



## CEO Message

### Q2 2023-2024

The Board of Directors at *AML Foods Limited* today announced results for the second quarter ended October 31<sup>st</sup>, 2023. Sales for the period were \$43.0m, an improvement of \$1.4m or 3.3% compared to the same period in the previous year. The company recorded a net loss of \$0.5m compared to a net loss of \$0.3m for the same quarter last year.

Our second quarter performance was impacted by several external and internal challenges. Customers' average basket size remained depressed, declining by 6% during the period, impacting both sales and margin performance. We are now seeing price deflation in certain categories, and while this may impact average ticket, we welcome the relief that these adjustments will bring to our customers.

Increased utilities continue to negatively impact our expense levels, directly through an annualized increase in excess of \$1m, and indirectly as vendors pass on their increased energy costs. Shrink remained elevated during the quarter and external shrink continued to be an issue as we transitioned to a new ordering process. We remain focused on reducing opportunities for external shrink, and we have focused on eliminating the root cause of our elevated internal shrink. Looking forward, we expect that customer spending will remain lower in the short term, but improvements in our shrink coupled with our performance during the upcoming holiday shopping season as well as the peak tourist season will deliver improved operating results.

Work has begun to transform our Solomon's Super Center location in New Providence into two new modern facilities: a 25,000 sq. ft. Solomon's neighborhood grocery store and an adjacent 55,000 sq. ft. Cost Right Club. Upon completion of the project that is expected to take approximately 12 months, Solomon's customers will experience our new Solomon's neighborhood format while Cost Right Nassau customers will experience a true club facility, similar to our Cost Right Freeport location. Both stores will be energy efficient, using all energy saving equipment which will be powered by solar energy, part of a \$1.7m company-wide investment in solar power.

On behalf of the Board of Directors I would like to thank our dedicated and hard-working associates for your commitment to our company and our customers for your loyal support of our businesses. Season's Greetings, and best wishes for a Happy and Prosperous New Year.

Sincerely,

Gavin Watchorn  
CEO & President

### AML FOODS LIMITED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31st OCTOBER 2023

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

	As At October 31, 2023	As At April 30, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and bank balances	\$ 8,235	\$ 8,076
Term deposits with original maturities greater than 90 days	286	286
Receivables, net of provision	1,010	789
Merchandise inventories, net of provisions	18,940	20,035
Other current assets	2,909	3,059
<b>Total current assets</b>	<b>31,380</b>	<b>32,245</b>
<b>Non-current assets</b>		
Other assets	3,138	3,138
<b>Property, plant and equipment, net</b>		
Property, land improvements, and buildings	41,220	31,638
Equipment	6,551	5,886
Leasehold improvements	5,313	6,087
Work in progress	2,011	1,846
	55,095	45,457
Right of use asset	26,841	28,094
Goodwill	2,976	2,976
<b>Total assets</b>	<b>\$ 119,430</b>	<b>\$ 111,910</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	16,760	16,293
Current portion of bank loan	2,510	1,871
Current portion of lease liability	2,162	2,150
<b>Total current liabilities</b>	<b>21,432</b>	<b>20,314</b>
<b>Longterm liabilities</b>		
Preference shares	6,801	6,801
Bank loan	15,246	6,214
Lease liability	28,201	29,323
	50,248	42,338
<b>Shareholders' equity</b>		
Ordinary share capital	7,378	7,378
Contributed surplus	2,231	2,231
Revaluation surplus	6,354	6,354
Retained earnings	31,787	33,295
	47,750	49,258
<b>Total liabilities and shareholders' equity</b>	<b>\$ 119,430</b>	<b>\$ 111,910</b>

### AML FOODS LIMITED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31st OCTOBER 2023

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

	Quarter ended October 31, 2023	Quarter ended October 31, 2022
Sales	\$ 43,027	\$ 41,671
Cost of sales	(30,266)	(29,400)
Gross profit	12,761	12,271
Selling, general and administrative expenses	(13,019)	(12,360)
Other operating income	336	363
Net operating profit	78	274
Interest expense	(520)	(386)
Dividends on preference shares	(102)	(134)
Net loss before extraordinary expenses	(544)	(246)
Pre-opening expenses	(2)	(52)
Loss on disposal of property, plant & equipment	(1)	-
Net loss	\$ (547)	\$ (298)
Earnings per share	\$ (0.04)	\$ (0.02)

### AML FOODS LIMITED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31st OCTOBER 2023

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

	Six Months Ended October 31, 2023	Six Months Ended October 31, 2022
Sales	\$ 90,047	\$ 85,523
Cost of sales	(62,896)	(59,407)
Gross profit	27,151	26,116
Selling, general and administrative expenses	(26,397)	(24,836)
Other operating income	622	801
Net operating profit	1,376	2,081
Interest expense	(1,014)	(766)
Dividends on preference shares	(204)	(269)
Net profit before extraordinary expenses	158	1,046
Pre-opening expenses	(2)	(53)
Loss on disposal of property, plant & equipment	(13)	(7)
Net profit	\$ 143	\$ 986
Earnings per share	\$ 0.01	\$ 0.07

AML FOODS LIMITED UNAUDITED INTERIM FINANCIAL STATEMENTS SIX MONTHS ENDED 31st OCTOBER 2023 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Expressed In thousands of Bahamian dollars)							
	No. of Shares ('000s)	Share Capital	Treasury Shares	Contributed Surplus	Revaluation Surplus	Retained Earnings	Total
Balance as of April 30, 2022	15,049	\$ 7,524	\$ (146)	\$ 2,231	\$ 6,354	\$ 33,348	\$ 49,311
Cancellation of treasury shares	(41)	(146)	146	-	-	-	-
Net profit from operations	-	-	-	-	-	2,803	2,803
Dividends (\$0.22 per share)	-	-	-	-	-	(2,856)	(2,856)
Balance as of April 30, 2023	15,008	7,378	-	2,231	6,354	33,295	49,258
Net profit from operations	-	-	-	-	-	143	143
Dividends (\$0.11 per share)	-	-	-	-	-	(1,651)	(1,651)
Balance as of October 31, 2023	15,008	\$ 7,378	\$ -	\$ 2,231	\$ 6,354	\$ 31,787	\$ 47,750

### AML FOODS LIMITED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31st OCTOBER 2023 CONSOLIDATED STATEMENT OF CASH FLOWS (Expressed In thousands of Bahamian dollars)

	Six Months Ended October 31, 2023	Six Months Ended October 31, 2022
<b>Cash flows from operating activities</b>		
Net profit	\$ 143	986
Adjustments for:		
Depreciation and amortization	3,347	3,514
Dividends on preference shares	204	269
Increase in provision for doubtful debts	30	-
Increase / (decrease) in inventory provision	470	(839)
Loss on disposal of property, plant and equipment	13	7
Interest on lease liability	721	617
Operating cash flow before changes in working capital	4,928	4,554
Working capital source / (use)		
Accounts receivable	(252)	138
Merchandising inventories	625	(2,494)
Other current assets	151	356
Accounts payable and accrued expenses	468	2,100
Net cash provided by operating activities	5,920	4,654
<b>Investing activities source / (use)</b>		
Additions to property, plant and equipment	(11,771)	(4,138)
Proceeds from disposal of property & equipment	6	1
Net cash used in investing activities	(11,765)	(4,137)
<b>Financing activities source / (use)</b>		
Dividends paid on ordinary shares	(1,651)	(1,655)
Dividends paid on preference shares	(204)	(269)
Repayment of bank loan	(1,449)	(841)
Repayment of preference shares	-	(626)
Proceeds from bank loan	11,119	3,000
Payment of lease liability	(1,811)	(2,250)
Net cash provided by / (used in) financing activities	6,004	(2,641)
Increase / (decrease) in cash	159	(2,124)
Cash, beginning of period	8,076	9,063
Cash, end of period	8,235	6,939

### AML FOODS LIMITED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED OCTOBER 31, 2023 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.

	Food Distribution		Food Franchise		Corporate		Consolidated	
	31-Oct-23	31-Oct-22	31-Oct-23	31-Oct-22	31-Oct-23	31-Oct-22	31-Oct-23	31-Oct-22
<b>3 Months Ended</b>								
Sales	\$ 40,643	\$ 39,345	\$ 2,384	\$ 2,326	\$ -	\$ -	\$ 43,027	\$ 41,671
Cost of sales	(29,459)	(28,596)	(807)	(804)	-	-	(30,266)	(29,400)
Gross Profit	11,184	10,749	1,577	1,522	-	-	12,761	12,271
Selling, general and administrative expenses	(8,596)	(8,010)	(1,462)	(1,318)	(2,961)	(3,032)	(13,019)	(12,360)
Other operating income	180	126	16	-	140	237	336	363
Loss on disposal of fixed assets	(1)	-	-	-	-	-	(1)	-
Interest expense	(348)	(296)	(9)	(7)	(163)	(83)	(520)	(386)
Dividends on preference shares	-	-	-	-	(102)	(134)	(102)	(134)
Pre-opening expenses	-	-	-	-	(2)	(52)	(2)	(52)
<b>Net profit / (loss)</b>	<b>\$ 2,419</b>	<b>\$ 2,569</b>	<b>\$ 122</b>	<b>\$ 197</b>	<b>\$ (3,088)</b>	<b>\$ (3,064)</b>	<b>\$ (547)</b>	<b>\$ (298)</b>

	Food Distribution		Food Franchise		Corporate		Consolidated	
	31-Oct-23	31-Oct-22	31-Oct-23	31-Oct-22	31-Oct-23	31-Oct-22	31-Oct-23	31-Oct-22
<b>6 Months Ended</b>								
Sales	\$ 85,001	\$ 80,732	\$ 5,046	\$ 4,791	\$ -	\$ -	\$ 90,047	\$ 85,523
Cost of sales	(61,206)	(57,794)	(1,690)	(1,613)	-	-	(62,896)	(59,407)
Gross Profit	23,795	22,938	3,356	3,178	-	-	27,151	26,116
Selling, general and administrative expenses	(17,083)	(16,116)	(2,959)	(2,651)	(6,355)	(6,069)	(26,397)	(24,836)
Other operating income	342	258	18	-	262	543	622	801
Loss on disposal of fixed assets	(13)	-	-	(7)	-	-	(13)	(7)
Interest expense	(702)	(603)	(19)	(14)	(293)	(149)	(1,014)	(766)
Dividends on preference shares	-	-	-	-	(204)	(269)	(204)	(269)
Pre-opening expenses	-	-	-	-	(2)	(53)	(2)	(53)
<b>Net profit / (loss)</b>	<b>\$ 6,339</b>	<b>\$ 6,477</b>	<b>\$ 396</b>	<b>\$ 506</b>	<b>\$ (6,592)</b>	<b>\$ (5,997)</b>	<b>\$ 143</b>	<b>\$ 986</b>

### AML FOODS LIMITED UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED OCTOBER 31, 2023

#### 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 2023 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 paid an ordinary dividend of \$0.04 on September 26, 2023 to shareholders of record at September 25, 2023.

#### 3. BANK LOANS

The Company has a total of four bank loans with RBC Royal Bank (Bahamas) Limited which bear a blended interest rate of 3.60% each. At October 31, 2023, the total principal amount outstanding on the Company's loans was \$17.8m. A total of \$6.4m remains to be drawn down.

#### 4. CONTINGENT LIABILITY

On November 21, 2023, the Company was issued a formal and final levy from the Department of Inland Revenue (DIR) concerning alleged unpaid taxes totaling \$925,732.13 which related to VAT outstanding for items sold VAT Free in Grand Bahama during the period of January 1, 2019 through December 31, 2021 under the SERZ order.

The Company, with the assistance of legal counsel, intends to initiate a formal dispute against the DIR related to this assessment. To comply with the appeals process, the Company will be required to place a bond or provide full payment of the outstanding liability, which the Company intends to make on or before December 20, 2023. This payment will be made without waiving any rights in the ongoing dispute, and the Company intends to vigorously contest the assessment. No provision has been recognized in the interim consolidated financial statements for these matters, as management works to determine the probability that the Company will be made to remit payment.

#### AML FOODS LIMITED

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