Fontana Limited

Financial Statements

Year Ended June 30, 2022

FONTANA LIMITED
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

CONTENTS

CrichtonMullings
& ASSOCIATES

Rohan Crichton, CPA, CA, MAcc
senior partner
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senior partner

Chartered Accountants
Certified Public Accountants

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, 2022, the statement of 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, 2022, 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’ International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

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To the members of
FONTANA LIMITED

Key audit matters (cont'd)

Key audit matters	**How the matter was addressed in our audit**
1) Carrying value of inventory Inventory is reported at $991.9 million and represents 22% of total assets of the Company as at June 30, 2022. 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. In determining the carrying value of inventory, management focuses on conducting periodic counts on high value departments from the overall inventory.	Our audit procedures to address the key audit matter relating to the carrying value of inventory included the following: • Reviewing the Company's standard operating procedures, in order to assess the effectiveness of internal controls over inventory. • 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. • The samples from our stock counts were crossed checked against the inventory system and unresolved variances were extrapolated to the inventory population of each store. Based on the procedures performed, an adjustment of $3.53 million was made to the carrying value of inventory.

To the members of
FONTANA LIMITED

Key audit matters (cont'd)

Key audit matters	How the matter was addressed in our audit
2) Goodwill impairment assessment The Company has goodwill of $165.46 million arising from the acquisition of the Barbican store operations, which represents 3.6% of the total assets as at the year end. 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.	Our audit procedures to address the key audit matter relating to the impairment of goodwill assessment included the following: • We have reviewed management's assertions, including the identification of the underlying cash generating assets. • 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. Based on the procedures performed, management's assessment of goodwill impairment appears reasonable.

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.

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To the members of
FONTANA LIMITED

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.

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 29, 2022

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.

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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, 2022
(Expressed in Jamaican dollars unless otherwise stated)

	Note	2022	2021
		$	$
ASSETS			
Non-current Assets			
Property, plant and equipment	5	742,696,132	716,424,433
Right of use asset	6	949,632,762	747,665,716
Intangible asset	7	165,461,145	165,461,145
		1,857,790,039	1,629,551,294
Current Assets			
Inventories	8	991,859,876	835,761,847
Due from related parties	9	7,040,295	7,741,281
Due from directors	10	5,665,290	3,720,463
Trade and other receivables	11	194,228,415	133,473,836
Taxation recoverable	12	2,618,023	1,056,372
Cash and cash equivalents	13	1,492,173,760	859,232,250
		2,693,585,659	1,840,986,049
TOTAL ASSETS		4,551,375,698	3,470,537,343
EQUITY AND LIABILITIES			
Equity			
Share capital	14	252,589,301	252,589,301
Accumulated surplus		1,908,969,296	1,552,645,555
		2,161,558,597	1,805,234,856
Non-current Liabilities			
Bond payable	15	493,182,680	-
Deferred tax liability	16	25,323,977	14,967,478
Non-current portion of lease liability	6	1,025,532,775	796,095,303
Bank loans payable	17	15,982,671	143,034,760
		1,560,022,103	954,097,541
Current Liabilities			
Current portion of lease liability	6	103,164,557	86,692,435
Current portion of bank loans payable	17	40,100,212	43,284,916
Trade and other payables	18	686,530,229	577,516,884
Due to related parties	19	-	3,710,711
		829,794,998	711,204,946
TOTAL EQUITY AND LIABILITIES		4,551,375,698	3,470,537,343

APPROVED, on behalf of the Board on August 29, 2022

Chairman **Director**

The accompanying notes form an integral part of the financial statements

FONTANA LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED JUNE 30, 2022
(Expressed in Jamaican dollars unless otherwise stated)

	Note	2022 $	2021 $
Revenues	4	6,343,076,888	5,151,940,367
Cost of sales	20	(4,083,488,418)	(3,203,802,006)
Gross profit		2,259,588,470	1,948,138,361
Administrative and other expenses	21	(1,435,382,335)	(1,244,040,911)
Selling and promotion	22	(63,596,983)	(55,670,715)
Operating profit	23	760,609,152	648,426,735
Other income	24	73,018,842	60,180,286
		833,627,994	708,607,021
Finance costs	25	(217,072,789)	(167,225,554)
Profit before taxation		616,555,205	541,381,467
Taxation charge	26	(10,356,499)	(29,054,189)
Net profit, being total comprehensive income for the year		606,198,706	512,327,278
Earnings per share for profit attributable to the equity holders of the Company during the year	27	$ 0.49	$ 0.41

The accompanying notes form an integral part of the financial statements

FONTANA LIMITED
STATEMENT OF CHANGES IN EQUITY
YEAR ENDED JUNE 30, 2022
(Expressed in Jamaican dollars unless otherwise stated)

	Share Capital $	Accumulated Surplus $	Total $
Balance at June 30, 2020	252,589,301	1,240,218,249	1,492,807,550
Transactions with owners:			
Dividends paid (note 31)	-	(199,899,972)	(199,899,972)
Net profit, being total comprehensive income for the year	-	512,327,278	512,327,278
Balance at June 30, 2021	252,589,301	1,552,645,555	1,805,234,856
Transactions with owners:			
Dividends paid (note 31)	-	(249,874,965)	(249,874,965)
Net profit, being total comprehensive income for the year	-	606,198,706	606,198,706
Balance at June 30, 2022	252,589,301	1,908,969,296	2,161,558,597

The accompanying notes form an integral part of the financial statements

FONTANA LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(Expressed in Jamaican dollars unless otherwise stated)

	Note	2022	2021
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before interest and taxation	28	641,538,150	555,701,928
Adjusted for:			
Depreciation on right of use asset		133,274,840	92,098,761
Depreciation on property, plant and equipment		64,477,189	65,441,559
Interest expense on right of use asset		87,540,575	65,541,946
Amortization of bond issuance cost		757,480	-
		927,588,234	778,784,194
(Increase) / decrease in operating assets:			
Inventories		(156,098,030)	(185,159,332)
Due to related parties		700,986	1,317,605
Trade and other receivables		(60,754,579)	(39,164,656)
Taxation recoverable		(1,561,650)	(711,363)
Increase / (decrease) in operating liabilities:			
Trade and other payables		109,013,344	64,793,645
Due to directors		(3,710,711)	3,398,651
Net cash provided by operating activities		815,177,594	623,258,744
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(90,748,888)	(12,030,729)
Net cash used in investing activities		(90,748,888)	(12,030,729)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(249,874,965)	(199,899,972)
Net proceeds from the issue of a bond		492,425,200	-
Proceeds from loans		14,647,000	-
Repayment of loans		(144,883,793)	(36,406,824)
Lease liability, net		(176,872,867)	(102,967,623)
Directors' loans, net		(1,944,826)	2,342,423
Interest paid		(24,982,945)	(14,320,461)
Net cash used in financing activities		(91,487,196)	(351,252,457)
NET INCREASE IN CASH AND CASH EQUIVALENTS		632,941,510	259,975,558
CASH AND CASH EQUIVALENTS - Beginning of the year		859,232,250	599,256,692
CASH AND CASH EQUIVALENTS - End of the year		1,492,173,760	859,232,250
REPRESENTED BY:			
Short term investments		601,351,157	46,441,365
Cash and bank deposits		890,822,603	812,790,885
		1,492,173,760	859,232,250

The accompanying notes form an integral part of the financial statements

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.

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:

- **IFRS 16 Amendment, 'Covid-19-Related Rent Concessions beyond June 30 2021', issued** in March 2021. Effective for annual periods beginning on or after April 1, 2021. The pronouncement amended IFRS 16 Leases to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021.

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 January 2020.** Effective for periods commencing on or after 1 January 2022. These amendments clarify that liabilities are classified as either current or non-current depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The adoption of these amendments is not expected to have a significant impact on the Company.
- **IAS 16 Property, Plant and Equipment - Proceeds before Intended Use - Amendment**', issued May 2020. Effective for periods commencing on or after 1 January 2022. This amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing its asset for the intended sale. Instead the entity will recognize such sale proceeds and related cost in profit and loss. It also clarifies that an entity is ' testing whether an asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts and proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.
- **IAS 12 Amendment, 'Deferred tax related to Assets and Liabilities** arising from a single transaction ', issued May 2021. Effective for periods commencing on or after 1 January 2023. These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary difference.
- **IAS 1 Amendment, Classification of liabilities as current or non-current**, issued in July 2020. Effective for annual period beginning on or after January 1, 2024. These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. Note that the IASB has issued a new exposure draft proposing changes to this amendment.

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.

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 loss (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.

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).

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 amortized cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

(b) Allowance for expected credit loss

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.

(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.

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.

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 coting 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.

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.

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 amortized 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 amortized 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 cash flows 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Financial instruments (cont'd)

Financial assets (cont'd)

Subsequent measurement
Financial assets at amortized cost are subsequently measured using the effective interest rate (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 amortized 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 amortized 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.

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 amortized 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. Amortized 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.

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

4. REVENUES

Revenues represent the value of goods and services sold to third parties, excluding discounts, rebates and general consumption tax.

5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements	Furniture and Fixtures	Computer Equipment	Machinery and Equipment	Sign Drapes	Motor Vehicles	Total
	$	$	$	$	$	$	$
At Cost/Valuation:							
Balance at June 30, 2020	461,256,231	240,227,388	73,767,233	239,514,708	18,745,335	54,522,716	1,088,033,611
Additions	441,950	1,361,845	5,247,017	2,284,265	-	2,695,652	12,030,729
Balance at June 30, 2021	461,698,181	241,589,233	79,014,250	241,798,973	18,745,335	57,218,368	1,100,064,340
Additions	6,591,732	5,835,189	9,572,986	38,092,467	2,901,079	27,755,435	90,748,888
Balance at June 30, 2022	468,289,913	247,424,422	88,587,236	279,891,440	21,646,414	84,973,803	1,190,813,228
Accumulated Depreciation:							
Balance at June 30, 2020	44,482,756	95,444,926	46,883,754	96,862,216	8,368,755	26,155,941	318,198,348
Charge for period	11,482,813	17,042,701	7,687,209	22,718,830	1,874,534	4,635,472	65,441,559
Balance at June 30, 2021	55,965,569	112,487,627	54,570,963	119,581,046	10,243,289	30,791,413	383,639,907
Charge for period	9,643,491	16,874,715	8,618,802	21,075,530	1,516,916	6,747,735	64,477,189
Balance at June 30, 2022	65,609,060	129,362,342	63,189,765	140,656,576	11,760,205	37,539,148	448,117,096
Net Book Value:							
Balance at June 30, 2022	402,680,853	118,062,080	25,397,471	139,234,864	9,886,209	47,434,655	742,696,132
Balance at June 30, 2021	405,732,612	129,101,606	24,443,287	122,217,927	8,502,046	26,426,955	716,424,433
Balance at June 30, 2020	416,773,475	144,782,462	26,883,479	142,652,492	10,376,580	28,366,775	769,835,263

(Expressed in Jamaican dollars unless otherwise stated)

6. RIGHT-OF-USE ASSET

	Buildings $
At Valuation	
Balance at July 1, 2021	928,623,042
Additions	335,241,886
Balance at June 30, 2022	1,263,864,928
Depreciation charge of right-of use asset	
Balance at July 1, 2021	180,957,326
Charge for period	133,274,840
Balance at June 30, 2022	314,232,166
Net Book Value	
Balance at June 30, 2022	949,632,762

Lease Liability:

	2022 $	2021 $
Non-current lease liability	1,025,532,775	796,095,303
Current lease liability	103,164,557	86,692,435
Balance at June 30, 2022	1,128,697,332	882,787,738

7. INTANGIBLE ASSET

	2022 $	2021 $
Goodwill at the end of the year	165,461,145	165,461,145

Goodwill is an intangible asset which was acquired upon the acquisition of the Barbican store. The goodwill is assessed for any impairment losses on an annual basis.

(Expressed in Jamaican dollars unless otherwise stated)

8. INVENTORIES

	2022	2021
	$	$
Inventories	983,023,865	844,778,865
Goods in transit	52,867,100	32,961,745
	1,035,890,965	877,740,610
Less:		
Provision for obsolescence	(44,031,089)	(41,978,763)
	991,859,876	835,761,847

9. DUE FROM RELATED PARTIES

	2022	2021
	$	$
Fontana Employee Share Trust (i)	6,397,298	7,600,306
Fontana Foundation	642,997	140,975
	7,040,295	7,741,281

(i) This represents funds advanced by the Company to purchase shares on behalf of employees during the Company's initial public offering.

10. DUE FROM DIRECTORS

	2022	2021	
	$	$	
Due from directors	8,079,738	9,303,981	*
Due to directors	(2,414,448)	(5,583,518)	*
	5,665,290	3,720,463	

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

*** Reclassified to conform with current year presentation.**

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

11. TRADE AND OTHER RECEIVABLES

	2022	2021
	$	$
Trade receivables	39,237,856	26,374,440
Less: expected credit loss	(8,617,206)	(6,215,372)
Net trade receivables	30,620,650	20,159,068
Other receivables	22,618,624	21,559,366
Deposit on assets (i)	93,119,822	62,732,363
Prepayments	30,459,257	19,642,031
GCT recoverable	740,320	301,266
Security deposits	16,669,742	9,079,742
	194,228,415	133,473,836

(i) This includes deposit on a new point of sale system of $53,178,825 (2021: $39,154,564), leasehold improvements and equipment for the Ferry Warehouse space in the amount of $23,923,007 and design and lease payments for the development stages of Portmore location totaling $16,017,990. Prior year deposit on solar project for the Waterloo location of $23,577,799 was capitalized during the year.

12. TAXATION RECOVERABLE

	2022	2021
	$	$
Taxation recoverable at beginning of year	1,056,372	345,008
Withholding tax recoverable during the year	1,561,650	711,364
Taxation recoverable at the end of the year	2,618,022	1,056,372

13. CASH AND CASH EQUIVALENTS

	2022	2021	
	$	$	
Term and demand deposits	590,996,633	606,192,970	*
Foreign currency accounts	289,264,082	184,884,835	
Short term investments	601,351,157	46,441,365	
Cash balances	10,561,888	21,713,081	*
	1,492,173,760	859,232,250	

14. SHARE CAPITAL

	2022	2021	
	$	$	
Authorized:			
2,664,999,860 ordinary shares			
Issued and fully paid:			
1,249,374,825 ordinary shares	252,589,301	252,589,301	-

(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.

*** Reclassified to conform with current year presentation.**

FONTANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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15. BOND PAYABLE

	2022 $	2021 $
Fixed and variable agreed rate unsecured senior corporate bond	500,000,000	-
Less: deferred bond issue costs	(6,817,320)	-
	493,182,680	-

This represents a five (5) year unsecured long-term corporate bond from Scotia Investment Jamaica Limited. The bond attracts a fixed interest rate of 6% for year one (1) to year (3) and a variable rate of interest for years four (4) and five (5) and matures on December 14, 2026.

16. DEFERRED TAX LIABILITY

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:

	2022 $	2021 $
Deferred tax liability	25,323,977	14,967,478

Deferred tax liability is attributable to the following:

	2022 $	2021 $
Property, plant and equipment	14,798,979	7,720,683
Conversion of foreign currency	10,524,998	7,246,795
	25,323,977	14,967,478

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

	2022 $	2021 $
Balance at the beginning of the year	14,967,478	(14,086,711)
Movement during the year	10,356,499	29,054,189
Balance at the end of the year	25,323,977	14,967,478

(Expressed in Jamaican dollars unless otherwise stated)

16. DEFERRED TAX LIABILITY (CONT'D)

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

	Opening balance	2022 Recognized in profit or loss	Closing balance
Property, plant and equipment	7,720,684	7,078,295	14,798,979
Conversion of foreign currency	7,246,794	3,278,204	10,524,998
	14,967,478	10,356,499	25,323,977

	Opening balance	2021 Recognized in profit or loss	Closing balance
Property, plant and equipment	4,253,563	3,467,121	7,720,684
Conversion of foreign currency	(18,340,274)	25,587,068	7,246,794
	(14,086,711)	29,054,189	14,967,478

(Expressed in Jamaican dollars unless otherwise stated)

17. BANK LOANS PAYABLE

	2022	2021
	$	$
a. BNS Motor Vehicle Loan	-	1,069,210
b. BNS Energy Loan	-	6,534,107
c. BNS Waterloo Capex	33,333,320	166,666,664
d. BNS Van Loan	4,800,000	6,400,000
e. BNS Motor Vehicle Loan	3,766,463	5,649,695
f. BNS Motor Vehicle Loan	6,621,100	-
g. BNS Van Loan	7,562,000	-
Total bank loans payable	56,082,883	186,319,676
Due in less than 12 months	(40,100,212)	(43,284,916)
Due in more than 12 months	15,982,671	143,034,760

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

b. 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. The loan was repaid during the year.

c. This is a loan with a rate of interest of 6.75% per annum. The loan is repayable over sixty (60) months after disbursement, in fixed monthly payments of $2,777,778 plus interest. The purpose of the loan was to pay off the bridge loan. During the year $133.3m was repaid, of which $100m from the bond proceeds was utilized.

d. 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.

e. 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.

f. This is a loan at a rate of interest of 7% per annum. The loan is repayable over forty-eight (48) months, in fixed monthly payments of $147,605 plus interest. The purpose of the loan was to purchase a motor vehicle.

g. This is a loan at a rate of interest of 7% per annum. The loan is repayable over sixty (60) months, in fixed monthly payments of $126,033.33 plus interest. The purpose of the loan was to purchase a motor vehicle.

FONTANA LIMITED
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(Expressed in Jamaican dollars unless otherwise stated)

18. TRADE AND OTHER PAYABLES

	2022 $	2021 $
Trade payables	571,100,479	466,879,386
Statutory liabilities	16,975,744	13,235,897
Accrued salaries	12,732,416	19,206,295
GCT payable	25,460,705	17,851,046
Credit cards payable	26,819,629	50,848,888
Accrued interest	1,150,685	-
Other payables and accruals	32,290,571	9,495,372
	686,530,229	577,516,884

19. DUE TO RELATED PARTIES

	2022 $	2021 $
Fontana Properties Limited	-	3,710,711

These are unsecured interest free advances which were repaid during the year.

20. COST OF SALES

	2022 $	2021 $
Opening inventories	835,761,847	650,602,515
Add: Net purchases	4,237,534,121	3,395,165,792
	5,073,295,968	4,045,768,307
Decrease / (increase) in inventory obsolescence	2,052,326	(6,204,454)
Closing inventories	(991,859,876)	(835,761,847)
	4,083,488,418	3,203,802,006

FONTANA LIMITED
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21. ADMINISTRATIVE AND GENERAL EXPENSES

	2022	2021
	$	$
Directors' renumeration	76,952,980	68,671,445
Salaries	622,470,252	534,939,526
Statutory contributions	79,297,448	66,701,038
Casual labour	20,538,661	13,826,242
Repairs and maintenance	31,112,402	24,185,137
Staff welfare	26,786,383	19,264,741
Electricity	85,791,537	71,418,449
Staff pension	9,162,208	7,308,643
Short term leases (see note 3b)	30,362,283	58,385,415
Motor vehicle and travelling	10,590,175	7,281,036
Insurance - general	12,589,474	12,570,445
- life	2,287,663	1,086,810
- health	15,871,892	16,815,961
Travel, entertainment and meals	22,815,935	17,815,068
Telephone, internet and postage	26,684,827	26,017,200
Printing and stationery	2,619,332	1,617,181
Strata plan maintenance	43,437,031	39,402,552
Staff uniform	4,683,014	3,478,221
Security	41,213,596	37,711,719
Subscriptions and donations	4,740,222	2,871,761
Rates and taxes	8,145,826	6,570,114
Audit fee	3,900,000	3,600,000
Professional and legal fees	11,911,891	9,950,818
Consultancy fees	1,529,950	1,610,010
Bad debt written off	1,028,896	1,780,619
Depreciation	64,477,189	65,441,559
Depreciation on right of use asset	133,274,840	92,098,761
Expected credit loss increase / (decrease)	2,401,834	(697,988)
General office expenses	37,632,300	30,731,627
Rental of equipment	1,072,294	1,586,801
	1,435,382,335	1,244,040,911

22. SELLING AND PROMOTION

	2022	2021
	$	$
Advertising	63,596,983	55,670,715

FONTANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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23. OPERATING PROFIT

	2022 $	2021 $
	760,609,152	648,426,735
Stated after charging the following:		
Directors' remuneration	76,952,980	68,671,445
Auditor's remuneration	3,900,000	3,600,000

24. OTHER INCOME

	2022 $	2021 $
Interest income	8,336,014	2,985,155
Other store income and commission	41,026,155	36,135,502
Rental income	23,064,687	21,059,629
Discount on short term investment	591,986	-
	73,018,842	60,180,286

25. FINANCE COSTS

	2022 $	2021 $
Bank charges and interest	25,621,529	19,096,107
Credit card commission	45,576,714	35,958,668
Gain on foreign exchange	(107,715)	(19,441,958)
Loan interest	24,982,945	14,320,461
Fair value loss / (gain) on short term investments	2,456,639	(4,771,074)
Interest expense on right of use asset	87,540,575	65,541,946
Loss on foreign exchange (IFRS 16)	32,516,777	58,040,267
Cash overage	(1,514,675)	(1,518,863)
	217,072,789	167,225,554

(Expressed in Jamaican dollars unless otherwise stated)

26. TAXATION CHARGE

(a) Income tax charge is computed based on the profits for the financial year ended June 30, 2022. The Company's enlistment on the Jamaica Stock Exchange Junior Market effective January 8th, 2019 entitles the Company to a 100% remission of income tax for the first (five) 5 years and fifty percent (50%) remission for the following five (5) years, providing that it adheres to the rules and regulations of the Jamaica Stock Exchange Junior Market.

Deferred taxation is computed at 25% for the financial year based on the applicable income tax rate for unregulated companies.

The taxation charge is made up as follows:

	2022	2021
	$	$
Deferred:		
Origination and reversal of temporary differences	10,356,499	29,054,189
	10,356,499	29,054,189

(b) Reconciliation of effective tax rate and charge:

	2022		2021	
	$		$	
Profit before taxation	616,555,204		541,381,467	
Computed tax charge	154,138,801	25%	135,345,367	25%
Taxation differences between profit for financial statements and tax reporting purposes on:				
Depreciation and capital allowances	803,127	0%	-	0%
Disallowed expenses	(13,133,838)	-2%	12,889,524	2%
Foreign exchange gain	11,006,188	2%	18,340,274	3%
Remission of income taxes	(142,457,779)	-23%	(137,520,976)	-25%
Actual tax rate and charge	10,356,499	2%	29,054,189	5%

27. 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.

	2022	2021
	$	$
Net profit attributable to shareholders	606,198,705	512,327,278
Weighted average number of shares in issue	1,249,374,825	1,249,374,825
Basic earnings per stock unit	0.49	0.41

(Expressed in Jamaican dollars unless otherwise stated)

28. PROFIT BEFORE INTEREST AND TAXATION

	2022 $	2021 $
Net profit for the year	606,198,705	512,327,278
Current period taxation	10,356,499	29,054,189
Profit before interest	616,555,204	541,381,467
Interest expense	24,982,945	14,320,461
Profit before interest and taxation	641,538,149	555,701,928

29. RELATED PARTIES

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

	2022 $	2021 $
Related companies (see note 9)	7,040,295	7,741,281

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

	2022 $	2021 $
(b) Rental expense - Fontana Properties Limited	46,299,000	44,327,750
Transactions with key management personnel:		
- Directors' remuneration	76,952,980	68,671,445

30. STAFF COSTS

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

	2022	2021
Permanent	413	402

The aggregate payroll costs for these persons were as follows:

	2022 $	2021 $
Salaries and profit related pay	622,470,252	534,939,526
Statutory payroll contributions	79,297,448	66,701,038
	701,767,700	601,640,564

31. DIVIDENDS

The Company, at two special board of directors' meetings held on November 18th, 2021 and May 25th 2022, declared total dividend of $249,874,965 (2021: $199,899,972) in two equal instalments, payable on December 14th, 2021 and June 24th, 2022, to shareholders on record as at November 29th, 2021 and June 9th, 2022, respectively.

FONTANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022
(Expressed in Jamaican dollars unless otherwise stated)

32. 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.

	2022		
Aging	Gross Carrying Amount	Weighted Average Loss Rate	Lifetime ECL Allowance
Current	11,648,720	0.30	1,158,424
31-60 days	11,307,468	0.29	1,003,766
61-90 days	1,852,596	0.05	1,252,214
91 days and over	14,429,072	0.37	5,202,802
Total	39,237,856		8,617,206

FONTANA LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022
(Expressed in Jamaican dollars unless otherwise stated)

32. FINANCIAL INSTRUMENTS (CONT'D)

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

(i) Credit risk (cont'd):

Trade receivables (cont'd)

2021			
Aging	Gross Carrying Amount	Weighted Average Loss Rate	Lifetime ECL Allowance
Current	19,986,408	0.76	1,106,881
31-60 days	2,412,231	0.09	1,148,600
61-90 days	1,670,056	0.06	1,654,146
91 days and over	2,305,745	0.09	2,305,745
Total	26,374,440		6,215,372

(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, 2022:				
Lease liabilities	1,128,697,332	1,128,697,332	103,164,558	1,025,532,774
Trade and other payables	686,530,229	686,530,229	686,530,229	-
Bond payable	493,182,680	590,000,000	30,000,000	560,000,000
Bank loans payable	56,082,883	56,082,883	40,100,212	15,982,671
	2,364,493,124	2,461,310,444	859,794,999	1,601,515,445
June 30, 2021:				
Lease liabilities	882,787,739	1,316,904,341	153,653,272	1,163,251,069
Trade and other payables	577,516,884	577,516,884	577,516,884	-
Bank loans payable	186,319,676	217,354,987	55,800,007	161,554,980
	1,646,624,299	2,111,776,212	786,970,163	1,324,806,049

(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.

32. 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, 2022 and 2021, 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.

	2022			2021		
	US$	CND$	GBP$	US$	CND$	GBP$
Cash and cash equivalents	5,339,213	20,806	9,366	2,553,541	16,552	10,464
Trade and other receivables	42,244	-	-	3,970	-	-
Lease liabilities	(6,812,134)	-	-	(5,425,824)	-	-
Trade and other payables	(649,888)	(52,642)	-	(653,918)	(14,802)	-
Net exposure	(2,080,565)	(31,834)	9,366	(3,522,231)	1,750	10,464

Sensitivity analysis:

A strengthening of 100 (2021: 200) basis points of the Jamaica dollar against the currencies indicated above at June 30 would have increased the Company's profit by $3,152,974 (2021: $10,288,931). A weakening of 400 (2021: 600) basis points of the Jamaica dollar against the currencies indicated above at June 30 would have decreased the Company's profit by $12,611,896 (2021: $30,866,794).

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

(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.

Fontana Limited

LIST OF TOP TEN (10) LARGEST SHAREHOLDERS
AS AT JUNE 30, 2022

Shareholder	Units
1. Burbank Holdings Limited	977,946,747
2. Astronomical Holdings Limited	12,830,000
3. Sagicor Select Fund Limited – ('Class C' Shares) Manufacturing & Distribution	10,028,143
4. St. Elizabeth International Limited	9,230,953
5. JCSD Trustee Services Ltd. A/C#76579-02	8,000,076
6. Jacqueline Sharp/Jason Sharp	7,094,000
7. Victory Island Limited	5,319,000
8. St. Elizabeth Holdings Limited	5,319,000
9. SJIML A/C 3119	5,210,875
10. Fontana Employee Share Trust	4,366,124

SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES
AS AT JUNE 30, 2022

Director	Shareholdings	Connected Parties	Shareholdings
Raymond Therrien	----	Burbank Holdings Limited	977,946,747
Kevin O'Brien Chang	----	Burbank Holdings Limited Nicole Watson-Chang	977,946,747 745,850
Shinque (Bobby) Chang	----	Burbank Holdings Limited	977,946,747
Anne Chang	----	Burbank Holdings Limited	977,946,747
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, 2022

Denise Douglas	25,352	Ryan McCalla (joint holder)
Judale Samuels-Smith	613,506	