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FOODS LIMITED

**ANNUAL
REPORT
2017**

OUR PURPOSE

To provide Bahamians with the best shopping experiences.

OUR VISION

To be the Bahamian Company most admired for its People, Partnerships and Performance.

OUR CORE VALUES

INTEGRITY

We will do the right thing, always.

RESPECT

We treat others the way we want to be treated.

ACCOUNTABILITY

We accept ownership and see things through to completion.

ACHIEVEMENT

We will always seek to be the best we can be.

EXCELLENCE

We will recognize and reward our top performers.

LEARNING

We will continuously train, coach and develop our team.



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2017 Awards Ceremony



About Us

AML Foods Limited is an innovative Bahamian Company with operations in New Providence and Grand Bahama. Our brands – Solomon's, Solomon's Super Centre, Solomon's Fresh Market, Cost Right Wholesale Club and Domino's Pizza – are known for quality and value and are well-recognized throughout The Bahamas.

Our Company is built on a strong foundation of integrity, respect for all, corporate responsibility, and community giving. We seek to create a brighter future for the communities that we operate in by directing charitable giving toward our core areas of commitment; Hunger Prevention & Healthy Living, The Environment, Youth Empowerment and Volunteerism.

At AML, our team is focused on driving operational efficiencies and running our businesses better, and we are dedicated to providing our customers with value, all while remaining competitive. We do this to the benefit of our customers, our staff and our shareholders.

AML Foods Limited's Retail Distribution Division includes six grocery store locations. In New Providence the stores include Solomon's Super Center, Solomon's Yamacraw, Solomon's Fresh Market Old Fort Bay and Solomon's Fresh Market Harbour Bay. On Grand Bahama Island they include Solomon's Freeport and Solomon's Lucaya. These stores offer a wide range of consumer products from food items to general

merchandise and clothing. Our team members work to ensure that each location offers affordable products meeting the highest quality standards. We challenge our associates to provide superior service by focusing on making the retail experience an enjoyable one for our customers.

Our Club Distribution Division includes two stores - Cost Right Wholesale Club Nassau and Cost Right Wholesale Club Freeport. Both locations offer a wide assortment of name-brand and club packed products at wholesale prices, from grocery to general merchandise and clothing. We cater to small businesses, offices and homes, offering friendly service and convenient shopping.

Our team members are dedicated to giving customers value on the products we supply, all while making shopping a pleasant experience.

Our Franchise Distribution Division operates eleven Domino's Pizza stores – nine in New Providence and two in Grand Bahama. Domino's is an outstanding international brand with a well-earned reputation for quality products and exceptional service.

Our E-Commerce Distribution Division consists of www.dominos242.com. The web based platform allows customers to purchase their pizza online for carryout, dine-in or delivery. Domino's Pizza Bahamas was the first local pizza company to offer this engaging ordering experience to Bahamians.

AML Foods Limited is a publicly traded company with 1,300 individual shareholders and is listed on the Bahamas International Stock Exchange. The Company employs just under 1,000 associates in New Providence and Grand Bahama Island.



Chairman's Message

Once again, I am honored to be writing to you as Chairman of AML Foods Limited.

Despite our recent operating results, much progress has been made in 2017 on our areas of strategic focus, and our entire team remains committed to our vision of being the Company most admired for its people, partnerships and performance.

Our team opened our newest location, Solomon's Yamacraw in November 2017, bringing the great values and standards of our Solomon's brand to eastern New Providence. The opening of this location drove our company to record sales of \$163m, a new milestone. We implemented our new ERP (Enterprise Resource Planning) system in Solomon's Yamacraw, and remain confident that despite our initial challenges, we have laid a solid platform to utilize technology for future growth.

The closure of Carl's Jr. in December 2017 was a difficult and painful decision but was the right decision for us. The benefits and synergies that were present when we opened the business had eroded, and the unit was requiring resources that far outweighed its relative position within our Company. I am pleased to report there were no job losses with the closing.

As our Company focuses on operational excellence at all levels of the business, we opened our Freeport training center in July of this year. We will open an expanded and upgraded training center in New Providence in early 2019, as we continue to invest in our associates and provide them with the tools they require, to achieve the results and vision we have for our Company. Human Capital development will remain our priority and we are seeing noticeable improvements in our leaders who are completing courses within our internal training programs. At the board level we are better equipped to assist with organizational strategic direction, having gained more specialised areas of expertise, and will continue to add skillsets necessary to drive our strategy. We are committed to maintaining open communication with our management team, to

ensure that we create the right conditions for delivering strong performance for you our shareholders.

“As our Company focuses on operational excellence, human capital development will remain our priority.”

As we look to the immediate future, we remain committed to the relocation of our Cost Right Nassau store by the end of 2019. While we pursue real estate options for expansion, we will strive to fully understand the impact of the recent Value Added Tax increases to consumer spending, and the impact the expected admission of The Bahamas into the World Trade Organization will have on our stores.

A long-standing promise to our shareholders is to begin to increase our dividend distributions to a level where they represent 50% of our earnings. In July, we paid an extraordinary dividend of \$0.02 for our 2017-2018 fiscal year, marking the first step in fulfilling this promise.

An important principle of our company is that we are only as strong as the communities where we do business. We have not forgotten our social responsibility and remain committed to making a difference in the communities that support us each and every day.

On behalf of the entire board of directors, I would like to say thank you to you our shareholders for your support. We also wish to thank our management and team members who continue to raise the standard in our stores, and deliver a shopping experience which is comparable to our counterparts in the US and Europe. We look forward to the continued growth and development of our Company.

Sincerely,



Franklyn Butler II
Chairman

Annual Report to Shareholders

CHIEF EXECUTIVE OFFICER'S MESSAGE

I write to you on the heels of a disappointing 2017 where our results fell below our expectations and did not reflect the efforts of our team. However, while efforts can be lauded, it is results that matter and we take ownership for the issues that have negatively impacted performance in 2017.

The majority of our locations performed very well against target and in comparison to the prior year. Our results reflect a number of onetime expenses – the closing costs for Carl's Jr., pre-opening and initial losses at our new Yamacraw store and the write-off of goodwill wind-up on one of our operating units. The resources directed to focus on our Solomon's Yamacraw opening and our ERP implementation affected our operational standards, particularly in the areas of shrink and gross margins, and these negatively impacted our performance in the 2nd half of our fiscal year. We have examined what went wrong, made corrective steps, and are confident that we will see improvements in these areas.

Despite these challenges, we have made steady progress in the areas of focus that we identified as strategic for our Company – utilizing technology, developing training and a people first culture to drive growth, and identifying areas for new locations and expansion. These strategies will allow us to continue to improve upon our customers' experience.

There are headwinds blowing against retailers in The Bahamas. The growing online shopping presence, expected higher energy costs, the pervasive generally high costs of doing business, the implications of The Bahamas joining WTO and the long-term impact on consumer spending after the recent increase in VAT, all lend to an air of uncertainty, not only in our sector, but in the wider retailer environment. We do not intend to sit by and wait to react to these matters. We will embrace these challenges and shape our strategy to ensure that these, and indeed any matter, do not become a detriment to our long term success.

As always, I feel very privileged to be your CEO and to lead the incredible team of nearly 1,000 associates that is AML Foods. On behalf of our leadership team, we thank you for your support and feedback, and as we approach 2019 and our 30th anniversary, we look forward to continued growth and success for our customers, our associates and you our shareholders.

Sincerely



Gavin Watchorn,
Group President and CEO



2017 Management Discussion and Analysis

Management will use this report to provide an analysis of the movements in AML Foods Limited's ("the Company") balance sheet, cash flow statement and statement of equity for the fiscal year beginning May 01, 2017 to April 30, 2018, and to discuss significant results from operations for the year ended April 30, 2018. This report should be read in conjunction with the audited consolidated financial statements and its accompanying notes.

This report may include "forward-looking statements." While the Company believes that the expectations reflected in such statements are reasonable, it gives no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from the Company's expectations include external economic conditions, changes in the marketplace, changes in interest rates, operating costs and other unforeseen events or conditions that may affect performance.

BALANCE SHEET REVIEW

CASH AND BANK BALANCES

The Company's cash and bank balances increased during the year by \$0.7m from a net cash position of \$4.5m at April 30, 2017 to \$5.0m at April 30, 2018. The Company expended \$7.2m in capital expenditures, which included \$4.6m to complete the construction and outfitting of Solomon's Yamacraw, and \$1.2m for the purchase of a new ERP system. During the year, the Company made a principal payment of \$1.8m to its Class C and Class D preference shareholders. Additionally, ordinary shareholders received dividends of \$1.2m and preference shareholders received \$0.9m

for total dividends payment of \$2.0m. During the year, the Company had drawn down the remaining \$4.0m of its \$7.0m demand loan from RBC Royal Bank (Bahamas) Ltd to fund purchases of property as part of its strategic growth. As at April 30, 2018, the total principal outstanding on the Company's bank loans was \$11.2m.

RECEIVABLES

Net receivables decreased by \$1.2m to \$0.2m at April 30, 2018 compared to \$1.4m at April 30, 2017 due primarily to the collection of VAT refunds. Additionally, the Company collected \$0.4m in rent which was outstanding at April 30, 2017.

MERCHANDISE INVENTORIES

Net inventory levels have increased by \$0.6m or 3.2% to \$19.0m at April 30, 2018 from \$18.4m at April 30, 2017. Inventory increased due to the opening of our Solomon's Yamacraw location and we have seen a decrease of inventory at other locations as we work toward maintaining optimal levels.

OTHER CURRENT ASSETS

Other current assets decreased to \$2.6m at April 30, 2018 from \$3.2m at April 30, 2017. Security deposits, prepaid quarterly rents, and utilities deposits account for a significant portion of this balance.

PROPERTY, PLANT, AND EQUIPMENT

At April 30, 2018, net property, plant, and equipment increased by \$3.1m to \$45.1m from \$42.0m at April 30, 2017. A revaluation of property, land improvements, and buildings contributed to \$1.9m of the increase. Another \$4.6m was expended to complete the construction and outfitting of Solomon's Yamacraw, and \$1.2m for the purchase of a new ERP system.

GOODWILL

The Company conducted its annual impairment test by determining net present value (NPV) of the operating units on which it carries goodwill by calculating NPV of projected cash flows, NPV of terminal values discounted by discounted growth rate, and a discount factor based on the Company's weighted average cost of capital (WACC). The Company's annual impairment test resulted in a write down of \$0.2m of goodwill. Goodwill remains for Solomon's Freeport, Cost Right Freeport, and Domino's Pizza.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable, and accrued expenses totaled \$13.0m at April 30, 2018 compared to \$12.4m at April 30, 2017. Trade accounts payable increased by \$0.8m while accrued expenses decreased by \$0.04m. Business License taxes were \$0.5m compared to \$0.6m at April 30, 2017. Other key components of accrued expenses are amounts for utilities, advertising, and store operating supplies.

PREFERENCE SHARES

For the period ended April 30, 2018, the Company had a total of 13,761 issued and outstanding preference shares compared to 15,536 shares at April 30, 2017. On October 31, 2017 the Company paid a principal payment of \$1.8m to holders of Class C and Class D 6% redeemable non-voting cumulative shares. Dividends of \$0.9m were paid to preference shareholders during the period.

BANK LOAN

The Company has two bank loans with RBC Royal Bank (Bahamas) Limited which bear a blended interest rate of 4.75% each. In July 2017, the Company received the remaining \$4.0m balance of its \$7.0m demand loan facility to finance the Company's current expansion. At April 30, 2018, the total principal amount outstanding on the Company's loans was \$11.2m.

INCOME STATEMENT REVIEW

For the 12 months ended April 30, 2018, the Company's net profit was \$4.0m compared to a net profit of \$6.9m for the 12 months ended April 30, 2017. In December 2017, the Company closed its Carl's Jr franchise operations. The discontinued operations of Carl's Jr resulted in a net loss of \$1.5m which reduced the Company's net profit from continuing operations from \$5.5m to \$4.0m. Additionally, a \$0.2m write down of goodwill further reduced the Company's net profit for the year. For the year ended April 30, 2018, earnings per share (EPS) decreased to \$0.27 from \$0.45 at April 30, 2017.

SALES

Sales totalling \$163.0m were realized during the 12 months ended April 30, 2018 compared to sales of \$154.5m for the 12 months ended April 30, 2017. Food Distribution recorded sales of \$152.7m or 93.7% of total sales while Franchise Distribution recorded sales of \$10.3m or 6.3% of total sales.

GROSS MARGIN

Gross margin for the 12 months ended April 30, 2018 decreased to 31.5% compared to 32.7% for the 12 months ended April 30, 2017. Our shrink losses experienced at Solomon's Yamacraw contributed to the reduced gross margin. The Company anticipates improved margins in the Food Division as it improves its operational standards throughout all locations.

EXPENSES

Selling, General, and Administrative expenses (SGA) for the 12 months ended April 30, 2018 amounted to \$44.9m compared to \$42.7m for the 12 months ended April 30, 2017. As a percentage of sales, SGA expenses decreased to 27.5% for the 12 months ended April 30, 2017 compared to 28.1% for the 12 months ended April 30, 2017.

With the recent increase in VAT, high costs of doing business, increasing competition, and planned WTO accession, the Company's sales and net profit could be impacted.

2018-2019 OUTLOOK

OPPORTUNITIES AND INVESTMENTS

The Company remains committed to providing Bahamians with the best shopping experiences. In this current year we will upgrade equipment and facilities at several of our locations and continue with the upgrade of our ERP. Our new ERP will allow the Company to better understand our customer's needs through the use of better business intelligence. The Company will open a new training center in New Providence by March 2019 following the opening of its Grand Bahama training center in June 2018. The new training center will be a state of the art facility and goes hand in hand with our People First Culture, and the further development of our associates at all levels. The Company anticipates being able to realize significant operational efficiencies with these changes.

ECONOMIC CONDITIONS, CHALLENGES, AND RISKS

Having narrowly avoided a credit downgrade in August 2017, The Bahamas' economy remains soft. According to a Moody's 2018 announcement, "while the economy is recovering, helped by an improved performance of the tourism industry, growth remains constrained by structural bottlenecks, including issues related to ease of doing business and high energy costs." The report further notes that weaker-than-expected growth, exposure to climate-related shocks and implementation risks associated with measures to rein in expenditure growth and enhance revenue are all factors in The Bahamas negative outlook, which was assigned in August 2017.

AML FOODS LIMITED

Consolidated Financial Statements For The Year Ended April 30, 2018 And Independent Auditors' Report

Deloitte.

AML FOODS LIMITED

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of AML Foods Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of AML Foods Limited (the Company) and its subsidiaries collectively, (the Group), which comprise the consolidated statement of financial position as of April 30, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of April 30, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impairment of Goodwill	At April 30, 2018, the Group carried Goodwill of \$2,845,000 in the consolidated statement of financial position (refer to note 10 to the consolidated financial statements) which is subject to an annual impairment test. Management's annual impairment assessment is considered to be a matter of key significance because the assessment process is complex and relies on significant estimates and assumptions. Management estimates the discount rate and determines assumptions in forecasting future cash flows in respect of future market and economic conditions such as economic growth, expected inflation rates, demographic developments, and expected market share.	In evaluating the impairment of Goodwill, we reviewed the value in use calculations prepared by management. We assessed the design and implementation of controls surrounding the preparation of the impairment model. We involved fair value specialists to support our assessment of the weighted average cost of capital and discount rate, and the projected cash flows used by management in the goodwill impairment testing. We compared the growth rates used to historical data regarding economic growth rates, and assessed key inputs into the cash flow forecast against historical performance and in comparison to the management's strategic plans. Where management's assumptions differed from our expectations, we assessed the impact of the change on the impairment model.
Enterprise Resource Planning (ERP) System Implementation	During the year, the Group began implementing a new enterprise resource planning (ERP) system. The implementation of the ERP introduces risks related to system access, change management and data integrity.	In evaluating the new system implementation, we involved information technology specialists to test controls over access and change management. We also assessed whether account balances carried forward to the new ERP were complete and accurate.

Other Information

Management and those charged with governance are responsible for the Other Information. The Other Information comprises all the information in the AML Foods Limited 2018 annual report, but does not include the consolidated financial statements and our auditors' report thereon ("the Other Information"). The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated 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 consolidated 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 the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with 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 those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter 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.

The engagement partner on the audit resulting in this independent auditors' report is Talia Sweeting-Albury.



Nassau Bahamas
August 28, 2018

AML FOODS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 2018***(Expressed in thousands of Bahamian dollars except per share amounts)*

	April 30, 2018	April 30, 2017
Assets		
Current assets		
Cash and bank balances (Note 5)	\$ 5,065	\$ 4,551
Term deposits with original maturities greater than 90 days	275	272
Receivables, net of provisions (Note 6)	177	1,353
Merchandise inventories, net of provisions (Note 7)	18,981	18,393
Other current assets (Note 8)	2,569	3,195
Current assets held for sale (Note 22)	729	-
Total current assets	27,796	27,764
Non-current assets		
Other assets (Note 9)	3,138	-
Property, plant and equipment, net (Note 10)		
Property, land improvements, and buildings	31,067	22,053
Equipment	7,249	6,723
Leasehold improvements	5,106	7,390
Work in progress	1,736	5,878
	45,158	42,044
Goodwill (Note 11)	2,845	3,019
Total non-current assets	51,141	45,063
Total assets	\$ 78,937	\$ 72,827

(Continued)

See notes to consolidated financial statements.

AML FOODS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT APRIL 30, 2018***(Expressed in thousands of Bahamian dollars except per share amounts)*

	2018	2017
Liabilities and shareholders' equity		
Current liabilities		
Bank overdrafts (Note 5)	\$ -	\$ 153
Accounts payable and accrued expenses (Note 13)	13,029	12,432
Current portion of bank loan (Note 12)	1,310	1,280
Current portion of preference shares (Note 14)	1,775	1,775
Current liabilities held for sale (Note 22)	24	-
Total current liabilities	16,138	15,640
Long-term liabilities		
Bank loan (Note 12)	9,892	7,216
Preference shares (Note 14)	11,986	13,761
Total long-term liabilities	21,878	20,977
Total liabilities	38,016	36,617
Shareholders' equity		
Ordinary share capital (Note 15)	7,524	7,524
Contributed surplus	2,231	2,231
Revaluation surplus (Note 10)	5,040	3,159
Retained earnings	26,126	23,296
	40,921	36,210
Total liabilities and shareholders' equity	\$ 78,937	\$ 72,827


(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors as of August 28, 2018 and are signed on its behalf by:



 Director



 Director

AML FOODS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED APRIL 30, 2018***(Expressed in thousands of Bahamian dollars except per share amounts)*

	April 30, 2018	April 30, 2017
Sales (Note 23)	\$ 163,057	\$ 154,565
Cost of sales	(111,766)	(104,012)
Gross profit (Note 23)	51,291	50,553
Selling, general and administrative expenses (Note 17)	(44,881)	(42,672)
Other operating income	1,139	805
Net operating profit	7,549	8,686
Dividends on preference shares (Notes 14 and 23)	(879)	(984)
Interest expense (Note 23)	(522)	(334)
Pre-opening costs (Note 23)	(424)	(81)
Loss on disposal of fixed assets (Note 10)	(44)	(146)
Impairment of goodwill (Note 11)	(174)	-
Net profit from continuing operations	5,506	7,141
Discontinued operations		
Loss from discontinued operations (Note 22)	(1,472)	(285)
Net profit and comprehensive income	\$ 4,034	\$ 6,856
Earnings per share from continuing operations (Note 18)	\$ 0.37	\$ 0.47
Earnings per share from discontinued operations (Note 18)	\$ (0.10)	\$ (0.02)
Earnings per share (Note 18)	\$ 0.27	\$ 0.46

See notes to consolidated financial statements.

AML FOODS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY YEAR ENDED APRIL 30, 2018

(Expressed in thousands of Bahamian dollars except per share amounts)

	Number of Ordinary Shares Share Contributed Revaluation Retained Total (‘000s) Capital Surplus Surplus Earnings					
Balance as of April 30, 2016	15,049	\$ 7,524	\$ 2,231	\$ 3,159	\$ 17,644	\$ 30,558
Net profit from continuing operations	-	-	-	-	7,141	7,141
Net loss from discontinued operations	-	-	-	-	(285)	(285)
Declared dividends (\$0.08 per share)	-	-	-	-	(1,204)	(1,204)
Balance as of April 30, 2017	15,049	7,524	2,231	3,159	23,296	36,210
Net profit from continuing operations	-	-	-	-	5,506	5,506
Net loss from discontinued operations	-	-	-	-	(1,472)	(1,472)
Revaluation surplus (Note 10)	-	-	-	1,881	-	1,881
Declared dividends (\$0.08 per share)	-	-	-	-	(1,204)	(1,204)
Balance as of April 30, 2018	15,049	\$ 7,524	2,231	5,040	26,126	\$ 40,921

See notes to consolidated financial statements.

AML FOODS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2018

(Expressed in thousands of Bahamian dollars except shares and per share amounts)

	April 30, 2018	April 30, 2017
Cash flows from operations		
Net profit	\$ 4,034	\$ 6,856
Adjustments for:		
Depreciation (Note 10)	4,621	4,493
Impairment on discontinued operations (Note 22)	613	-
Dividends on preference shares (Note 14)	879	984
Increase / (decrease) in inventory provision (Note 7)	1,178	(251)
Increase in provision for doubtful debts (Note 6)	17	90
Loss on disposal of property, plant and equipment (Note 10)	132	146
Loss on impairment of goodwill (Note 11)	174	-
Operating cash flow before changes in working capital	11,648	12,318
Decrease / (increase) in working capital source/(use):		
Increase in merchandise inventories (Note 7)	(1,766)	(1,990)
Decrease / (increase) in receivables (Note 6)	1,159	(190)
Decrease / (increase) in other current assets (Note 8)	566	(242)
Increase in other assets (Note 9)	(3,138)	-
Increase in accounts payable and accrued expenses (Note 13)	621	659
Net cash provided from operating activities	9,090	10,555
Cash flows from investing activities		
Movement in term deposits with original maturities greater than 90 days	(3)	645
Additions to property, plant and equipment (Note 10)	(7,249)	(14,456)
Proceeds from insurance	-	11
Net cash used in investing activities	(7,252)	(13,800)
Cash flows from financing activities		
Dividends paid on ordinary shares (Note 15)	(1,204)	(1,204)
Dividends paid on preference shares (Note 14)	(879)	(984)
Repayment of preference shares (Note 14)	(1,775)	(1,774)
Proceeds from bank loan (Note 12)	4,000	3,000
Repayment of bank loan (Note 12)	(1,294)	(748)
Net cash used in financing activities	(1,152)	(1,710)
Net increase / (decrease) in cash and cash equivalents	686	(4,955)
Cash, beginning of period	4,398	9,353
Cash, end of period (Note 5)	\$ 5,084	\$ 4,398
Supplemental information:		
Interest received	\$ 10	\$ 17
Interest paid	\$ 522	\$ 334

See notes to consolidated financial statements.

AML FOODS LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED APRIL 30, 2018

(Expressed in thousands of Bahamian dollars except shares and per share amounts)

1. GENERAL INFORMATION

AML Foods Limited (“the Company”) is incorporated under the laws of The Commonwealth of The Bahamas and its shares are listed on the Bahamas International Securities Exchange. The registered office of the Company is at One Millars Court, off Shirley Street, Nassau, New Providence, Bahamas and the corporate office is at Town Centre Mall, Blue Hill Road, New Providence, Bahamas.

The Company and its wholly owned subsidiaries are primarily engaged in the operations of retail and club stores offering dry and perishable food items and other consumer products, and the operation of food franchise businesses.

The Company has six (6) subsidiaries that management deem to be significant to the operations of the Company for the year ended April 30, 2018 and seven (7) for the year ended April 30, 2017. The Company holds 100% of the voting rights in all subsidiaries. The significant operating entities are all incorporated in The Commonwealth of The Bahamas. These are separated into two operating segments as listed below:

Food Distribution

- Solomon’s Supercentre (Nassau) Limited
- Cost Right Nassau Limited
- Solomon’s Club (Freeport) Limited
- Thompson Wholesale Limited
- Solomon’s Fresh Market Limited

Franchise

- Caribbean Franchise Holdings Limited
- CJB Limited (discontinued in December 2017)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, there were several new and amended Standards and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the International Financial Reporting Interpretations Committee (the “IFRIC”) of the IASB effective for annual reporting periods beginning on or after May 1, 2017. The adoption of these Standards and Interpretations has not led to any changes in the Company’s accounting policies.

a. *Standards and Interpretations effective but not affecting the reported results or financial position*

IFRS 12 Disclosure of Interests in Other Entities
IAS 12 Income Taxes
IAS 27 (Revised 2011) Separate Financial Statements
IAS 32 Financial Instruments: Presentation
IAS 39 Financial Instruments: Recognition and Measurement
IFRIC 21 Levies

The above standards have not led to changes in the consolidated financial position of the Company during the current year.

b. *Standards and Interpretations in issue but not yet effective*

IFRS 9 Financial Instruments (2014)
IFRS 15 Revenue from Contracts with Customers
IFRS 16 Leases
IFRS 17 Insurance Contracts
IAS 40 Investment Property
IFRIC 22 Foreign Currency Transactions and Advance Consideration
IFRIC 23 Uncertainty over Income Tax Treatments

Management is currently reviewing the potential impact of these new standards and interpretations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance - The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of preparation - The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain land, land improvements and buildings.

Basis of consolidation - The consolidated financial statements include the assets, liabilities, equity, income, expenses, and cash flows of the parent and its subsidiaries and are presented as those of a single economic entity. Subsidiaries are all entities controlled by the Company. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Accounting policies of subsidiaries are consistent with the policies adopted by the Company. All significant inter-company balances and transactions are eliminated on consolidation.

The following is a summary of the significant accounting policies:

a. Revenue recognition - Revenues comprise the fair value of the consideration received or receivable in the ordinary course of the Company's activities. Revenues are presented net of returns and discounts. The Company derives revenues from two types of operations:

- i. Retail sales, which include grocery, appliances and household items
- ii. Franchise sales, which comprise prepared food

Revenue from the sale of goods are recognised at the point of sale and it is at this point that the title of the items has been transferred to the buyer and the Company no longer holds significant risks and rewards of ownership of the goods. Retail sales in both food distribution and food franchise are usually settled by cash or by credit card. Revenue from the sale of wholesale goods are recognised when the Company has delivered products to the customer; the customer has accepted the product and collectability of the related receivable is reasonably assured.

b. Cost of sales - Cost of sales consists of the purchase price of inventory sold, shipping charges, import duties and other costs. Cost of sales also includes supplies, shrink, and loss and damage. For Franchise Distribution, cost of sales also comprises all cost associated with the operations of the commissaries including salaries, facilities cost, office costs, motor, and depreciation charges.

Vendor discounts, wherever applicable, are factored into the total landed cost of the inventory.

c. Cash and cash equivalents - Cash and cash equivalents comprise unrestricted cash on hand and in banks that are available for use in operations and capital expenditures. In the consolidated statement of cash flows, bank overdraft is deducted from cash and cash equivalents to present a net cash position. Cash and cash equivalents also include term deposits with original maturity dates less than 90 days.

d. Term deposits - Term deposits with original maturity dates greater than 90 days are shown separate and apart from unrestricted funds. Term deposits may be established for a specific purpose and / or for a certain period of time.

e. Receivables - Receivables are carried at invoice amount less provisions made for doubtful accounts (Note 6) and impairment losses, if any. For trade receivables, the provision is based on specific provisions for accounts which management deems to be uncollectable and a

provision for accounts with balances due for 60 days and over. The carrying value of the receivable is reduced through an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income within selling, general and administrative expenses. When a trade receivable is deemed uncollectible, it is written off against the allowance account for trade receivables. Subsequent recovery of amounts previously written off is credited against selling, general and administrative expenses in the consolidated statement of comprehensive income.

- f. Merchandise inventories* - Food distribution and franchise inventories are stated at the lower of weighted average cost less provisions and net realizable value.

Provisions for shrinkage are made for differences between book value and the last physical inventory count based on percentage of sales. Provisions are also made for slow moving and obsolete inventory by applying a range of percentages to inventory aging reports. Losses and damages incurred during the normal course of business are recognized in the consolidated statement of comprehensive income at the time that such impairment is known. These are made in order to estimate the amount by which inventory needs to be reduced to estimated net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to conclude the sale.

- g. Property, plant and equipment* - Property and buildings are stated at fair value as determined by the Board of Directors. The Directors obtain independent valuations every three years unless a significant event occurs earlier which may materially impact property values. Any increase in the carrying value of an asset as a result of a revaluation is recognized in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the reversal is credited to the profit or loss to the extent of the decrease previously expensed. However, a revaluation decrease is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of the same asset. No depreciation is provided on land.

Properties in the course of construction are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets commences when the assets are ready for their intended use, on the same basis as the other property assets.

Equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on a straight-line basis on cost or revalued amounts over the estimated useful lives of the assets as follows:

Land improvements	10 years
Buildings	40 years
Furniture, fixtures and equipment	2 - 10 years
Motor vehicles	4 years
Computer equipment and software costs	3 - 4 years
Leasehold improvements	Lesser of 7 years or the life of the relevant lease where renewal is not expected

At the time assets are retired or otherwise disposed of, the cost and related accumulated depreciation and revaluation surplus are eliminated from the accounts and any gain or loss on the transaction is recognized in the consolidated statement of comprehensive income.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

All other costs are classified as repairs and maintenance and are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

- h. Goodwill** - Goodwill represents the excess of the acquisition cost of subsidiaries over the fair value of net identifiable assets acquired at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The Company performs an impairment exercise annually or earlier if indications of impairment exist. An impairment loss for a business unit arises when the assets in use, including goodwill, exceed the recoverable amount, which is calculated as the higher of net selling price and value in use.

- i. Franchise fee** – At April 30, 2018, the Company operated one food franchise, for which franchise and territory fees are assessed by the franchisor and are payable in advance for each location. These fees are amortized over a five year period and the unamortized portion of the fee is presented with other current assets on the consolidated statement of financial position. At April 30, 2018, the unamortized franchise fees were \$0. (April 30, 2017: \$52).
- j. Dividends** - Dividends on ordinary shares are paid out of net profits at the discretion of the Board of Directors. Dividends declared and paid are recognized in the period paid in the consolidated statement of changes in equity.
- k. Preference shares** - Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognized in the consolidated statement of comprehensive income.
- l. Treasury shares** - Shares purchased under the Company's share buyback plan are recorded at cost plus applicable fees. Dividends received on these shares are offset against total dividends paid. It is the Company's practice to cancel the shares after the end of the fiscal year, thereby reducing the total number of shares issued and outstanding.

- m. *Defined contribution pension plan*** - The Company maintains a defined contribution pension plan. The Company's contribution to the defined contribution pension plan is limited to 5% of a participant's annual base salary. All funds are held together in trust by an independent third party.

The Company's contributions to the plan are recognized as an expense in the consolidated statement of comprehensive income as incurred. The Company does not manage or administer the plan and its obligation is limited to the amount of its contribution. The funds are remitted to a third party manager.

- n. *Segment reporting*** - A segment is a distinguishable component of the Company that is engaged either in providing products (business segment), or in providing products within an economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

- o. *Foreign currency translation*** - Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates ("the functional currency").

The consolidated financial statements are presented in Bahamian dollars, which is the Company's functional and reporting currency.

Monetary assets and liabilities denominated in foreign currencies other than the Bahamian dollar are translated at the exchange rates in effect at the year-end date. Income and expenses in foreign currencies are translated at the rates in effect at the transaction dates.

- p. *Leases*** - Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

- q. *Related parties*** - Related parties are defined as follows:

- i. Controlling shareholders;
- ii. Subsidiaries;
- iii. Associates;
- iv. Directors;
- v. Individuals owning, directly or indirectly, an interest in the voting power that gives them significant influence over the enterprise, i.e. normally more than 20% of shares (plus close family members of such individuals);
- vi. Key management personnel - persons who have authority for planning, directing and controlling the enterprise (plus close family members of such individuals);
- vii. Enterprises owned by the individuals described in (iv) and (v).

- r. *Selling, general and administrative expenses*** - Selling, general and administrative expenses include all operating costs of the Company except cost of sales, as described above.

- s. *Pre-opening costs*** - The cost of start-up activities, including organization costs, related to new store openings. Store remodels, expansions, and relocations are expensed as incurred.

- t. *Equity instruments*** - An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or

loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

- u. Impairment of intangible and tangible assets other than goodwill* - At the end of each reporting period, 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). When 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.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are detailed in Note 3, management is required to make judgments and estimates about the carrying amounts of certain assets and liabilities. Those judgments and estimates are based on historical experience and other relevant industry standards. Actual results may vary from management's judgments and estimates.

These judgments and estimates are periodically reviewed and revised when necessary. Revisions are recognized in the applicable accounting periods.

Following are judgements and estimates that management has made when applying the Company's accounting policies, which have the most significant impact on the consolidated financial statements.

- a. **Goodwill** - The Company performs an annual test to determine if any impairment has occurred to the carrying value of goodwill. In carrying out this test, management uses estimates and projections to determine net present value (NPV) of the cash generating units goodwill by calculating NPV of projected cash flows and NPV of terminal values discounted by discounted growth rate and a discount factor based on the Company's weighted average cost of capital (WACC). These estimates are based on government prime rate, estimated internal growth rate, and calculating cost of equity and debt to determine the Company's WACC.
- b. **Inventory** - The Company's gross inventory is calculated using weighted average cost. In order to assess net inventory values, the Company makes a provision for loss and damage (inventory that is found to be non-sellable) and shrink (difference between book value and periodic physical counts). A series of estimates are used for each category of product based on historical performance and U.S. industry norms adjusted for the Bahamian market. The Company makes a further provision for obsolescence by applying defined discounts based on an inventory aging report.

5. CASH, BANK BALANCES AND BANK OVERDRAFT

For purposes of the consolidated statement of cash flows, cash comprises the net balance of cash, bank balances, and bank overdrafts.

Cash at end of year in the cash flows statement comprises the following:

	2018	2017
Cash and bank balances	\$ 5,065	\$ 4,551
Bank overdrafts	-	(153)
Cash of discontinued operations	19	-
Total	\$ 5,084	\$ 4,398

The Company was in compliance with all of its covenants as of April 30, 2018. These covenants are in relation to the overall credit arrangements with the Company's bankers.

The credit arrangements with RBC Royal Bank (Bahamas) Ltd., were renegotiated with effect from January 25, 2017. The credit facilities are secured with guarantees and postponement of claims, by fixed and floating debentures over certain Company assets and by the assignment of insurance policies pertaining to loss of profits, and damage to buildings, equipment and inventories. The Company maintains an overdraft facility of \$2 million bearing an interest rate of Nassau Prime (currently 4.25%) plus 1.25%.

6. RECEIVABLES, NET OF PROVISIONS

Receivables consist of the following:

	2018	2017
Trade receivables	\$ 378	\$ 1,537
Less: Provision for doubtful accounts	(201)	(184)
Total	\$ 177	\$ 1,353

The aging of receivables is as follows:

	2018	2017
0 to 30 days	\$ 824	\$ 977
31 to 60 days	15	105
61 to 90 days	6	58
91 days and over	(467)	397
Total	\$ 378	\$ 1,537

(Continued)

Movement in the provision for doubtful accounts	2018	2017
Balance at beginning of the year	\$ (184)	\$ (94)
Impairment losses recognized on receivables	(21)	(97)
Amounts written off during the year as uncollectible	4	7
Balance at end of the period	\$ (201)	\$ (184)

Management has deemed \$438 (2017: \$1,261) of the receivables to be past due, but not impaired.

As at April 30, 2018, the total amount of all receivables (including Abaco Markets ISF Limited) deemed uncollectible was \$142 (2017:\$163). These amounts are included in the total receivables balance.

(Concluded)

7. MERCHANDISE INVENTORIES, NET OF PROVISIONS

Merchandise inventories consist of the following:

	2018	2017
Food distribution	\$ 20,690	\$ 18,636
Franchise	474	762
	21,164	19,398
Less: Provisions	(2,183)	(1,005)
Total	\$ 18,981	\$ 18,393

8. OTHER CURRENT ASSETS

Other current assets consist of the following:

	2018	2017
Security deposits	\$ 868	\$ 908
Prepayments	1,701	2,287
Total	\$ 2,569	\$ 3,195

9. OTHER ASSETS

On September 21, 2016, the Company signed an agreement to purchase a building located at Soldier Road Industrial Site for \$3,359 which included taxes and fees. Subsequent to the payment of the final purchase price in July 2017, a dispute arose as to the ability of the vendors to provide good title to the property. This matter was taken to the court in February 2018 and the Company is awaiting final court ruling on the title.

10. PROPERTY, PLANT AND EQUIPMENT, NET

The movement in property, plant and equipment for the year is as follows:

	Property, Land Improvements and Buildings	Equipment and Motor Vehicles	Leasehold Improvements	Work in Progress	Total
Cost/revalued amount:					
At April 30, 2017	\$ 23,263	\$ 23,385	\$ 15,422	\$ 5,878	\$ 67,948
Additions	7,390	3,792	219	(4,156)	7,245
Disposals	-	(75)	(2)	(121)	(198)
Transfers	(150)	-	-	150	-
Assets held for sale	-	(1,473)	(524)	(15)	(2,012)
Revaluations	610	-	-	-	610
At April 30, 2018	\$ 31,113	\$ 25,629	\$ 15,115	\$ 1,736	\$ 73,593
Accumulated depreciation:					
At April 30, 2017	\$ 1,210	\$ 16,662	\$ 8,032	\$ -	\$ 25,904
Depreciation	107	2,252	2,004	-	4,363
Elimination on disposal	-	(63)	(3)	-	(66)
Assets held for sale	-	(471)	(24)	-	(495)
Revaluations	(1,271)	-	-	-	(1,271)
At April 30, 2018	\$ 46	\$ 18,380	\$ 10,009	\$ -	\$ 28,435
Net book value:					
At April 30, 2018	\$ 31,067	\$ 7,249	\$ 5,106	\$ 1,736	\$ 45,158

	Property, Land Improvements and Buildings	Equipment and Motor Vehicles	Leasehold Improvements	Work in Progress	Total
Cost/revalued amount:					
At April 30, 2016	\$ 17,222	\$ 21,445	\$ 14,598	\$ 392	\$ 53,657
Transfers	-	137	20	(157)	-
Additions	6,164	1,817	832	5,643	14,456
Disposals	(123)	(14)	(28)	-	(165)
At April 30, 2017	\$ 23,263	\$ 23,385	\$ 15,422	\$ 5,878	\$ 67,948
Accumulated depreciation:					
At April 30, 2016	\$ 642	\$ 14,272	\$ 6,505	\$ -	\$ 21,419
Depreciation	571	2,393	1,529	-	4,493
Disposals	-	-	-	-	-
Elimination on disposals	(3)	(3)	(2)	-	(8)
At April 30, 2017	\$ 1,210	\$ 16,662	\$ 8,032	\$ -	\$ 25,904
Net book value:					
At April 30, 2017	\$ 22,053	\$ 6,723	\$ 7,390	\$ 5,878	\$ 42,044

(Continued)

The Company's accounting policy is to revalue land, property and buildings, which comprise of retail store locations and a food franchise commissary. Because of the size and nature of these properties, and the fact that these properties are in markets that have little or no comparable real estate transactions, the majority of the appraisals are at replacement cost less depreciation. The Company obtained independent appraisals in August 2018 and recorded adjustments, based on the results, at April 30, 2018.

The net book value of property and buildings that would have been included in the consolidated financial statements had the Company not adopted a revaluation policy is \$26,910 (2017: \$15,323).

The fair value measurement of the Company's property and buildings is categorized in Level 3 in the fair value hierarchy. There were no transfers between the levels during the year.

(Concluded)

11. GOODWILL

Goodwill on business acquisitions is as follows:

	2018	2017
Balance, beginning of period	\$ 3,019	\$ 3,019
Impairment	(174)	-
Balance, end of period	\$ 2,845	\$ 3,019

Goodwill has been allocated for impairment testing purposes to the following cash-generating units:

- Solomon's Super Centre (Nassau) Limited
- Solomon's Club (Freeport) Limited
- Cost Right Freeport
- Domino's

The Company's annual impairment exercise indicated an impairment of \$174 on the remaining goodwill as of April 30, 2018 (2017: \$0). The Company based its valuation of the units to which Goodwill has been assigned using a total of NPV (net present value) of projected cash flows and NPV of terminal values. NPV of projected cash flows were based on cash flows for five (5) years using the Company's base growth rate multiplied by discounted WACC (weighted average cost of capital) less perpetual growth rate. NPV of the terminal value was determined by multiplying the annual cash flows by the discount factor.

12. BANK LOAN

The Company's credit arrangement with RBC Royal Bank (Bahamas) Limited was renewed on January 25, 2017. In addition to the Reducing Demand Loan of \$7,250 obtained on September 24, 2015, the arrangement included provision for another Reducing Demand Loan in the amount of \$7,000 repayable over 10 years at a blended rate of Nassau Prime + 0.5%. As of April 30, 2018, both loans were fully drawn down.

(Continued)

The credit facilities are secured with guarantees and postponement of claims, by fixed and floating debentures over certain Company assets and by the assignment of insurance policies pertaining to loss of profits, and damage to buildings, equipment and inventories.

	2018	2017
Due within 1 year	\$ 1,310	\$ 1,280
Due within 1 to 5 years	5,978	5,422
Due within 5 and over	3,914	1,794
Total	\$ 11,202	\$ 8,496

(Concluded)

13. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable, taxes payable and accrued expenses consist of the following:

	2018	2017
Accounts payable - trade	\$ 7,972	\$ 7,197
Taxes payable	556	296
Accrued expenses	4,501	4,939
Total	\$ 13,029	\$ 12,432

14. PREFERENCE SHARES

The Company's authorized capital consists of \$150,000 Redeemable Non-Voting Cumulative Preference Shares.

Preference shares are entitled to cumulative preferential dividends and are redeemable at the issue price. The Company may redeem the shares, in whole or in part, earlier than scheduled by giving the shareholders 90 days written notice. During the year ending April 30, 2018, quarterly dividends totaling \$879 (2017:\$984) were paid to preference shareholders.

As of April 30, 2018, the following classes of preference shares were issued and outstanding at \$1,000 per share:

Class	Authorized	Issued and Outstanding	
		2018	2017
C	25,000	3,077	3,516
D	25,000	10,684	12,020
	50,000	13,761	15,536

(Continued)

They are redeemable as follows:

	2018	2017
Due within 1 year	\$ 1,775	\$ 1,775
Due within 2 to 5 years	8,875	8,875
Due > 5 years	3,111	4,886
Total	\$ 13,761	\$ 15,536

(Concluded)

15. ORDINARY SHARE CAPITAL AND TREASURY SHARES

As of April 30, 2018, 15,049,346 (2017: 15,049,346) ordinary shares of par value of \$0.50 each were issued and fully paid.

In June 2014, the Company re-instated a share buy-back plan. This program is to be reviewed annually by the Board of Directors. During the year ended April 30, 2018 \$0 (2017: \$0) shares had been repurchased at an aggregate cost of \$0 (2017: \$0). The Company has not repurchased any shares since 2014.

16. OTHER OPERATING INCOME

Other operating income comprises rental income, interest income, and other miscellaneous income such as refund from concessions, club membership, sale of gift cards and certificates, commissions from ATMs, vending machines, phone cards, and purchasing rebates.

	2018	2017
Miscellaneous income	\$ 832	\$ 525
Rental income	297	265
Interest income	10	15
Total	\$ 1,139	\$ 805

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Included in selling, general and administrative expenses are the following items:

	April 30, 2018	April 30, 2017
Payroll and related costs	\$ 18,523	\$ 17,739
Facilities and rent (Note 20)	13,262	12,217
Sales and marketing expenses	6,022	5,855
Depreciation	4,233	4,135
Other costs	1,483	1,331
Office and computer costs	1,125	1,188
Directors' fees	154	133
Pension contributions	79	74
Total	\$ 44,881	\$ 42,672

Included in payroll and related costs is \$1,304 (2017:\$1,354) representing compensation for key members of management. This amount includes salaries and other employee benefits.

18. EARNINGS PER SHARE

Earnings per share are calculated by dividing the results for the period by the weighted average number of ordinary shares in issue less treasury shares during the respective periods.

Earnings per share have been calculated based on the following:

	2018	2017
Net profit applicable to continuing operations	\$ 5,506	\$ 7,141
Net loss applicable to discontinued operations	\$ (1,472)	\$ (285)
Weighted average number of ordinary shares outstanding ('000s)	15,049	15,049

There were no dilutive transactions during the period that would have an impact on earnings per share.

19. COMMITMENTS AND CONTINGENCIES

Capital commitments amounting to \$1,191 were outstanding as of April 30, 2018 (2017: \$5,863).

Legal contingencies - The Company and its subsidiaries are involved in various claims and legal actions arising in the ordinary course of business, in which it is a defendant. Based on legal advice, the Directors have assessed the likelihood of loss, made accruals where deemed necessary, and do not expect the final outcomes of the legal actions to have a material effect on the Company's consolidated financial position.

20. OPERATING LEASE COMMITMENTS

The Company and its subsidiaries lease certain retail and office space under non-cancellable operating leases. As of April 30, 2018, 19 leases (2017: 16) are in effect. The future minimum lease payments under these leases are as follows:

Fiscal Period End	Minimum Lease Payments
2019	\$ 4,478
2020	4,332
2021	3,732
2022	3,059
2023 and beyond	2,188
Total	\$ 17,789

The minimum lease payments include lease payments for four (2017: four) leases that are based on the higher of 3% of sales or a fixed rent. For the year ended April 30, 2018, payments made under operating leases were \$5,534 (2017: \$5,428).

21. RELATED PARTY TRANSACTIONS

In addition to items already disclosed, the Company has three additional related party transactions to disclose. The Company paid rent amounting to \$604 (2017: \$604) under a 20 year lease, of which three years is remaining, on a property in which a director has an interest of 50%. Secondly, in 2012, the Company entered into a long-term lease agreement with a company in which a director is the principal. The initial term of this lease is five years and is renewable for five subsequent terms of five years each. Under this agreement, total rent incurred for the period was \$651 (2017: \$634). Further in October 2015, the Company entered into a short-term lease agreement with the same company with whom it had entered into a long-term lease agreement in 2012. The additional lease is for a two-year term. The Company did not exercise its option to renew this lease at the end of the term. Under this agreement, total rent paid for the period was \$37 (2017: \$41). Therefore, the Company paid total rents of \$1,292 (2017: \$1,279) under lease agreements to related parties.

22. DISCONTINUED OPERATION

On December 11, 2017, the Company ceased operation of Carl's Jr., which was one of its two franchises. Carl's Jr. is a burger franchise, which began operation in June 2014. The Company operated three locations in New Providence. At April 30, 2018, the Company was in discussions with a third party to purchase equipment at two of the three locations and had written down property, plant, and equipment by \$613 from \$1,263 to the expected sale amount of \$650. This loss is included as part of the loss from discontinued operations in the Consolidated Statement of Comprehensive Income. At the time that operations were discontinued, all depreciation of property, plant, and equipment ceased. The comparative Consolidated Statement of Comprehensive Income has been restated to show the discontinued operation separately from continuing operations.

In July 2018, the Company entered into an agreement for sale of equipment for one of the locations (Note 25).

Statement of Income

	April 30, 2018	April 30, 2017
Sales	\$ 1,321	\$ 2,243
Cost of sales	(826)	(1,107)
Gross profit	495	1,136
Selling, general and administrative expenses	(1,354)	(1,421)
Net operating loss	(859)	(285)
Impairment of property, plant and equipment	(613)	-
Net loss from discontinued operations	\$ (1,472)	\$ (285)
Loss per share from discontinued operations	\$ (0.10)	\$ (0.02)

Statement of Financial Position

	April 30, 2018	April 30, 2017
Assets		
Cash	\$ 19	\$ 5
Receivables, net of provisions	-	1
Inventories, net of provisions	-	311
Other current assets	60	189
Property, plant and equipment, net of impairment	650	1,517
Total assets	\$ 729	\$ 2,023
Liabilities and shareholders' equity		
Bank overdraft	\$ -	\$ 14
Accounts payable and accrued expenses	24	132
Total liabilities	24	146
Total shareholders' equity	705	1,877
Total liabilities and shareholders' equity	\$ 729	\$ 2,023

(Continued)

Statement of Cash Flows

	April 30, 2018	April 30, 2017
Net cash used in operating activities	\$ (237)	\$ (168)
Net cash used in investing activities	(4)	(1,055)
Net cash provided by financing activities	269	1,019
Net increase in cash	\$ 28	\$ (204)

(Concluded)

23. SEGMENT REPORTING

Segment reporting is presented in the Company's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical segments - The Company and its subsidiaries operated on two Islands within The Bahamas during the fiscal year: Grand Bahama and New Providence.

The Company considers the economic environment in the two Bahamian Islands to be similar in terms of risks and returns, and therefore concludes that it operates in one geographic segment.

Business segments - The Company and its subsidiaries operate principally in three business segments: Food Distribution, Food Franchise and Corporate. The Food Distribution segment consists of the retail and club distribution of consumer and food products in Grand Bahama and New Providence. The Food Franchise segment consists of the manufacturing and delivery of pizza in Grand Bahama and New Providence. The Corporate segment consists of the Company's real estate and corporate management.

	Food Distribution		Food Franchise		Corporate		Consolidation	
	2018	2017	2018	2017	2018	2017	2018	2017
Sales	\$ 152,735	\$ 143,427	\$ 10,322	\$ 11,138	\$ -	\$ -	\$ 163,057	\$ 154,565
Gross profit	44,945	43,592	6,346	6,961	-	-	51,291	50,553
Gross profit %	29.4	30.4	61.5	62.5	-	-	31.5	32.7
Operating profit/(loss)	13,562	14,040	848	1,025	(2,672)	(2,230)	11,738	12,835
Depreciation and amortisation of franchise fees	(2,869)	(2,818)	(406)	(451)	(958)	(1,026)	(4,233)	(4,295)
Dividends on preference shares							(879)	(984)
Interest expense							(522)	(334)
Pre-opening costs							(424)	(81)
Impairment of goodwill							(174)	-
Net profit from continuing operations							\$ 5,506	\$ 7,141
Other information:								
Segment assets	\$ 32,943	\$ 30,946	\$ 2,252	\$ 4,529	\$ 41,132	\$ 37,352	\$ 76,327	\$ 72,827
Segment liabilities	(13,862)	(12,543)	(467)	(702)	(23,663)	(23,372)	(37,992)	(36,617)
Net operating assets	19,081	18,403	1,785	3,827	17,469	13,980	38,335	36,210

24. FINANCIAL INSTRUMENTS

The Company in the normal course of business uses various types of financial instruments. Information on financial risks and fair value of these financial instruments is set out below.

- a. Interest rate risk - The Company is exposed to interest rate risk on term deposits and long-term debt, except preference shares which have a fixed interest rate. Management monitors interest bearing assets and liabilities to minimize the gap between interest rates.

If interest rates had been 1% higher/lower, comprehensive income for the year ended April 30, 2018 would decrease/increase by \$140 (2017: \$83) as a result of the change in interest rate.

- b. Credit risk - The Company is exposed to credit risk in respect of losses that would have to be recognized if counterparties fail to perform as contracted.

The Company's exposure to credit risk is primarily in respect of accounts receivable, bank balances, and short-term deposits. Credit risk on bank balances and short-term deposits is limited because counterparties are reputable and well-established financial institutions. The Company's credit risk is thus primarily limited to accounts receivable, which is shown net of provision for doubtful accounts. The Company has no significant concentration of credit risk.

- c. Liquidity risk - The Company is exposed to liquidity risk if it encounters difficulty in raising funds to meet commitments associated with financial instruments.

Prudent liquidity risk management implies maintaining sufficient cash. The Company monitors and maintains a level of bank balances deemed adequate to finance its operations. The Company deposits cash with financial institutions of good standing and maintains an overdraft facility as described in Note 5.

- d. Capital risk management - The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from the year ended April 30, 2017.

The capital structure of the Company includes debt and equity comprised of issued capital, reserves, and retained earnings.

- e. Fair value of financial assets and liabilities - The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

In management's opinion, the estimated fair value of financial assets and financial liabilities (accounts receivable, bank balances, inventories, other assets, and accounts payable and accrued expenses) at April 30, 2018 were not materially different from their carrying values.

The fair values of accounts receivable, bank balances, inventories, other assets and accounts payable and accrued expenses are not considered to be materially different from their carrying values due to their short-term nature.

25. SUBSEQUENT EVENTS

The Company declared ordinary dividends of \$0.02 per share and an extraordinary dividend of \$0.02 per share to shareholders as of record date July 23, 2018 and paid on July 27, 2018.

On July 26, 2018, the Company entered into an agreement for the sale of equipment and assignment of lease of its Carl's Jr. Carmichael Road location.

* * * * *

Community Giving

At AML Foods Limited, we consider it our responsibility to make a positive impact in the communities where we live and serve. Our legacy of community giving comes to life in many ways. From donations to organizations working to eliminate hunger, to the distribution of re-useable bags to customers on Earth Day, we are living up to our commitment to help our customers live better lives and preserve our environment for future generations.

In the 2017 fiscal year, our brands donated more than \$160k in cash and in kind to charitable organizations in New Providence and Grand Bahama. We are passionate about helping the neighborhoods that support us each and every day and our program meets the needs of the under-served by directing charitable giving toward our core areas of focus; Hunger Prevention & Healthy Living, Preservation of the Environment, Youth Empowerment and Volunteerism.



AML Foods Limited

BOARD OF DIRECTORS



Franklyn Butler II
Chairman



Frank Crothers
Director



R. Craig Symonette
Director



Robert Sands
Director



Michael Moss
Director



Michael Maura Jr.
Director



Alison Treco
Director



Meike de Vaere
Director



Gavin Watchorn
Group President & CEO, Director

Executive Management:

Gavin Watchorn, Group President and CEO

Stephen Smollett, Executive Vice President

Davette Lightbourne, Director of Finance

Brenda Dean, Group Financial Controller

Rhonda Rolle, VP Human Resources

Renea Bastian, VP Marketing & Communications

Carlos Sands, VP Security & Loss Prevention

Richard Jones, VP Facilities

Calvin Dean, District Manager Food Distribution

Nelson Moss, District Manager Food Distribution

Wilfred St. Louis, District Manager Food Distribution

Lageisha Rolle, District Manager Franchise Distribution



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STORES DIRECTORY

RETAIL DIVISION SOLOMON'S

NEW PROVIDENCE

Solomon's Supercentre
Old Trail Road
Solomon's Yamacraw
Yamacraw Hill Road

GRAND BAHAMA

Solomon's
Queen's Highway
Solomon's Lucaya
Sea Horse Shopping Plaza

RETAIL DIVISION SOLOMON'S FRESH MARKET

NEW PROVIDENCE

Solomon's Fresh Market
Old Fort Bay Town Centre
Solomon's Fresh Market
Harbour Bay Shopping Plaza

WAREHOUSE CLUB DIVISION COST RIGHT

NEW PROVIDENCE

Cost Right Wholesale Club
Town Centre Mall

GRAND BAHAMA

Cost Right Wholesale Club Freeport
The Mall Drive

FRANCHISE DIVISION DOMINO'S PIZZA

NEW PROVIDENCE

Blue Hill Road
Cable Beach Shopping Center
Carmichael Road
Coral Harbour Shopping Center
Golden Gates Shopping Center
Harbour Bay Shopping Plaza
Mall at Marathon
Sea Grapes Shopping Center
South Beach Shopping Center

GRAND BAHAMA

Port Lucaya
RND Plaza