824)
ROU Lease liability, net	(41,817,329)	(41,716,521)	(102,967,623)
Director's loans, net	(4,511,301)	(3,289,886)	2,342,423
Interest paid	<u>(7,397,558)</u>	<u>(7,490,907)</u>	<u>(14,320,461)</u>
<b>Net cash provided by/(used in) financing activities</b>	<b>290,837,393</b>	<b>(165,929,987)</b>	<b>(351,252,457)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>856,420,184</b>	<b>223,540,841</b>	<b>259,975,558</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of the period/year</b>	859,232,250	599,256,692	599,256,692
<b>CASH AND CASH EQUIVALENTS - End of the period/year</b>	<u><b>1,715,652,434</b></u>	<u><b>822,797,533</b></u>	<u><b>859,232,250</b></u>
<b>REPRESENTED BY:</b>			
Short term investment	45,223,249	39,826,186	46,441,365
Cash and bank deposits	1,670,429,185	782,971,346	812,790,885
	<u><b>1,715,652,434</b></u>	<u><b>822,797,533</b></u>	<u><b>859,232,250</b></u>

\* Restated to conform to current year's presentation.



# **FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS** **SECOND QUARTER ENDED 31 DECEMBER 2021 (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, 2021 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 2021 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

## **3 TRADE AND OTHER RECEIVABLES**

	<b>31-Dec</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	27,617,914	20,227,287
Other receivables	21,880,944	13,129,497
Pre-payments	78,917,202	61,076,875
Security deposits	16,669,742	9,079,742
	<b>145,085,801</b>	<b>103,513,401</b>

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

	<b>31-Dec</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
a. BNS Motor Vehicle Loan	152,782	1,985,638
b. BNS Energy Loan 2018 (FV)	2,934,683	10,133,531
c. BNS M/VEHICLE LOAN	4,708,080	6,591,312
d. BNS WATERLOO CAPEX	149,999,996	183,333,332
e. BNS Van Loan	5,600,000	7,200,000
	<b>163,395,540</b>	<b>209,243,812</b>
<b>Less: Current Portion</b>	<b>(39,904,032)</b>	<b>(45,848,272)</b>
	<b>123,491,508</b>	<b>163,395,540</b>

All loans are existing loans as at the year end, and are detailed in **Note #16** of the audited financial statements for year ended June 30, 2021.

## **5 SENIOR UNSECURED BOND**

	<b>31-Dec</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
6% Bond due December 14, 2026	500,000,000	-
Unamortized bond fees (Legal and arranger fees)	(7,574,800)	-
	<b>492,425,200</b>	<b>-</b>

In December 2021, the Company launched a private placement of Bonds to raise J\$500,000,000. The placement was successfully taken up in total by Scotia Investments Jamaica Limited. Interest is payable quarterly at 6% per annum and the debt is secured by debenture over the fixed and floating assets of the Company.

**FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS**  
**SECOND QUARTER ENDED 31 DECEMBER 2021 (Unaudited)**

**6 TRADE AND OTHER PAYABLES**

	<b>31-Dec</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Trade payables	790,508,922	470,806,388
Statutory liabilities	22,924,839	16,834,690
GCT payable	41,782,427	50,980,931
Salary accruals	429,349	17,097,989
Credit cards payable	41,888,485	41,138,769
Other payables and accruals	16,331,654	7,304,001
	<b>913,865,676</b>	<b>604,162,768</b>

**7 FINANCE COSTS**

	<b>31-Dec</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Bank service charges	3,452,304	2,640,585
Finance charges	4,221,024	1,888,247
Credit Card Commission	13,854,954	11,540,666 *
Gain on Investment	(250,806)	(2,260,890) *
Loan interest	4,242,111	3,692,229
Lease interest expense (IFRS 16)	21,753,173	16,441,057
Foreign exchange loss (Revaluation of Lease liability - IFRS 16)	48,690,651	11,892,252
Foreign exchange gain	(1,638,684)	(1,879,736)
	<b>94,324,726</b>	<b>43,954,411</b>

**8 EARNINGS PER SHARE**

	<b>31-Dec</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Profit attributable to shareholders	248,836,200	248,573,661
Weighted average number of shares in issue	1,249,374,825	1,249,374,825
Earnings per share	0.20	0.20

*\* Restated to conform to current year's presentation.*

# Fontana Limited

## LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT DECEMBER 31, 2021

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	8,000,076
5. Jacqueline Sharp/Jason Sharp	7,094,000
6. QWI Investments Limited	5,662,040
7. St. Elizabeth Holdings Limited	5,319,000
8. Victory Island Limited	5,319,000
9. SJIML A/C 3119	5,210,875
10. Fontana Employee Share Trust	4,426,124

## SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES AS AT DECEMBER 31, 2021

Director	Shareholdings	Connected Parties	Shareholdings
Raymond Therrien	----	Burbank Holdings Limited	989,172,831
Kevin O'Brien Chang	----	Burbank Holdings Limited Nicole Watson-Chang	989,172,831 2,201,799
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, 2021

Denise Douglas	25,352	Ryan McCalla (joint holder)
Judale Samuels-Smith	654,923	