

Annual Report 2016



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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ABOUT US

AML Foods Limited is an innovative Bahamian Company with operations in New Providence and Grand Bahama. Our brands – Solomon’s, Solomon’s SuperCentre, Solomon’s Fresh Market, Cost Right Wholesale Club, Domino’s Pizza and Carl’s Jr. – 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 Solomon’s Supercentre Nassau, Solomon’s Freeport, Solomon’s Lucaya, Solomon’s Fresh Market Old Fort Bay and Solomon’s Fresh Market Harbour Bay. These stores offer a wide range of consumer products from food items to general merchandise and clothing. In the fall of 2017, we will expand our retail offering to Eastern New Providence with the opening of our newest food store - Solomon’s Yamacraw. 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, which includes Cost Right Wholesale Club Nassau and Cost Right Wholesale Club Freeport, offers 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 the home, 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 includes Domino’s Pizza and Carl’s Jr. – two outstanding franchises with well-earned international reputations for quality products and exceptional service. Our Domino’s Franchise operates nine stores in New Providence and two in Grand Bahama. Our Carl’s Jr. Franchise operates three stores in New Providence with the recent addition of two new stores - The Mall at Marathon and Carmichael Road - to the East West Highway location.



Gary Guillaume
Dominos Pizza Regional Manager of the year 2016

Our E-Commerce Distribution Division consists of www.dominos242.com. This platform allows customers to order their pizza online for carryout, dine-in or delivery. Domino’s Pizza Bahamas led the way as the first local pizza company to offer this engaging ordering experience to Bahamians and we continue to experience strong growth.

AML Foods Limited is a publicly traded company with 1,300 individual shareholders and is listed on the Bahamas International Securities Exchange. The Company has over 900 employees in New Providence and Grand Bahama Island.

CHAIRMAN'S MESSAGE



It is my honor to write this message as your new Chairman of AML Foods Limited.

Firstly, I would like to thank our former Chairman, Mr. Dionisio D'Aguilar, for his contributions to our Company, having served over the years as both Director and Chairman. Our Company has enjoyed significant growth and progress under his tenure and I look forward to continuing his exemplary work.

In 2015, we presented four goals to our shareholders that we are on target to achieve by 2019:

- To be a Company of excellence as viewed by our associates, our customers, our vendors and our shareholders.
- To grow annual revenues to \$175m.
- To produce above industry average returns on investment for our shareholders.
- To leverage our Company's size and strength to be a meaningful advocate for change within the markets that we serve.

Our nearly 1,000 staff are focused on these objectives and I am pleased with the progress that we have made, and continue to make every day. It is our expectation that we will achieve these goals despite the extremely difficult economic conditions within The Bahamas. Leading the way is our Company's commitment to the development and training of our team, as well as a significant investment in efficient and effective systems and processes. At the Board level, we are focused on gaining more specialized areas of expertise, to be even better equipped to assist with organizational strategic direction. We are also driving stronger corporate governance to ensure that our Company continues to grow and stand the test of time.

Our future growth plan has begun to take shape. We are expanding our brand of neighborhood supermarkets, and are looking forward to the opening of Solomon's

Yamacraw, in the fall of this year. The opening of this new location will allow us to serve the residents of Eastern New Providence and enter into a market that we previously had no presence. The next step from this is to open new stores in both the Southwest and South of New Providence. We also have plans to relocate Cost Right Nassau to a better, more modern facility.

With change everywhere, we are focused on being the best to everyone we touch and serve: our associates, customers, vendors and shareholders. At the same time, we will remain true to our purpose, our vision and our core values, and continue to take pride in making investments in the communities where we do business.

As a Board, we are focused on ensuring that our dialogue with our management team will produce the right conditions for delivering strong performance for you, our shareholders. On behalf of the entire Board of Directors, we thank you for your continued support and for the trust and confidence that you have placed in us.

Sincerely,

 A handwritten signature in black ink, appearing to read 'Franklyn Butler II'. The signature is stylized and includes a long horizontal line extending to the left.

Franklyn Butler II
Chairman

ANNUAL REPORT TO SHAREHOLDERS



CHIEF EXECUTIVE OFFICER'S MESSAGE

We spent much of 2015 and the early part of 2016 focused on driving efficiencies in our business operations. This focus has allowed us to record increases in our sales and earnings, in the midst of some very challenging economic times for Bahamian consumers.

We will continue to seek growth as we have developed a strategic plan to expand our footprint and become more of a neighborhood supermarket chain in addition to our Supercentre and Club store formats. The first phase of this plan is the opening of Solomon's Yamacraw in Eastern New Providence. Construction on the store began in late 2016 and we expect to open in the fall of 2017. This addition will provide us the opportunity to serve the residents of Eastern New Providence, bringing them the excellent quality, value and savings that is associated with our Solomon's brand. We have also purchased property on Charles Saunders Highway in Southern New Providence, another area that we do not currently serve and that we look forward to establishing our presence in.

Earlier this year, we earnestly begun searching for property in New Providence to relocate Cost Right Nassau. Our existing location is far from ideal in many respects, and we are excited about being able to offer small business owners and consumers a true warehouse club experience. We have targeted two more geographic areas for growth of our Solomon's brand and hope to

"We are excited about being able to offer small business owners and consumers a true warehouse club experience."

complete this phase of our expansion within five years.

These acquisitions are key steps of our strategic plans for growth but represent only the first of four areas that we have identified as critical to achieving our long term vision and purpose.

The second area of focus will be the use of technology to drive our decision making and improve our performance. We will invest \$3m over the next 36 months to greatly enhance our technology capabilities, installing a modern, state of the art operating system for our Food Distribution division. This will eliminate manual processes and integrate our systems into a single platform.

“We will invest \$750,000 in 2018 to establish training centers of excellence in New Providence and Grand Bahama.”

The third area of focus will be the training and development of our team. The prior levels of investment in training was well below what was required, and we now find ourselves having to catch up. We will invest \$750,000 in 2018 to establish training centers of excellence in New Providence and Grand Bahama. At present, we have begun to create a training team that will focus on senior and middle management, as well as new and existing team members. We also recently launched our Leadership Development Program and our first class of future leaders will graduate in January

“Our purpose is to provide Bahamians with the best shopping experiences.”

2018.

Our fourth focus is our customers. By investing in upgrading our technology and developing our team, we will position our Company to truly become forward facing, and not only meet but exceed customer expectations. It is at this point that we will have achieved our purpose of providing Bahamians with the best shopping experiences.

Underlying all of these key steps, is our commitment to creating a culture within AML Foods that is focused not only on achievement but also on our people. We took a hard look at ourselves and realized that in our drive for improved performance, we have not invested enough in our people. I have committed to our leaders and team that we will make this right – we cannot move our Company forward if our people do not come along with us.

We remain appreciative and thankful for the support and confidence of our shareholders and look forward to the continued growth of your investment in our Company and in us.



Gavin Watchorn,
Group President and CEO



2016 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, 2016 to April 30, 2017 and to discuss significant results from operations for the year ended April 30, 2017. 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 AML Foods Limited believes that the expectations reflected in such statements are reasonable, it can give 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 decreased during the year by \$5.0m from a net cash position of \$9.4m at April 30, 2016 to \$4.4m at April 30, 2017. The Company expended \$14.5m in capital expenditures, which included real estate purchases of \$6.1m and construction expenditures of \$5.4m. Additionally, the Company spent \$1.0m in the expansion of its Carl's Jr. brand. In October 2016, Hurricane Matthew resulted in net costs of \$0.4m after insurance reimbursement. In addition, in October 2016, the Company paid a principal payment of \$1.8m to its Class C and Class D preference shareholders. During the year, ordinary shareholders received dividends of \$1.2m

and preference shareholders received \$1.0m for total dividends payment of \$2.2m. At April 30, 2017, the Company had drawn down \$3.0m of a \$7.0m demand loan from RBC Royal Bank (Bahamas) Ltd.

RECEIVABLES

Net receivables increased by \$0.1m to \$1.4m at April 30, 2017 from \$1.3m at April 30, 2016. In both markets, the instance of bad debt has increased in both the private and public sector. Particularly in the Freeport market, the fallout of the economy in the aftermath of Hurricane Matthew, have caused the closure of many restaurants, which were previously reliable customers of our businesses.

MERCHANDISE INVENTORIES

Net inventory levels have increased by \$2.2m or 13.9% to \$18.4m at April 30, 2017 from \$16.2m at April 30, 2016. Inventory increased in our retail and wholesale club stores as our associates remain committed to being on the cutting edge of introducing new lines of products to our savvy customers. We have also worked assiduously to maintain adequate levels, in order to minimize sales loss and the inconvenience that out of stocks cause.

OTHER CURRENT ASSETS

Other current assets increased to \$3.2m at April 30, 2017 from \$3.0m at April 30, 2016. Security deposits, prepaid quarterly rents, and utilities deposits account for a significant portion of this balance.

PROPERTY, PLANT, AND EQUIPMENT

At April 30, 2017, net property, plant, and equipment increased to \$42.0m from \$32.2m at April 30, 2016. Real estate purchases were \$6.1m. Included in work

in progress is \$5.4m related to construction of our new retail store in Eastern New Providence. This store will be a Solomon's brand and is on schedule to open in late 2017. The Company anticipates that the total cost of construction will be \$11.3m. Another \$1.0m was expended for leasehold improvements and equipment to outfit two additional Carl's Jr. locations in New Providence. Hurricane Matthew caused \$0.2m in direct damage to real estate owned by the Company in October 2016.

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 no write down of goodwill. Therefore, goodwill remains unchanged for the period ended April 30, 2017. Goodwill exists for Solomon's Nassau, Solomon's Freeport, Cost Right Freeport, and Domino's Pizza.

ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable, and accrued expenses totalled \$12.4m at April 30, 2017 compared to \$11.8m at April 30, 2016. Trade accounts payable increased by \$0.7m while accrued expenses decreased by \$0.08m. Business License taxes were \$0.6m compared to \$0.5m at April 30, 2016. Other key components of accrued expenses are amounts for utilities, advertising, and store operating supplies.

PREFERENCE SHARES

For the period ended April 30, 2017, the Company had a total of 15,536 issued and outstanding preference shares compared to 17,310 shares at April 30, 2016. On October 31, 2016, 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 \$1.0m were paid to preference shareholders during the period.

BANK LOAN

The Company renewed its credit arrangements in January 2017 with RBC Royal Bank (Bahamas) Ltd. Included in the agreement was provision for an additional demand loan facility of \$7.0m to finance the Company's current expansion. In February 2017, the Company accessed \$3.0m of the facility. Subsequently, in July 2017, the Company received the remaining \$4.0m balance. This additional loan is repayable over 10 years at the rate of Nassau prime + 0.5% for a blended interest rate of 4.75% at time of borrowing. The consolidated principal balance due at April 30, 2017 was \$8.5m on all RBC borrowings.

INCOME STATEMENT REVIEW

For the 12 months ended April 30, 2017, the Company's net profit was \$6.9m compared to a net profit of \$6.8m for the 15 months ended April 30, 2016. Pre-opening expenses relating to construction of the new retail store and the two Carl's Jr. stores, which opened in December 2016 and February 2017 totalled \$0.1m. In addition, losses on disposal of fixed assets due to Hurricane Matthew totalled \$0.1m. For the year ended April 30, 2017, earnings per share (EPS) increased to \$0.46 from \$0.45 at April 30, 2016.

SALES

Sales totalling \$156.8m were realized during the 12 months ended April 30, 2017 compared to sales of \$187.4m for the 15 months ended April 30, 2016. Food Distribution recorded sales of \$143.4m or 91.5% of total sales while Franchise Distribution recorded sales of \$13.4m or 8.5% of total sales. The Company remains committed to maintaining its strong position in the pizza and burger markets by providing great-tasting, quality food at an affordable price. With the opening of Carl's Jr. at Marathon Mall and Carl's Jr. Carmichael Road, the Company's total restaurants count is 14. Similarly, the Company is fully committed to its strategy in the Food Distribution of providing a range of quality, everyday and specialty products at the lowest prices and increasing its footprint of neighbourhood stores in New Providence. The addition of the new Solomon's store on Yamacraw Road will bring the Company's total retail stores to eight.

GROSS MARGIN

Gross margin for the 12 months ended April 30, 2017 was 33.0% compared to 32.1% for the 15 months ended April 30, 2016. Both operating divisions of the Company recorded improvement over the prior year. The Company anticipates improved margins in Franchise Distribution as it continues to source products globally and uses its collective purchasing power to obtain optimal pricing.

EXPENSES

Selling, General, and Administrative expenses (SGA) 12 months ended April 30, 2017 amounted to \$44.1m compared to \$52.8m for the 15 months ended April 30, 2016. As a percentage of sales, SGA expenses remained flat at 28.1% and 28.2%, respectively. The Company has increased its Training and Development budget as part of its commitment to promoting from within and equipping its staff with the knowledge and tools necessary to achieve success. As the skillsets of employees are improved, customers will benefit from superior service, which will enhance their shopping or dining experience.

2017-18 OUTLOOK

OPPORTUNITIES AND INVESTMENTS

The Company remains committed to growing its Food Distribution stores in New Providence. At April 30, 2017, construction of its new store on Yamacraw Road was on schedule for its late fall opening. The Company also completed purchase of 4.506 acres of property on Charles Saunders Highway, near Seabreeze Estates for future development. In anticipation of the expiration of its lease at Town Centre Mall in early 2020, the Company has begun the process of looking for a building to relocate Cost Right Nassau and its Corporate offices. At the new location, the Company hopes to replicate Cost Right Freeport's floor plan, which accommodates the entire store (grocery and general merchandise) on one level, which is more in keeping with the club format. The Company anticipates being able to realize significant operational efficiencies with this change.

ECONOMIC CONDITIONS, CHALLENGES, AND RISKS

While the Bahamas narrowly avoided another credit rating downgrade by Moody's in August 2017, the overall economy is still very weak and debt laden. In the June 2017 edition of its Monthly Economic and Financial Developments report, the Central Bank of the Bahamas noted that preliminary evidence suggests that domestic economic activity remained mildly positive for June as foreign investment projects are yielding positive results for the construction industry. The report goes on to note that the country's main industry, Tourism, remains soft.

Even though the overall economic outlook for Freeport remains sluggish, the Company is still very pleased with the overall performance of its three stores in that market. The closure of major hotels in Grand Bahama has caused a decrease in wholesale sales but retail sales remains strong. Like other stores in the Port Lucaya marketplace, sales at the Company's pizza store at this location have been severely affected.

The Company remains keenly aware and vigilant of competition in both markets and both divisions. With the closure of hotels and high unemployment, increased competition from unconventional vendors has increased. During periods of high unemployment or under-employment, the risk of shrink and loss and damage increases. In order to mitigate this risk, the Company has allocated additional human resources to supplement physical inventory counts.

In Nassau, the full opening of a major hotel in the Western District is eagerly awaited for the indirect impact it will have on non-tourism sectors.

TWELVE MONTHS COMPARISON

Following is a comparative statement of income for the 12 months ended April 30, 2017 and April 30, 2016.

**COMPARATIVE CONSOLIDATED STATEMENT OF INCOME
FOR THE TWELVE MONTHS ENDED APRIL 30, 2017 AND APRIL 30, 2016**

	Twelve Months Ended April 30, 2017	Twelve Months Ended April 30, 2016
Sales	\$ 156,808	\$ 152,627
Cost of sales	(105,119)	(103,993)
Gross profit	51,689	48,634
Selling, general and administrative expenses	(44,053)	(42,814)
Other operating income	810	783
Net operating profit	8,446	6,603
Dividends on preference shares	(984)	(1,054)
Pre-opening costs	(126)	-
Loss on disposal of fixed assets	(146)	-
Interest expense	(334)	(243)
Net profit	6,856	5,306
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
	-	-
Comprehensive income	\$ 6,856	\$ 5,306
Earnings per share	<u>\$ 0.46</u>	<u>\$ 0.35</u>

AML FOODS LIMITED**Consolidated Financial Statements
For The Year Ended
April 30, 2017 And
Independent Auditors' Report****Deloitte.**

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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 and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at April 30, 2017, and the consolidated statement of 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 at April 30, 2017, 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
Revenue recognition	Per ISA 240, we presumed a risk of material misstatement due to fraud relative to revenue recognition and evaluated which types of revenue streams or assertions gave rise to such risks. Based on our risk assessment procedures, we have considered the potential for manual intervention relative to revenue entries to the general ledger.	<p>Control Procedures</p> <p>We tested the design and implementation of key controls to mitigate the risk.</p> <p>Substantive Procedures</p> <p>We reviewed and obtained an understanding of the various revenue streams and ensured that the Group recognized revenue in accordance with IAS 18.</p> <p>We also identified and obtained an understanding, particularly of entries posted to revenue general ledger accounts, which may have been considered outside the normal course of the business. We reviewed the entries posted and related support to determine whether they were valid and consistent with the nature of the transaction.</p>

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 2017 annual report other than the consolidated financial statements and our auditors' report thereon ("the Other Information").

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 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. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

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 Lawrence Lewis.

A handwritten signature in purple ink that reads "Deloitte & Touche". The signature is written in a cursive style.

Nassau, Bahamas
August 31, 2017

AML FOODS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF APRIL 30, 2017***(Expressed in thousands of Bahamian dollars except per share amounts)*

	April 30, 2017	April 30, 2016
Assets		
Current assets		
Cash and bank balances (Note 5)	\$ 4,551	\$ 9,483
Receivables, net of provisions (Note 6)	1,353	1,253
Merchandise inventories, net of provisions (Note 7)	18,393	16,152
Term deposits with maturities greater than 90 days	272	917
Other current assets (Note 8)	3,195	2,953
Total current assets	27,764	30,758
Non-current assets		
Property, plant and equipment, net (Note 9)		
Property and buildings	22,053	16,580
Equipment	6,723	7,173
Leasehold improvements	7,390	8,093
Work in progress	5,878	392
	42,044	32,238
Goodwill (Note 10)	3,019	3,019
Total non-current assets	45,063	35,257
Total assets	\$ 72,827	\$ 66,015

(Continued)

See notes to consolidated financial statements.

AML FOODS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF APRIL 30, 2017***(Expressed in thousands of Bahamian dollars except per share amounts)*

	April 30, 2017	April 30, 2016
Liabilities and shareholders' equity		
Current liabilities		
Bank overdrafts (Note 5)	\$ 153	\$ 130
Accounts payable and accrued expenses (Note 12)	12,432	11,773
Current portion of bank loan (Note 11)	1,280	623
Current portion of preference shares (Note 13)	1,775	1,775
Total current liabilities	15,640	14,301
Long-term liabilities		
Bank loan (Note 11)	7,216	5,621
Preference shares (Note 13)	13,761	15,535
Total long-term liabilities	20,977	21,156
Total liabilities	36,617	35,457
Shareholders' equity		
Ordinary share capital (Note 14)	7,524	7,524
Contributed surplus	2,231	2,231
Revaluation surplus (Note 9)	3,159	3,159
Retained earnings	23,296	17,644
	36,210	30,558
Total liabilities and shareholders' equity	\$ 72,827	\$ 66,015

(Concluded)

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors as of August 29, 2017 and are signed on its behalf by:



Director



Director

AML FOODS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED APRIL 30, 2017 WITH COMPARATIVES FOR THE FIFTEEN MONTHS
ENDED APRIL 30, 2016***(Expressed in thousands of Bahamian dollars except per share amounts)*

	April 30, 2017	Fifteen Months Ended April 30, 2016
Sales (Note 21)	\$ 156,808	\$ 187,437
Cost of sales	(105,119)	(127,216)
Gross profit (Note 21)	51,689	60,221
Selling, general and administrative expenses (Note 16)	(44,053)	(52,788)
Other operating income	810	917
Net operating profit	8,446	8,350
Dividends on preference shares (Notes 13 and 21)	(984)	(1,320)
Loss on disposal of fixed assets (Note 9)	(146)	-
Interest expense (Note 21)	(334)	(264)
Pre-opening costs (Note 21)	(126)	-
Net profit and comprehensive income	\$ 6,856	\$ 6,766
Earnings per share (Note 17)	<u>\$ 0.46</u>	<u>\$ 0.45</u>

See notes to consolidated financial statements.

AML FOODS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED APRIL 30, 2017 WITH COMPARATIVES FOR THE FIFTEEN MONTHS ENDED APRIL 30, 2016
(Expressed in thousands of Bahamian dollars except per share amounts)

	Number of Ordinary						Retained Earnings	Total
	Shares ('000s)	Share Capital	Treasury Shares	Contributed Surplus	Revaluation Surplus			
Balance as of January 31, 2015	15,112	\$7,556	\$ (125)	\$ 2,324	\$ 3,159	\$12,081	\$24,995	
Net profit		-	-	-	-	6,766	6,766	
Cancellation of treasury shares (Note 14)	(63)	(32)	125	(93)	-	-	-	
Declared dividends (\$0.08 per share)		-	-	-	-	(1,203)	(1,203)	
Balance as of April 30, 2016	15,049	7,524	-	2,231	3,159	17,644	30,558	
Net profit		-	-	-	-	6,856	6,856	
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	

See notes to consolidated financial statements.

AML FOODS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED APRIL 30, 2017 WITH COMPARATIVES FOR THE FIFTEEN MONTHS
ENDED APRIL 30, 2016

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

	April 30, 2017	Fifteen Months Ended April 30, 2016
Cash flows from operations		
Net profit	\$ 6,856	\$ 6,766
Adjustments for:		
Depreciation (Note 9)	4,493	5,247
Dividends on preference shares (Note 13)	984	1,320
Decrease in inventory provision (Note 7)	(251)	(52)
Increase in provision for doubtful debts (Note 6)	90	8
Loss on disposal of property, plant and equipment (Note 9)	146	18
Operating cash flow before changes in working capital	12,318	13,307
Decrease / (increase) in working capital source/(use):		
(Increase) / decrease in merchandise inventories (Note 7)	(1,990)	3,203
Increase in receivables (Note 6)	(190)	(64)
Increase in other current assets (Note 8)	(242)	(468)
Increase in accounts payable and accrued expenses (Note 12)	659	445
Net cash provided by operating activities	10,555	16,423
Cash Flows from investing activities		
Term deposits with original maturities greater than 90 days	645	(12)
Additions to property, plant and equipment (Note 9)	(14,456)	(11,253)
Proceeds from issuance	11	-
Net cash used in investing activities	(13,800)	(11,265)
Cash Flows from financing activities		
Dividends paid on ordinary shares	(1,204)	(1,203)
Dividends paid on preference shares (Note 13)	(984)	(1,320)
Repayment of preference shares (Note 13)	(1,774)	(440)
Proceeds from loan (Note 11)	3,000	7,250
Repayment of bank loan (Note 11)	(748)	(1,006)
Net cash (used in) generated by financing activities	(1,710)	3,281
Net (decrease) / increase in cash and cash equivalents	(4,955)	8,439
Cash, beginning of period	9,353	914
Cash, end of period (Note 5)	\$ 4,398	\$ 9,353
Supplemental information:		
Interest received	\$ 17	\$ 40
Interest paid	\$ 334	\$ 264

See notes to consolidated financial statements.

AML FOODS LIMITED**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED APRIL 30, 2017 WITH COMPARATIVES FOR THE FIFTEEN MONTHS
ENDED APRIL 30, 2016**

(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 changed its financial year end from 31 January to 30 April annually with effect from the prior financial period ended 30 April 2016. The financial statements for the current financial period are inclusive of May 1, 2016 to April 30, 2017.

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 seven (7) subsidiaries that management deem to be significant to the operations of the Company for the year ended April 30, 2017 and the fifteen months ended April 30, 2016. The Company holds 100% of the voting rights in all seven (7) 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

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, 2016. 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 10 Consolidated Financial Statements
 IFRS 12 Disclosure of Interests in Other Entities
 IAS 27 (Revised 2011) Separate Financial Statements
 IAS 32 Financial Instruments: Presentation
 IAS 36 Impairment of Assets
 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 5 Non-Current Assets Held for Sale and Discontinued Operations
 IFRS 7 Financial Instruments: Disclosures
 IFRS 9 Financial Instruments
 IFRS 10 Consolidated Financial Statements
 IFRS 11 Joint Arrangements
 IFRS 12 Disclosure of Interests in Other Entities
 IFRS 14 Regulatory Deferral Accounts
 IFRS 15 Revenue from Contracts with Customers
 IFRS 16 Leases
 IFRS 17 Insurance Contracts
 IAS 1 Presentation of Financial Statements
 IAS 7 Statement of Cash Flows
 IAS 12 Income Taxes
 IAS 16 Property, Plant and Equipment
 IAS 19 Employee Benefits
 IAS 27 Separate Financial Statements (as amended in 2011)
 IAS 28 Investments in Associates and Joint Ventures
 IAS 34 Interim Financial Reporting
 IAS 38 Intangible Assets
 IAS 41 Agriculture

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 comprise of prepared food including pizza and burgers

Sales - Revenues 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 (Note 5) 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.

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 uncollectible 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 to 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, supply or administrative purposes 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, on the same basis as the other property assets, commences when the assets are ready for their intended use.

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*** - The Company operates two food franchises, for which franchise and territory fees are assessed by the franchisors 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, 2017, the unamortized franchise fees were \$52 (April 30, 2016: \$78).
- 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 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 2% 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.* 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);
 - v.* Key management personnel - persons who have authority for planning, directing and controlling the enterprise (plus close family members of such individuals);
 - vi.* 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. **Value Added Tax (VAT)** - On January 1, 2015, the Government of The Bahamas implemented Value Added Tax (VAT). Output VAT related to sales of goods is payable to the Government upon delivery of goods and property rights to customers. Input VAT on goods and services purchased is generally recoverable against output VAT. VAT related to sales / purchases and services provision / receipt which are outstanding at the consolidated statement of financial position date is recognized in the consolidated statement of financial position on a net basis and disclosed within current liabilities (see note 12).
- u. **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.
- v. **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 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 & damage (inventory that is found to be non-sellable) and shrink (difference between book value and periodic physical count). 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 and bank balances, and bank overdrafts.

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

	2017	2016
Cash and bank balances	\$ 4,551	\$ 9,483
Bank overdrafts	(153)	(130)
Total	\$ 4,398	\$ 9,353

The Company was in compliance with all of its covenants as of April 30, 2017. 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:

	2017	2016
Trade receivables	\$ 1,537	\$ 1,347
Less: Provision for doubtful accounts	(184)	(94)
Total	\$ 1,353	\$ 1,253

The aging of receivables is as follows:

	2017	2016
0 to 30 days	\$ 977	\$ 690
31 to 60 days	105	91
61 to 90 days	58	71
91 days and over	397	495
Total	\$ 1,537	\$ 1,347

Movement in the provision for doubtful accounts	2017	2016
Balance at beginning of the year	\$ (94)	\$ (86)
Impairment losses recognized on receivables	(97)	(8)
Amounts written off during the year as uncollectible	7	-
Balance at end of the period	\$ (184)	\$ (94)

Management has deemed \$1,261 (2016: \$446) of the receivables to be past due, but not impaired.

As at April 30, 2017, the total amount of all receivables (including Abaco Markets ISF Limited) deemed uncollectible was \$163 (2016: \$50). These amounts are included in the total receivables balance.

7. MERCHANDISE INVENTORIES, NET OF PROVISIONS

Merchandise inventories consist of the following:

	2017	2016
Food distribution	\$ 18,636	\$ 16,617
Franchise	762	791
	19,398	17,408
Less: Provisions	(1,005)	(1,256)
Total	\$ 18,393	\$ 16,152

8. OTHER CURRENT ASSETS

Other current assets consist of the following:

	2017	2016
Security deposits	\$ 908	\$ 871
Prepayments	2,287	2,082
Total	\$ 3,195	\$ 2,953

9. 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, 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
Elimination on disposal	(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

	Property, Land Improvements and Buildings	Equipment and Motor Vehicles	Leasehold Improvements	Work in Progress	Total
Cost/revalued amount:					
At January 31, 2015	\$ 8,799	\$ 26,062	\$ 14,482	\$ 2,445	\$ 51,788
Transfers	800	466	1,157	(2,423)	-
Additions	7,623	1,846	1,414	370	11,253
Disposals	-	(6,929)	(2,455)	-	(9,384)
At April 30, 2016	\$ 17,222	\$ 21,445	\$ 14,598	\$ 392	\$ 53,657
Accumulated depreciation:					
At January 31, 2015	\$ -	\$ 18,328	\$ 7,211	\$ -	\$ 25,539
Depreciation	642	2,867	1,738	-	5,247
Elimination on disposals	-	(6,923)	(2,444)	-	(9,367)
At April 30, 2016	\$ 642	\$ 14,272	\$ 6,505	\$ -	\$ 21,419
Net book value:					
At April 30, 2016	\$ 16,580	\$ 7,173	\$ 8,093	\$ 392	\$ 32,238

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 appraisals in March 2015 and recorded adjustments, based on the results, at January 31, 2015.

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 \$15,323 (2016: \$16,890).

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.

10. GOODWILL

Goodwill on business acquisitions is as follows:

	2017	2016
Balance, beginning of period	\$ 3,019	\$ 3,019
Impairment	-	-
Balance, end of period	\$ 3,019	\$ 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 \$0 on the remaining goodwill as of April 30, 2017 (2016: \$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 terminal values was determined by multiplying the terminal value of annual cash flows divided by WACC multiplied by the discount factor.

11. 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 rate of Nassau Prime + 0.5%. As of April 30, 2017, the Company had drawn down \$3,000. Subsequently on July 24, 2017, the remaining \$4,000 was drawn down.

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.

(Continued)

	2017	2016
Due within 1 year	\$ 1,280	\$ 623
Due within 1 to 5 years	5,422	3,639
Due within 5 and over	1,794	1,982
Total	\$ 8,496	\$ 6,244

(Concluded)

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2017	2016
Accounts payable - trade	\$ 7,197	\$ 6,456
Taxes payable	296	241
Accrued expenses	4,939	5,076
Total	\$ 12,432	\$ 11,773

13. 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, 2017, quarterly dividends totaling \$984 were paid to preference shareholders.

As of April 30, 2017, the following classes of preference shares were issued and outstanding at \$1,000 per share:

Class	Authorized	Issued and Outstanding	
		2017	2016
C	25,000	3,516	3,956
D	25,000	12,020	13,354
	50,000	15,536	17,310

(Continued)

They are redeemable as follows:

	2017	2016
Due within 1 year	\$ 1,775	\$ 1,775
Due within 2 to 5 years	8,875	7,100
Due > 5 years	4,886	8,435
Total	\$ 15,536	\$ 17,310

(Concluded)

14. ORDINARY SHARE CAPITAL AND TREASURY SHARES

As of April 30, 2017, 15,049,346 (2016: 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, 2017 \$0 (2016: \$0) shares had been repurchased at an aggregate cost of \$0 (2016: \$0).

15. 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.

	2017	2016
Miscellaneous income	\$ 530	\$ 483
Rental income	265	394
Interest income	15	40
Total	\$ 810	\$ 917

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	Twelve Months Ended April 30, 2017	Fifteen Months Ended April 30, 2016
Payroll and related costs	\$ 18,284	\$ 21,500
Facilities and rent (Note 19)	12,529	15,930
Sales and marketing expenses	6,102	6,844
Depreciation and amortisation of franchise fees	4,349	5,089
Other costs	1,369	1,846
Office and computer costs	1,213	1,374
Directors' fees	133	125
Pension contributions	74	80
Total	\$ 44,053	\$ 52,788

Included in payroll and related costs is \$1,354 (2016: \$1,514) representing compensation for key members of management. This amount includes salaries and other employee benefits.

17. 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:

	2017	2016
Net profit applicable to continuing operations	\$ 6,856	\$ 6,766
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.

18. COMMITMENTS AND CONTINGENCIES

Capital commitments amounting to \$6,000 were outstanding as of April 30, 2017 relating to land, buildings, leasehold improvements and equipment (2016: \$392). On September 21, 2016, the Company signed an agreement to purchase a building located at Soldier Road Industrial Site for \$3,000. At that time, the Company paid a deposit of \$150, which was included in Property, Plant, and Equipment at April 30, 2017. Subsequently, on July 28, 2017, the Company placed into escrow \$3,000, including taxes and fees, to complete the purchase. However, as of August 31, 2017, the sale was not yet finalized.

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.

19. OPERATING LEASE COMMITMENTS

The Company and its subsidiaries lease certain retail and office space under non-cancellable operating leases. As of April 30, 2017, 19 leases (2016: 16) are in effect. The future minimum lease payments under these leases are as follows:

Fiscal Period End	Minimum Lease Payments
2018	\$ 4,612
2019	4,337
2020	4,129
2021	3,630
2022 and beyond	2,723
Total	\$ 19,431

The minimum lease payments include lease payments for four (2016: four) leases that are based on the higher of 3% of sales or a fixed rent. For the year ended April 30, 2017, payments made under operating leases were \$5,428 (2016: \$5,282).

20. 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 (2016: \$660) under a 20 years 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 \$634 (2016: \$564). 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 with an option to renew for an additional two years at the end of the term. Under this agreement, total rent paid for the period was \$41 (2016: \$21). Therefore, the Company paid total rents of \$1,279 (2016: \$1,245) under lease agreements to related parties.

21. 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 and a burger restaurant in New Providence. The Corporate segment consists of the Company's real estate and corporate management.

	Food Distribution		Food Franchise		Corporate		Consolidation	
	2017	2016	2017	2016	2017	2016	2017	2016
Sales	\$ 143,427	\$ 172,151	\$ 13,381	\$ 15,286	\$ -	\$ -	\$ 156,808	\$ 187,437
Gross profit	43,592	50,717	8,097	9,504	-	-	51,689	60,221
Gross profit %	30.4	29.5	60.5	62.2	-	-	33.0	32.1
Operating profit/(loss)	14,040	15,110	999	1,518	(2,230)	(3,223)	12,809	13,405
Depreciation and amortisation of franchise fees	(2,818)	(3,416)	(665)	(700)	(1,026)	(973)	(4,509)	(5,089)
Dividends on preference shares							(984)	(1,320)
Interest expense							(334)	(264)
Pre-opening costs							(126)	-
Extraordinary income							-	34
Net profit							\$ 6,856	\$ 6,766
Other information:								
Segment assets	\$ 30,946	\$ 28,942	\$ 4,529	\$ 4,379	\$ 37,352	\$ 32,694	\$ 72,827	\$ 66,015
Segment liabilities	(12,543)	(10,753)	(702)	(532)	(23,372)	(24,172)	(36,617)	(35,457)
Net operating assets	18,403	18,189	3,827	3,847	13,980	8,522	36,210	30,558

22. 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, 2017 would decrease/increase by \$83 (2016: \$64) 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 fifteen months ended April 30, 2016.

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, 2017 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.

* * * * *

COMMUNITY GIVING



Solomon's Back To School Tradeshow



Solomon's Fresh Market Fun Walk

AML FOODS LIMITED COMMUNITY GIVING

At AML Foods Limited, we are committed to helping enrich the lives of our customers who support our businesses every day. We take pride in what we view as our social responsibility to support and nurture our community. In 2016, our outreach touched more than 50 charitable organizations in New Providence and Grand Bahama, aided by a corporate investment of over \$100,000. Even more, our culture of giving back goes beyond a cheque presentation. A major element of our corporate social responsibility plan has been to engage our associates in the process by providing opportunities for them to support major community initiatives through volunteering.



Freeport Managers Volunteering

OUR ANNUAL FUN RUN, HEALTH FAIRS AND HEALTHY LIVING forums continue to grow, helping Bahamians to live better. Our outreach has also made an impact in youth empowerment through our donations to a number of sporting and literacy initiatives. On Earth Day, AML Foods Limited distributed 15,000 re-useable bags to customers in Nassau and Freeport through the Bring Your Own Bag (BYOB) promotion. This is in support of our commitment to limit our impact and help to preserve our environment for future generations. In December 2016, through the Feed the Five Thousand Program we were able to provide Christmas Dinner for more than 10,000 persons in need. Our goal is to see a day where all Bahamians have access to food.



Feed Five Thousand

WHETHER IT IS REDUCING HUNGER OR HELPING TO BRING RELIEF during natural disasters like we did with Hurricane Matthew - donating containers of water and ice to those hardest hit - we recognize our responsibility to the community and we are up for the challenge.



Supporting Youth Sports

AML FOODS LIMITED

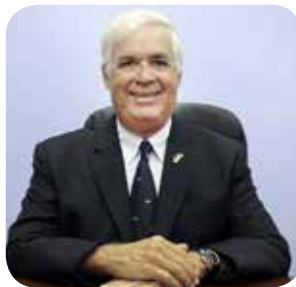
BOARD OF DIRECTORS



Franklyn Butler II
Chairman



Frank Crothers
Director



R. Craig Symonette
Director



Robert Sands
Director



Michael Moss
Director



Michael Maura Jr.
Director



Alison Treco
Independent Audit Director



Gavin Watchorn
Group President & CEO, Director

EXECUTIVE MANAGEMENT:

Gavin Watchorn, Group President and CEO

Stephen Smollett, Executive Vice President

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

Noel Sturrup, Director of Franchise Operations



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Nassau, The Bahamas

STORES DIRECTORY

RETAIL DIVISION SOLOMON'S

NEW PROVIDENCE

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

GRAND BAHAMA

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

COMING SOON

NEW PROVIDENCE

Solomon's Yamacraw (November 2017)

WAREHOUSE CLUB DIVISION COST RIGHT

NEW PROVIDENCE

Cost Right
Town Centre Mall

GRAND BAHAMA

Cost Right Freeport
The Mall Drive

FRANCHISE DIVISION CARL'S JR.

NEW PROVIDENCE

Old Trail Road & East West Highway
Mall at Marathon
Carmichael Road

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 Market Place
RND Plaza