



## CEO Message Q1 2022-2023

The Board of Directors at *AML Foods Limited* today announced results for the first quarter ended July 31<sup>st</sup>, 2022. Sales for the period were \$43.8m, an improvement of \$0.9m or 2.1% compared to the same quarter last year. Net profit for the quarter was \$1.3m, compared to \$1.0m, up \$0.3m or 35% to prior year. Net operating profit increased by \$0.3m primarily due to an increase in other operating income and improved results from our Exuma operations.

Although sales improved during the quarter over prior year, gross margins were lower than expected due to vendor price increases. Despite our best efforts to manage through better buying, increases in supplier and freight costs have impacted our margins in recent months. Inventory levels are also slightly elevated compared to the same period last year as a result of the increased costs of goods, as well as improved stock levels following large out of stocks in prior year brought on by supplier restraints following COVID.

With all stores now fully converted to our new Point of Sale system, we are now realizing many of the benefits it has to offer. Our loyalty program, My Solomon's Smart Rewards, is proving to be one of our most valuable gains, giving us greater data insights into customer needs.

During the conversion to our new ERP, we incurred some unforeseen challenges, which resulted in the delay of the publication of our 4<sup>th</sup> quarter results. During our 1<sup>st</sup> quarter, we performed additional procedures to ensure the integrity of our new processes. In doing so, we identified a cut-off error resulting in an overstatement of net profit for the 4<sup>th</sup> quarter of approximately \$0.7m, which we have subsequently corrected.

During the period, net cash balances decreased by \$1.6m. \$1.3m was spent on various capital projects including the ongoing build out of our Downtown Freeport store. Construction at the location continues to progress and the store is expected to open in late 2022. During the quarter, selling, general and administrative expenses were comparable to the prior year quarter as a percentage of sales at 28.4% (2021: 28.6%)

Our Company signed a new credit facility letter with Royal Bank in July 2022 to increase borrowings by \$20m for financing of upcoming projects. The new financing attracts an interest rate of prime less 0.65% and is expected to be drawn down in stages over the next 12 to 18 months.

Based on the quarter's performance the Board of Directors have approved an ordinary dividend payment of \$0.04 per share, payable on September 28<sup>th</sup>, 2022, to shareholders on record as of September 21<sup>st</sup>, 2022.

On behalf of the Board of Directors I would like to say thank you to our team of dedicated associates and to our loyal customers for your commitment to our company and businesses.

Sincerely,

Gavin Watchorn  
CEO & President

**AML FOODS LIMITED**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED 31st JULY 2022**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*(Expressed In thousands of Bahamian dollars)*

	As At July 31, 2022	As At April 30, 2022 Restated
<b>Assets</b>		
<b>Current assets</b>		
Cash and bank balances	\$ 9,001	\$ 9,063
Term deposits with original maturities greater than 90 days	284	284
Receivables, net of provision	956	903
Merchandise inventories, net of provisions	21,004	20,075
Other current assets	3,691	3,321
<b>Total current assets</b>	<b>34,936</b>	<b>33,646</b>
<b>Non-current assets</b>		
Other assets	3,138	3,138
<b>Property, plant and equipment, net</b>		
Property, land improvements, and buildings	31,032	31,203
Equipment	5,073	5,393
Leasehold improvements	3,832	3,938
Work in progress	3,497	2,228
	43,434	42,762
Right of use asset	23,394	24,304
Goodwill	2,976	2,976
<b>Total assets</b>	<b>\$ 107,878</b>	<b>\$ 106,826</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank overdrafts	1,580	-
Accounts payable and accrued expenses	15,212	15,586
Current portion of preference shares	626	626
Current portion of bank loan	1,645	1,645
Current portion of lease liability	2,070	2,583
<b>Total current liabilities</b>	<b>21,133</b>	<b>20,440</b>
<b>Longterm liabilities</b>		
Preference shares	8,332	8,332
Bank loan	3,537	3,983
Lease liability	24,281	24,760
	36,150	37,075
<b>Shareholders' equity</b>		
Ordinary share capital	7,524	7,524
Treasury shares	(146)	(146)
Contributed surplus	2,231	2,231
Revaluation surplus	6,354	6,354
Retained earnings	34,632	33,348
	50,595	49,311
<b>Total liabilities and shareholders' equity</b>	<b>\$ 107,878</b>	<b>\$ 106,826</b>

**AML FOODS LIMITED**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED 31st JULY 2022**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*(Expressed In thousands of Bahamian dollars except per share amounts)*

	<b>Quarter ended July 31, 2022</b>	<b>Quarter ended July 31, 2021</b>
Sales	\$ 43,853	\$ 42,933
Cost of sales	(30,008)	(29,379)
Gross profit	13,845	13,554
Selling, general and administrative expenses	(12,476)	(12,278)
Other operating income	438	202
Net operating profit	1,807	1,478
Interest expense	(381)	(419)
Dividends on preference shares	(134)	(144)
Net profit before extraordinary expenses	1,292	915
Pre-opening expenses	(1)	(81)
(Loss) / Gain on disposal of property, plant & equipment	(7)	116
Net profit	\$ 1,284	\$ 950
Earnings per share	<u>\$ 0.09</u>	<u>\$ 0.06</u>

**AML FOODS LIMITED**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**AT QUARTER ENDED 31st JULY 2022**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*(Expressed In thousands of Bahamian dollars)*

	<b>No. of Shares (‘000s)</b>	<b>Share Capital</b>	<b>Treasury Shares</b>	<b>Contributed Surplus</b>	<b>Revaluation Surplus</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance as of April 30, 2021	15,049	\$ 7,524	\$ (146)	\$ 2,231	\$ 6,354	\$ 32,656	\$ 48,619
Net profit from operations		-	-	-	-	4,003	4,003
Dividends (\$0.22 per share)		-	-	-	-	(3,311)	(3,311)
Balance as of April 30, 2022 (Restated)	15,049	7,524	(146)	2,231	6,354	33,348	49,311
Net profit from operations		-	-	-	-	1,284	1,284
Balance as of July 31, 2022	15,049	\$ 7,524	\$ (146)	\$ 2,231	\$ 6,354	\$ 34,632	\$ 50,595

**AML FOODS LIMITED**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR YEAR TO DATE 31st JULY 2022**  


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**CONSOLIDATED STATEMENT OF CASH FLOWS**  
*(Expressed In thousands of Bahamian dollars)*

	<b>Year to Date July 31, 2022</b>	<b>Year to Date July 31, 2021</b>
<b>Cash flows from operating activities</b>		
Net profit	\$ 1,284	\$ 950
Adjustments for:		
Depreciation and amortization	1,892	2,080
Dividends on preference shares	134	144
Decrease in provision for doubtful debts	-	(34)
(Decrease) / Increase in inventory provision	(566)	359
Loss / (Gain) on disposal of property, plant and equipment	7	(116)
Interest on lease liability	314	334
Operating cash flow before changes in working capital	3,065	3,716
<b>Working capital source / (use)</b>		
Accounts receivable	(53)	(314)
Merchandising inventories	(364)	(751)
Other current assets	(370)	1,439
Increase in other assets	-	175
Accounts payable and accrued expenses	(373)	(32)
Net cash provided by operating activities	1,905	4,233
<b>Investing activities source / (use)</b>		
Movement on Term Deposit	-	-
Additions to property, plant and equipment	(1,662)	(1,534)
Proceeds from disposal of property & equipment	1	154
Investment in Exuma Markets	-	(1,322)
Net cash used in investing activities	(1,661)	(2,702)
<b>Financing activities source / (use)</b>		
Dividends paid on ordinary shares	-	(1,053)
Dividends paid on preference shares	(134)	(144)
Repayment of bank loan	(446)	(315)
Payment of lease liability	(1,306)	(1,193)
Net cash used in financing activities	(1,886)	(2,705)
Decrease in cash	(1,642)	(1,174)
Cash, beginning of period	9,063	13,781
Cash, end of period	7,421	12,608

**AML FOODS LIMITED**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED APRIL 30, 2022**

**SEGMENT REPORTING**

*(Expressed in thousands of Bahamian Dollars)*

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, Exuma 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.

<b>Year Ended</b>	Food Distribution		Food Franchise		Corporate		Consolidation	
	31-Jul-22	31-Jul-21	31-Jul-22	31-Jul-21	31-Jul-22	31-Jul-21	31-Jul-22	31-Jul-21
Sales	\$ 41,387	\$ 40,790	\$ 2,466	\$ 2,143	\$ -	\$ -	\$ 43,853	\$ 42,933
Cost of sales	(29,198)	(28,696)	(810)	(683)	-	-	(30,008)	(29,379)
Gross Profit	12,189	12,094	1,656	1,460	-	-	13,845	13,554
Selling, general and administrative expenses	(8,106)	(7,771)	(1,333)	(1,339)	(3,037)	(3,168)	(12,476)	(12,278)
Other operating income	131	162	-	-	307	40	438	202
Gain on disposal of fixed assets	-	116	(7)	-	-	-	(7)	116
Interest expense	(306)	(298)	(8)	(36)	(67)	(85)	(381)	(419)
Dividends on preference shares	-	-	-	-	(134)	(144)	(134)	(144)
Pre-opening expenses	-	-	-	-	(1)	(81)	(1)	(81)
Hurricane income/(expenses)	-	-	-	-	-	-	-	-
<b>Net profit (loss)</b>	<b>\$ 3,908</b>	<b>\$ 4,303</b>	<b>\$ 308</b>	<b>\$ 85</b>	<b>\$ (2,932)</b>	<b>\$ (3,438)</b>	<b>\$ 1,284</b>	<b>\$ 950</b>

**AML FOODS LIMITED**  
**UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED JULY 31, 2022**

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**EXPLANATORY NOTES**

1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards using the same accounting policies and methods of computation as the Consolidated Financial Statements included in the 2021 Annual Report.

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

2. DIVIDENDS

The Company did not pay any dividends for the quarter ended July 31, 2022.

3. BANK LOANS

The Company has two bank loans with RBC Royal Bank (Bahamas) Limited which bear a blended interest rate of 4.75% each. At July 31, 2022, the total principal amount outstanding on the Company's loans was \$5.2m.

4. SUBSEQUENT EVENTS

On August 10, 2022, the Board of Directors approved an ordinary dividend of \$0.04 per share and an extraordinary dividend of \$0.03 per share payable on August 31, 2022 to shareholders of record on August 24, 2022.

On September 12, 2022 the Board of Directors approved an ordinary dividend of \$0.04 per share payable on September 28, 2022 to shareholders of record on September 21, 2022.

5. PRIOR PERIOD CORRECTION

During the period, we identified a misstatement in the Q4 unaudited financial results for the quarter ended April 30, 2022. The adjustment related to a timing error and resulted in a decrease in profit of approximately \$0.7m. The prior year retained earnings amount has been restated to reflect this correction.

## **AML FOODS LIMITED**

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### **AUDITORS**

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

### **BANKERS**

RBC Royal Bank (Bahamas) Limited  
Royal Bank House  
East Hill Street  
P.O. Box N-7459  
Nassau, The Bahamas

### **LEGAL COUNSEL**

Higgs & Johnson  
Ocean Centre, Montagu Foreshore  
East Bay Street  
P.O. Box N-3247  
Nassau, The Bahamas

### **REGISTRAR & TRANSFER AGENTS**

Bahamas Central Securities Depository  
2<sup>nd</sup> Floor, Fort Nassau Centre  
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Bay Street  
P.O. Box EE-15672  
Nassau, The Bahamas

### **DIRECTORS**

Franklyn Butler, II (Chairman)  
Robert L. Sands  
Alison Treco  
Meike de Vaere  
Tara Cooper Burnside  
Jeff Gordman  
Sunil Chatrani  
Gavin Watchorn

### **AML FOODS LIMITED**

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