



Chairman's Report – Q3, 2013

AML Foods Limited recorded a net loss for the third quarter of 2013.

Our results are reflective of the significant challenges that we are experiencing, both within our industry and the Bahamian economy. Increased taxation directly impacted our business by approximately \$480k during the 3rd quarter, as a full period of increased business license fees, customs processing fees and other increased taxes took effect. In turn, our Bahamian suppliers have increased their prices to offset their increased taxes, but the Bahamian consumer cannot absorb price increases and therefore food retailers are being squeezed. This is reflective in the reduction of our margin from 29.8% last year to 28.6% in the current quarter.

Our same store sales decreased by 2% during the quarter, driven primarily by decreases in average spend. There is a defined shift in consumer spending habits from discretionary spending to spending on essentials and bread basket items. Under The Price Control Act, food wholesalers and retailers are forced by government regulation to subsidize food costs by selling a large portion of their sales far below their expense base. As consumers turn more towards these bread basket items, our margins will come under greater pressure.

The economic environment that we are experiencing is both challenging and competitive. To offset this, we are focused on improving our efficiencies and on initiatives that will further enhance our competitiveness. Our main focus is our customers, ensuring that we provide them value and quality, especially during these tough times. This approach not only sets us apart from our competitors, but will ensure that we rise from this period in good form.

Despite our current challenges our management team is focused on staying on our strategic path, making the difficult decisions that are required, and moving our Company in a positive direction. We are listening to our customers and are committed to appealing to the diverse market that we serve. The economy is more uncertain now than ever with the impending implementation of VAT but we will continue to manage well what is under our control. This can be seen in our same store expenses, where despite significant upward pressures and increased business license fees, they have remained the same in dollars terms as the corresponding period last year; and in our shrink numbers, where despite a surge in stealing, they have been reduced by 11% year to date over 2012.

Dionisio D'Aguilar
December 20th, 2013

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**UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED OCTOBER 31, 2013**

CONSOLIDATED BALANCE SHEET

(Expressed in thousands of Bahamian dollars)

	October 31, 2013	January 31, 2013
Assets		
Current assets		
Cash and bank balances	\$ 4,082	3,802
Receivables, net of provisions	2,547	892
Merchandise inventories, net of provisions	15,633	18,282
Other current assets	2,237	2,301
	24,499	25,277
Capital assets		
Property and buildings	6,306	8,457
Equipment	7,375	8,004
Leasehold improvements	7,015	6,935
Work In Progress	1,311	817
	22,007	24,213
Goodwill	4,110	4,110
	\$ 50,616	53,600
Liabilities and Equity		
Current liabilities		
Bank overdraft	\$ 2,146	2,263
Accounts payable and accrued expenses	9,806	11,353
Current portion of bank loan	-	-
	11,952	13,616
Long-term liabilities		
Preference shares	20,000	20,000
Bank loan	-	-
	20,000	20,000
Equity		
Ordinary shares	7,702	7,702
Treasury shares (note 3)	(397)	(439)
Capital paid in excess of par	2,664	2,664
Property revaluation surplus	794	942
Retained earnings	7,901	9,115
	18,664	19,984
	\$ 50,616	53,600

AML FOODS LIMITED

CONSOLIDATED STATEMENT OF INCOME

(Expressed in thousands of Bahamian dollars)

	Quarter Ended October 31, 2013	Quarter Ended October 31, 2012
Sales	\$ 34,387	30,970
Cost of sales	(24,557)	(21,740)
Gross profit	9,830	9,230
Selling, general and administrative expenses	(10,342)	(8,775)
Other operating income	63	168
Net operating profit	(449)	623
Interest expense	(21)	17
Dividends on preference shares	(362)	(181)
Net profit before pre-opening expenses	\$ (383)	(164)
Pre-opening expenses	(0)	(49)
Net profit and comprehensive income	\$ (832)	410
Earnings per share	\$(0.054)	\$0.027

	Nine Months Ended October 31, 2013	Nine Months Ended October 31, 2012
Sales	\$ 106,578	89,718
Cost of sales	(75,580)	(62,999)
Gross profit	30,998	26,719
Selling, general and administrative expenses	(30,124)	(25,083)
Other operating income	260	456
Net operating profit	1,134	2,092
Interest expense	(52)	22
Dividends on preference shares	(1,087)	(544)
Net profit before pre-opening expenses and extraordinary income	\$ (1,139)	(522)
Pre-opening expenses	-	(234)
Extraordinary income	-	101
Net profit and comprehensive income	\$ (5)	1,437
Earnings per share	\$(0.000)	\$0.093

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Expressed in thousands of Bahamian dollars)

	No. of Shares	Retained Earnings	Share Capital	Contributed Surplus	Treasury Shares	Revaluation Surplus	Total
January 31, 2013	15,404	\$ 9,115	7,702	2,664	(439)	942	\$ 19,984
Net profit for period	-	(5)	-	-	-	-	(5)
Revaluation	-	-	-	-	-	(148)	(148)
Shares repurchased (note 3)	-	-	-	-	42	-	42
Declared dividends (note 2)	-	(1,209)	-	-	-	-	(1,209)
October 31, 2013	15,404	7,901	7,702	2,664	(397)	794	18,664
January 31, 2012	15,404	\$ 7,600	7,702	2,664	(264)	942	\$ 18,644
Net profit for period	-	1,401	-	-	-	-	1,401
Shares repurchased (note 3)	-	-	-	-	(105)	-	(105)
Declared dividends (note 2)	-	(605)	-	-	-	-	(605)
October 31, 2012	15,404	8,397	7,702	2,664	(369)	942	19,336

AML FOODS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in thousands of Bahamian dollars)

	Nine Months Ended October 31, 2013	Nine Months Ended October 31, 2012
Cash flows from operating activities		
Net profit for period	\$ (833)	1,401
Adjustments for:		
Depreciation and amortisation of franchise fees	841	1,699
Dividends on preference shares	362	544
Decrease/(increase) in inventory provision	(181)	(452)
Decrease in provision for doubtful debts	2	7
Bank Loan Interest	241	-
Operating cash flow before changes in working capital	432	3,199
Working capital source/(use)		
Merchandising inventories	(14)	10
Accounts receivable	371	(209)
Other current assets	124	(530)
Accounts payable and accrued expenses	193	(456)
Net cash provided by operating activities	1,106	2,014
Investing activities source/(use)		
Additions to capital assets	(770)	(8,366)
Movements on investments	-	(9)
Net cash used in investing activities	(770)	(8,375)
Financing activities source/(use)		
Dividends paid on ordinary shares	(27)	(605)
Dividends paid on preference shares	-	(544)
Interest on Preference Shares	(325)	-
Unrealized Loss/Gain on Shares	(362)	-
Repayment of Preference Shares	9	-
Repurchase of shares	(303)	(105)
Proceeds from loan	-	0
Net cash used in financing activities	(1,008)	(1,254)
Decrease in cash	\$ (672)	(7,615)
Cash, beginning of period	2,607	3,847
Cash, end of period	1,935	(3,768)
Movement for period	\$ (672)	(7,615)

Cash and cash equivalents comprise cash less bank overdrafts.

AML FOODS LIMITED

EXPLANATORY NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS Quarter Ended October 31, 2013

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards using the same accounting policies and methods of computation as the Consolidated Financial Statements included in the 2012 Annual Report.

The consolidated financial statements include the accounts of AML Foods Limited, formerly Abaco Markets Limited, (“the Company”) and its significant wholly owned subsidiaries: Solomon’s Supercentre (Nassau) Limited, Cost Right Nassau Limited, Solomon’s Club (Freeport) Limited, Thompson Wholesale Limited, Caribbean Franchise Holdings Limited, and Solomon’s Fresh Market Limited.

2. DECLARED DIVIDENDS

On April 11, 2013, the Company declared dividends of \$0.04 per ordinary share based on 2012 results. Dividends were paid on May 03, 2013 to the shareholders on record as of April 26, 2013. The Board of Directors agreed to pay quarterly dividends during the 2013 fiscal year. To that end, on June 24, 2013, the Company declared dividends of \$0.02 per ordinary share which were paid on July 08, 2013 to shareholders on record as of July 01, 2013. Dividends of \$0.02 per ordinary share were also paid on October 08, 2013 to shareholders on record as of October 01, 2013.

3. SHARE BUY BACK

As at January 31, 2013, the Company had repurchased a total of 269,590 shares at an average cost of \$1.17 per share. The Company purchased an additional 22,514 shares in October 2013 bringing the total shares repurchased to 292,104 at an average cost of \$1.38. The share buy-back program is expected to end January 2014.

AML FOODS LIMITED

AUDITORS

Deloitte & Touche
2nd Terrace West, Centreville
P.O. Box N-7120
Nassau, The Bahamas

BANKERS

Royal Bank of Canada
Royal Bank House
East Hill Street
P.O. Box N-7459
Nassau, The Bahamas

LEGAL COUNSEL

Callenders & Co.
One Millars Court
Shirley Street
P.O. Box N-7117
Nassau, The Bahamas

REGISTRAR & TRANSFER AGENTS

Bahamas Central Securities Depository
50 Exchange Place
Bay Street
P.O. Box EE-15672
Nassau, The Bahamas

FINANCIAL ADVISORS

Providence Advisors Limited
2nd Floor, Goodman's Bay Corporate Centre
West Bay Street
P.O. Box AP-59223
Nassau, The Bahamas

DIRECTORS

Dionisio D'Aguilar (Chairman)
Robert Sands (Vice Chairman)
R. Craig Symonette
Frank J. Crothers
Franklyn Butler, II
Michael R. Moss
Gavin Watchorn

AML FOODS LIMITED

Corporate Offices
Town Centre Mall
Blue Hill Road
P.O. Box SS-6322
Nassau, The Bahamas
Tel: (242) 677-7200
Fax: (242) 356-7855