



## **DIRECTORS' REPORT TO SHAREHOLDERS – June 30, 2023**

On behalf of the Board of Directors we are pleased to share the results of Fontana Limited for the financial year ended June 30, 2023.

We are delighted to report record breaking revenues of \$7.3 billion, a 15.4% increase over the \$6.3 billion of the previous year.

Gross profit was \$2.6 billion, or 16.3% higher than the \$2.3 billion recorded in the prior year, and gross margins moved to 35.9% from 35.6%. Our margins increased slightly as we continue to manage our procurement processes to reduce cost of sales.

Operating expenses grew by 25.8%, ending the year at \$1.9 billion compared to \$1.5 billion last year. Staff costs were a huge contributing factor to this increase. Staff retention and welfare were at the top of management's agenda, and the addition of the Ferry warehouse also contributed to staff costs. In preparation for the opening of our new Portmore location later this year, we supplemented the shared services so that proper coverage could be allocated to logistics, warehousing, and loss prevention. We also negotiated well in the face of increasing security, insurance, and software support costs as we pushed to keep costs at a manageable level. As a result of these efforts, operating profit declined by only 2.1% ending the period at \$745.7m versus \$762.1 million last year.

Finance costs saw a reduction of 10.3%, moving from \$218.6 million last year to \$196 million this year. This was mainly attributable to the constant value of the Jamaican dollar when compared to its US counterpart, resulting in minimal exchange difference compared to last year. Coupled with the 46.5% increase in other income, moving from \$73 million last year to \$107 million this year, profit before taxation ended the year at \$656.8 million, a 6.5% increase over last year's \$616.6 million.

Deferred taxation movements resulted in net profit attributable to shareholders of \$655.2 million, an increase of 8.1% over the \$606.2 million earned in the previous year.

Cash flows improved by 4.4% ending the year at \$1.6 billion compared to \$1.5 billion and this in a year where capex was on the increase in preparation for the new Portmore store. Shareholder equity grew by \$280.4 million, an increase of 13% over last year, and this was after the provision of two dividend allocations totaling \$374.8 million.

Net Assets increased by 12.8% mainly due to the acquisition of inventories and other assets for the new store, which by the end of the period showed a significant investment in work-in-progress.

The Fontana Board and Management team greatly anticipates the addition of the newest location to the chain – our Portmore store! Investment in the Portmore store has been significant, and we look forward to expanding the Fontana experience to that community. Initial feedback from community members has been overwhelmingly positive, and all signs point to a highly successful launch.

Our community relations did not go unnoticed during the period. We brokered some lasting partnerships and are very proud of our multi repeat involvement with the period poverty drive, Unicycle school uniform initiative and Fontana wishing tree initiative. We successfully launched the Fontana Foundation during the year and enabled 2 tertiary level scholarships. For UWI we awarded a first year Business/Economics student the Lucas Therrien Memorial Scholarship while for UTECH we awarded a first year Pharmacy student the Angela Chang Memorial Scholarship. All donations collected in store from our customers are matched by the company.

We want to thank all our stakeholders for your trust and support, especially our loyal customers. Our success results from our dedicated team who we want to thank for their unwavering loyalty and commitment.



Kevin Chang  
Director/Chairman



Anne Chang  
Director/CEO