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FONTANA LIMITED

UNAUDITED FINANCIAL STATEMENTS

FOR SECOND QUARTER ENDED DECEMBER 31, 2022



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DIRECTORS' REPORT TO SHAREHOLDERS – December 31, 2022

FONTANA REPORTS RECORD REVENUES AND PROFITS FOR SECOND QUARTER ENDED DECEMBER 2022

The Board of Directors of Fontana Limited is pleased to present our unaudited financial statements for the second quarter ended December 31, 2022, which were prepared in accordance with International Financial Reporting Standards (IFRS).

Our revenues for the quarter were a record breaking \$2.1 billion, representing an increase of 15% over the \$1.8 billion for the corresponding quarter of the previous year. Net profit grew by 30%, closing the quarter at \$323.8 million compared to the \$248.8 million earned last year.

Gross profit increased by 16.7%, moving from \$717.2 million in Q2 last year to \$836.9 million this quarter. Our gross profit margin was 39.2% compared to 38.7% last year, as we continue to experience economies of scale having progressed from the pandemic related challenges of last year.

Our operating expenses increased by 25.3% to \$490.5 million, up from \$391.5 million over prior year. While staff costs continue to be the main driver of this, we continue to balance the reinforcement of cost containment measures and staff welfare and retention. Despite this, our operating profit increased by 6.4% to \$346.5 million this quarter.

Finance costs declined by 42.8% ending the quarter at \$53.9 million compared to \$94.3 million in the prior quarter. Proper planning for new lease arrangements and foreign currency gains assisted in this reduction.

Other income saw a 79.5% increase ending the quarter at \$31.2 million compared to \$17.4 million earned last year as we benefited from higher interest earnings on our investments.

Net profit for the quarter was \$323.8 million, compared with \$248.8 million recorded in the prior period. This represented \$0.26 earnings per share versus \$0.20 for the prior period. The net profit margin increased from 13.4% prior year to 15.2% in the current year.

Total assets at the end of the quarter stood at \$5 billion, up from \$4.8 billion in the previous comparative period, reflecting an increase of 4.3%. Our cash and cash equivalents remain favorable at \$1.68 billion, as we move rapidly into the build out segment for our new Portmore store scheduled to open in late 2023. This was after paying dividends of almost \$125 million in the quarter. Shareholder's equity grew to \$2.45 billion, up from \$1.99 billion or 23% over the prior year.

We are always happy to assist in initiatives that improve our communities and our nation. In addition to our annual Fontana Wishing Tree initiative, where we partnered with our customers to donate over 172 gifts for children's homes in the parishes that we operate, we were also able to successfully partner with the following initiatives/activities:

- Myers Gym Expo
- JAAP Annual Convention and Education Forum
- Her Flow Foundation Period Poverty Drive
- Early Childhood Commission Donation
- National Tourism Debate
- Every Mikkle Foundation Donation
- UTECH Marketing Seminar
- St. James Municipal Corporation Donation

- St. Joseph Infant School - Christmas and Decoration
- St. Ann's Bay, Critical Care Nurses - Gift Baskets
- Craighton Basic School - Toy Donation

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, 2022

	Note	Second Quarter		6 Months		Audited
		ended December 31		ended December 31		June 30, 2022
		2022	2021	2022	2021	
				\$	\$	\$
Revenues		2,134,726,341	1,854,561,132	3,777,822,624	3,161,119,753	6,343,076,888
Cost of sales		(1,297,778,223)	(1,137,283,866)	(2,352,087,401)	(2,002,538,523)	(4,083,488,418)
Gross profit		836,948,119	717,277,265	1,425,735,223	1,158,581,230	2,259,588,470
Administrative and other expenses		(464,866,719)	(367,274,451)	(888,965,636)	(697,863,691)	(1,435,382,335)
Selling and promotion		(25,604,306)	(24,248,680)	(65,784,254)	(36,859,505)	(63,596,983)
		(490,471,025)	(391,523,131)	(954,749,890)	(734,723,196)	(1,498,979,318)
Operating profit		346,477,094	325,754,135	470,985,333	423,858,034	760,609,152
Other income		31,240,068	17,406,791	48,539,620	32,199,317	73,018,842
		377,717,162	343,160,925	519,524,954	456,057,351	833,627,994
Finance costs	7	(53,911,298)	(94,324,726)	(108,136,820)	(146,094,510)	(217,072,789)
Profit before taxation		323,805,864	248,836,200	411,388,134	309,962,840	616,555,205
Taxation charge		-	-	-	-	(10,356,499)
Net profit for the period/year		323,805,864	248,836,200	411,388,134	309,962,840	606,198,706
EARNINGS PER SHARE	9	0.26	0.20	0.33	0.25	0.49

FONTANA LIMITED
STATEMENT OF FINANCIAL POSITION (Unaudited)
AS AT DECEMBER 31 2022

	Note	UNAUDITED		AUDITED
		Dec-22	Dec-21	Jun-22
ASSETS				
Non-Current Assets				
Property, plant and equipment		730,116,546	739,001,058	742,696,132
Right of use asset		891,100,920	1,014,873,340	949,632,762
Intangible asset	8	224,547,712	165,461,145	165,461,145
		<u>1,845,765,178</u>	<u>1,919,335,544</u>	<u>1,857,790,039</u>
Current Assets				
Due from related parties		6,027,377	7,615,044	7,040,295
Due from directors		15,302,394	8,231,764	5,665,290
Trade and other receivables	3	161,761,647	145,085,801	194,228,415
Taxation recoverable		4,542,365	1,673,607	2,618,023
Inventories		1,285,633,716	999,172,978	991,859,876
Cash and cash equivalents		1,684,177,803	1,715,652,434	1,492,173,760
		<u>3,157,445,303</u>	<u>2,877,431,628</u>	<u>2,693,585,659</u>
TOTAL ASSETS		<u>5,003,210,481</u>	<u>4,796,767,172</u>	<u>4,551,375,698</u>
EQUITY & LIABILITIES				
Equity				
Issued share capital		252,589,301	252,589,301	252,589,301
Accumulated surplus		2,195,419,948	1,737,670,913	1,908,969,296
		<u>2,448,009,249</u>	<u>1,990,260,214</u>	<u>2,161,558,597</u>
Non-Current Liabilities				
Bond payable	5	493,940,160	492,425,200	493,182,680
Deferred tax liability		25,323,977	14,967,478	25,323,977
Non-current portion of lease liability		998,927,607	1,111,164,468	1,025,532,775
Bank loans payable	4	12,599,213	123,491,508	15,982,671
		<u>1,530,790,957</u>	<u>1,742,048,653</u>	<u>1,560,022,103</u>
Current Liabilities				
Due to related parties		732,332	-	-
Current portion of lease liability		95,585,455	110,688,597	103,164,557
Bank loans payable - Current portion	4	23,433,552	39,904,032	40,100,212
Trade and other payables	6	904,658,936	913,865,676	686,530,229
		<u>1,024,410,275</u>	<u>1,064,458,305</u>	<u>829,794,998</u>
TOTAL EQUITY AND LIABILITIES		<u>5,003,210,481</u>	<u>4,796,767,172</u>	<u>4,551,375,698</u>



Kevin Chang
 Director/Chairman



Anne Chang
 Director/CEO

FONTANA LIMITED
STATEMENT OF CHANGES IN EQUITY (Unaudited)
SECOND QUARTER ENDED DECEMBER 31, 2022

	No of SHARES	SHARE CAPITAL \$	ACCUMULATED SURPLUS \$	TOTAL \$
<i>Audited Balance as at June 30, 2021</i>	1,249,374,825	252,589,301	1,552,645,555	1,805,234,856
Dividend payment	-	-	(124,937,483)	(124,937,482)
Net profit for the period	-	-	309,962,840	309,962,841
<i>Balance at December 31, 2021</i>	<u>1,249,374,825</u>	<u>252,589,301</u>	<u>1,737,670,913</u>	<u>1,990,260,215</u>
<i>Audited Balance as at June 30, 2022</i>	1,249,374,825	252,589,301	1,908,969,296	2,161,558,597
Dividend payment	-	-	(124,937,483)	(124,937,483)
Net profit for the period	-	-	411,388,134	411,388,134
<i>Balance at December 31, 2022</i>	<u>1,249,374,825</u>	<u>252,589,301</u>	<u>2,195,419,947</u>	<u>2,448,009,249</u>

FONTANA LIMITED
STATEMENT OF CASH FLOWS (Unaudited)
As at December 31, 2022

	Unaudited Dec-22 \$	Dec-21 \$	Audited 30-Jun-22 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	411,388,134	309,962,840	616,555,205
Adjustment for items not affecting cash resources:			
Depreciation on property, plant and equipment	32,532,113	33,965,961	133,274,840
Depreciation expense - Lease Related	58,531,842	68,034,261	64,477,189
Lease interest expense	39,335,841	45,640,770	87,540,575
Interest expense	16,828,979	7,397,558	24,982,945
Impairment of solar panels	10,673,531	-	-
Amortization of bond issuance cost	757,480	-	757,480
	<u>570,047,920</u>	<u>465,001,391</u>	<u>927,588,234</u>
(Increase)/decrease in operating assets:			
Inventories	(293,773,840)	(163,411,131)	(156,098,030)
Due from related parties	1,012,918	126,237	700,986
Trade and other receivables	32,466,768	(11,611,965)	(60,754,579)
Taxation recoverable	(1,924,342)	(617,235)	(1,561,650)
Increase/(decrease) in operating liabilities:			
Trade and other payables	218,128,709	336,348,791	109,013,344
Due to related parties	732,332	(3,710,711)	(3,710,711)
	<u>526,690,464</u>	<u>622,125,377</u>	<u>815,177,594</u>
Cash flows provided by operating activities			
Taxation paid	-	-	-
	<u>526,690,464</u>	<u>622,125,377</u>	<u>815,177,594</u>
Net cash provided by operating activities	526,690,464	622,125,377	815,177,594
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment	7,750,000	-	-
Acquisition of property, plant and equipment	(97,462,625)	(56,542,586)	(90,748,888)
	<u>(89,712,625)</u>	<u>(56,542,586)</u>	<u>(90,748,888)</u>
Net cash used in investing activities	(89,712,625)	(56,542,586)	(90,748,888)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(124,937,483)	(124,937,483)	(249,874,965)
Proceeds from the issue of a bond	-	492,425,200	492,425,200
Proceeds from loans	-	-	14,647,000
Repayment of loans	(20,050,118)	(22,924,136)	(144,883,793)
ROU lease liability, net	(73,520,111)	(41,817,329)	(176,872,867)
Director's loans, net	(9,637,104)	(4,511,301)	(1,944,826)
Interest paid	(16,828,979)	(7,397,558)	(24,982,945)
	<u>(244,973,796)</u>	<u>290,837,393</u>	<u>(91,487,196)</u>
Net cash (used in)/provided by financing activities	(244,973,796)	290,837,393	(91,487,196)
NET INCREASE IN CASH AND CASH EQUIVALENTS	192,004,043	856,420,184	632,941,510
CASH AND CASH EQUIVALENTS - Beginning of the period/year	1,492,173,760	859,232,250	859,232,250
	<u>1,684,177,803</u>	<u>1,715,652,434</u>	<u>1,492,173,760</u>
CASH AND CASH EQUIVALENTS - End of the period/year	1,684,177,803	1,715,652,434	1,492,173,760
REPRESENTED BY:			
Short term investment	665,887,831	45,223,249	601,351,157
Cash and bank deposits	1,018,289,972	1,670,429,185	890,822,603
	<u>1,684,177,803</u>	<u>1,715,652,434</u>	<u>1,492,173,760</u>

FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS
SECOND QUARTER ENDED 31st DECEMBER 2022 (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, 2022 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 2022 which have been prepared in accordance with International Financial Reporting Standards (IFRS).

3 TRADE AND OTHER RECEIVABLES

	31-Dec	
	2022	2021
	\$	\$
Trade receivables	39,992,580	27,617,914
Other receivables	47,247,303	21,880,944
Pre-payments	58,852,021	78,917,202
Security deposits	15,669,742	16,669,742
	161,761,646	145,085,801

4 BANK LOANS PAYABLE (LONG TERM)

	31-Dec	
	2022	2021
	\$	\$
a. BNS Motor Vehicle Loan	-	152,782
b. BNS Energy Loan 2018 (FV)	-	2,934,683
c. BNS WATERLOO CAPEX	16,666,652	149,999,996
d. BNS VAN LOAN	4,000,000	5,600,000
e. BNS M/Vehicle Loan	2,824,848	4,708,080
f. BNS M/Vehicle Loan	5,735,470	-
g. BNS VAN LOAN	6,805,796	-
	36,032,765	163,395,541
Less: Current Portion	(23,433,552)	(39,904,032)
	12,599,213	123,491,508

5 SENIOR UNSECURED BOND

	31-Dec	
	2022	2021
	\$	\$
6% Bond due December 14, 2026	500,000,000	500,000,000
Unamortized bond fees (Legal and arranger fees)	(6,059,840)	(7,574,800.00)
	493,940,160	492,425,200

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.

FONTANA LIMITED - NOTES TO THE FINANCIAL STATEMENTS
SECOND QUARTER ENDED 31st DECEMBER 2022 (Unaudited)

6	TRADE AND OTHER PAYABLES	31-Dec	
		2022	2021
		\$	\$
	Trade payables	779,853,819	790,508,922
	Statutory liabilities	28,288,339	22,924,839
	GCT payable	60,245,837	41,782,427
	Salary accruals	1,763,185	429,349
	Credit cards payable	1,338,675	41,888,485
	Other payables and accruals	33,169,082	16,331,654
		904,658,936	913,865,676

7	FINANCE COSTS	31-Dec	
		2022	2021
		\$	\$
	Bank service charges	3,715,291	3,452,304
	Finance charges	3,347,222	4,221,024
	Credit Card Commission	15,762,833	13,854,954
	Gain on Investment	1,362,065	(250,806)
	Loan interest	8,329,916	4,242,111
	Lease interest expense (IFRS 16)	19,515,541	21,753,173
	Foreign exchange loss (Revaluation of Lease liability - IFRS 16)	4,988,174	48,690,651
	Foreign exchange gain	(3,109,744)	(1,638,684)
		53,911,298	94,324,726

8	INTANGIBLE ASSETS	31-Dec	
		2022	2021
		\$	\$
	Goodwill	165,461,145	165,461,145
	Eagle Software (POS) Development	59,086,567	-
		224,547,712	165,461,145

The new POS system (excluding hardware) was implemented in November 2022 and is being amortized over 4 years.

9	EARNINGS PER SHARE	31-Dec	
		2022	2021
		\$	\$
	Profit attributable to shareholders	411,388,134	309,962,840
	Weighted average number of shares in issue	1,249,374,825	1,249,374,825
	Earnings per share	0.33	0.25

Fontana Limited

LIST OF TOP TEN (10) LARGEST SHAREHOLDERS AS AT DECEMBER 31, 2022

Shareholder	Units
1. Burbank Holdings Limited	977,946,747
2. Astronomical Holdings Limited	12,931,000
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	8,356,138
6. Jacqueline Sharp/Jason Sharp	7,094,000
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	4,366,124

SHAREHOLDINGS OF DIRECTORS AND CONNECTED PARTIES AS AT DECEMBER 31, 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 DECEMBER 31, 2022

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