

**AML FOODS LIMITED**

**Consolidated Financial Statements  
For The Year Ended January 31, 2015  
And Independent Auditors' Report**

**AML FOODS LIMITED**

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
AML Foods Limited:

We have audited the consolidated financial statements of AML Foods Limited, which comprise the consolidated statement of financial position as of January 31, 2015, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

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

### **Auditors' responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AML Foods Limited as of January 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Deloitte & Touche*

May 29, 2015

**AML FOODS LIMITED**

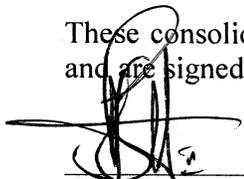
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF JANUARY 31, 2015**

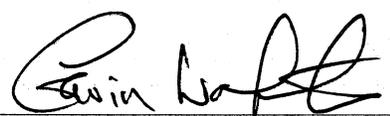
*(Expressed in thousands of Bahamian dollars except per share amounts)*

	2015	2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and bank balances (Note 4)	\$ 2,947	\$ 5,055
Receivables, net of provisions (Note 5)	1,197	945
Merchandise inventories, net of provisions (Note 6)	19,303	17,082
Other current assets (Note 7)	2,485	2,265
	25,932	25,347
<b>Property, plant and equipment, net (Note 8)</b>		
Property and buildings	8,710	6,262
Equipment	7,707	7,614
Leasehold improvements	7,387	6,987
Work in progress	2,446	1,313
	26,250	22,176
Term deposits with maturities greater than 90 days	905	883
Goodwill (Note 9)	3,019	3,602
<b>Total assets</b>	\$ 56,106	\$ 52,008
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
Bank overdrafts (Note 4)	\$ 2,033	\$ 2,222
Accounts payable and accrued expenses (Notes 10 and 11)	11,328	10,215
Current portion of preference shares (Note 11)	1,775	2,222
	15,136	14,659
<b>Long-term liabilities</b>		
Preference shares (Note 11)	15,975	17,778
<b>Shareholders' equity</b>		
Ordinary share capital (Note 12)	7,556	7,702
Treasury shares (Note 12)	(125)	(486)
Contributed surplus	2,324	2,664
Revaluation surplus (Note 8)	3,159	794
Retained earnings	12,081	8,897
	24,995	19,571
<b>Total liabilities and shareholders' equity</b>	\$ 56,106	\$ 52,008

See notes to consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors May 29, 2015 and are signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

**AML FOODS LIMITED****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED JANUARY 31, 2015***(Expressed in thousands of Bahamian dollars except per share amounts)*

	<b>2015</b>	<b>2014</b>
Sales (Note 18)	\$ 145,289	\$ 145,289
Cost of sales	(98,481)	(102,159)
Gross profit (Note 18)	46,808	43,130
Selling, general and administrative expenses (Note 13)	(39,443)	(39,114)
Business license tax	(1,913)	(1,556)
Other operating income	623	604
Net operating profit	6,075	3,064
Dividends on preference shares (Notes 11 and 18)	(1,275)	(1,450)
Loss on impairment of goodwill (Note 9)	(583)	(508)
Interest expense (Note 18)	(58)	(84)
Pre-opening costs (Note 18)	(125)	(34)
Gain on property revaluation (Note 8)	356	-
Net profit	4,390	988
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation surplus adjustment	2,365	
Revaluation surplus adjustment for sale of property	-	(148)
Comprehensive income	\$ 6,755	\$ 840
Earnings per share (Note 14)	<u>\$ 0.29</u>	<u>\$ 0.06</u>

See notes to consolidated financial statements.

**AML FOODS LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED JANUARY 31, 2015**

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

	Number of Ordinary							Total
	Shares ( <sup>'000s</sup> )	Share Capital	Treasury Shares	Contributed Surplus	Revaluation Surplus	Retained Earnings		
Balance as of January 31, 2013	15,404	\$7,702	\$ (439)	\$ 2,664	\$ 942	\$ 9,115	\$19,984	
Net profit	-	-	-	-	-	988	988	
Shares repurchased (Note 12)	-	-	(47)	-	-	-	(47)	
Revaluation surplus adjustment for sale of property (Note 8)	-	-	-	-	(148)	-	(148)	
Declared dividends (\$0.08 per share)	-	-	-	-	-	(1,206)	(1,206)	
Balance as of January 31, 2014	15,404	7,702	(486)	2,664	794	8,897	19,571	
Net profit	-	-	-	-	-	4,390	4,390	
Shares repurchased (Note 12)	-	-	(125)	-	-	-	(125)	
Revaluation surplus adjustment (Note 8)	-	-	-	-	2,365	-	2,365	
Cancellation of treasury shares (Note 12)	(292)	(146)	486	(340)	-	-	-	
Declared dividends (\$0.08 per share)	-	-	-	-	-	(1,206)	(1,206)	
Balance as of January 31, 2015	15,112	\$7,556	\$ (125)	\$ 2,324	\$ 3,159	\$12,081	\$24,995	

See notes to consolidated financial statements.

**AML FOODS LIMITED****CONSOLIDATED STATEMENT OF CASH FLOWS  
YEAR ENDED JANUARY 31, 2015***(Expressed in thousands of Bahamian dollars except shares and per share amounts)*

	<b>2015</b>	<b>2014</b>
<b>Cash flows from operations</b>		
Net profit	\$ 4,390	\$ 988
Adjustments for:		
Depreciation (Note 8)	3,548	3,357
Dividends on preference shares (Note 11)	1,275	1,450
Increase (decrease) in inventory provision (Note 6)	346	(727)
Increase (decrease) in provision for doubtful debts (Note 5)	13	(7)
Loss on disposal of property, plant and equipment	-	250
Loss on impairment of goodwill (Note 9)	583	508
Gain on property revaluation (Note 8 )	(356)	-
Operating cash flow before changes in working capital	9,799	5,819
Working capital source/(use)		
Merchandise inventories (Note 6)	(2,567)	1,928
Receivables (Note 5)	(265)	(46)
Other current assets	(221)	35
Accounts payable and accrued expenses (Notes 10 and 11)	1,113	(1,140)
Net cash provided by operating activities	7,859	6,596
<b>Investing activities source/(use)</b>		
Term deposits with original maturities greater than 90 days	(22)	367
Additions to property, plant and equipment (Note 8)	(4,900)	(3,766)
Proceeds from disposals of property, plant and equipment	-	2,050
Net cash used in investing activities	(4,922)	(1,349)
<b>Financing activities source/(use)</b>		
Dividends paid on ordinary shares	(1,206)	(1,206)
Dividends paid on preference shares	(1,275)	(1,450)
Repurchase of shares (Note 12)	(125)	(47)
Repayment of preference shares principal (Note 11)	(2,250)	-
Net cash used by financing activities	(4,856)	(2,703)
Net (decrease)/increase in cash	(1,919)	2,544
Cash, beginning of year	2,833	289
Cash, end of year (Note 4)	\$ 914	\$ 2,833

See notes to consolidated financial statements.

## AML FOODS LIMITED

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED JANUARY 31, 2015

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

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#### 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 Stock Exchange. The registered office of the Company is at One Millars Court, off Shirley Street, Nassau, New Providence, Bahamas and the corporate office is at Town Centre Mall, Blue Hill Road, New Providence, Bahamas.

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

The Company’s significant operating entities, listed below, are all incorporated in The Commonwealth of The Bahamas:

- 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
- 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 February 1, 2014. 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 2 Share-based Payment  
IFRS 3 Business Combinations  
IFRS 7 Financial Instruments: Disclosures  
IFRS 8 Operating Segments  
IFRS 9 Financial Instruments  
IFRS 10 Consolidated Financial Statements  
IFRS 11 Joint Arrangements  
IFRS 12 Disclosure of Interests in Other Entities  
IFRS 13 Fair Value Measurement  
IFRS 14 Regulatory Deferral Accounts  
IFRS 15 Revenue from Contracts with Customers  
IAS 1 Presentation of Financial Statements  
IAS 16 Property, Plant and Equipment  
IAS 19 Employee Benefits  
IAS 24 Related Party Disclosures  
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 39 Financial Instruments: Recognition and Measurement  
IAS 40 Investment Property  
IAS 41 Agriculture

Management does not anticipate that the relevant adoption of these standards and interpretations in future periods will have a material impact on the consolidated financial statements of the Company.

**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 accounts of the Company and its wholly owned subsidiaries. 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.

**Sales** - Revenues from the sale of goods are recognised at the point of sale and are presented net of returns and discounts. 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 is 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 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. Receivables** - Receivables are carried at invoice amount less provisions made for doubtful accounts (Note 5) 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 recognised 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.
- d. Merchandise inventories** - Food distribution and franchise inventories are stated at the lower of weighted average cost less provision.

Provisions are made for normal loss and damage based on a percentage of sales since the last physical inventory count. Provisions are made for slow moving and obsolete inventory by applying a range of percentages to inventory aging reports. These are made in order to estimate the amount by which inventory needs to be reduced to estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to conclude the sale.

- e. 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 credited directly to equity and is classified as "property revaluation surplus", except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the reversal is recognised as income. Any decrease in the carrying value of an asset as a result of a revaluation is recognised as an expense. 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.

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 recognised in the consolidated statement of comprehensive income.

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised.

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.

- f. 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.

- g. 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 amortised over a five year period and the unamortised portion of the fee is presented with other current assets on the consolidated statement of financial position. For the year ended January 31, 2015, the unamortised franchise fees were \$78 (2014: \$9).
- h. Preference shares* - Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the consolidated statement of comprehensive income.
- i. 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.

- j. *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 recognised 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.

- k. *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.

- l. *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.

- m. *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.

- n. *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).

- o. Selling, general and administrative expenses* – Selling, general and administrative expenses include all operating costs of the Company except cost of sales, as described above, and Business License tax which is shown as a separate line item in the consolidated statement of comprehensive income.
- p. Pre-opening costs* – The cost of start-up activities, including organization costs, related to new store openings, store remodels, expansions, and relocating are expensed as incurred.
- q. Government grants* – Under the Road Works Compensation program, the Company was eligible for credits for certain of its operations in New Providence for cost of electricity. The electricity credits were for a period of 18 months. Under this program the Company recorded total credits of \$132 for the year ended January 31, 2015 (2014: \$140). The electricity credits are presented as a reduction in the cost of electricity in selling, general and administrative expenses in the consolidated statement of comprehensive income. This program ended in 2014.
- r. 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 10).

#### 4. 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:

	2015	2014
Cash and bank balances	\$ 2,947	\$ 5,055
Bank overdrafts	(2,033)	(2,222)
<b>Total</b>	<b>\$ 914</b>	<b>\$ 2,833</b>

The Company was in compliance with all of its covenants as of January 31, 2015. 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 November 11, 2014. 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 interest rate on the overdraft facility is Nassau Prime (currently 4.75%) plus 1.25%.

## 5. RECEIVABLES, NET OF PROVISIONS

Receivables consist of the following:

	2015		2014	
Trade receivables	\$	1,283	\$	1,018
Less: Provision for doubtful accounts		(86)		(73)
Total	\$	1,197	\$	945

The aging of receivables is as follows:

	2015		2014	
0 to 30 days	\$	696	\$	286
31 to 60 days		323		351
61 to 90 days		38		192
91 days and over		226		189
Total	\$	1,283	\$	1,018

<b>Movement in the provision for doubtful accounts</b>	2015		2014	
Balance at beginning of the year	\$	(73)	\$	(80)
Impairment losses recognized on receivables		(18)		(10)
Amounts written off during the year as uncollectible		5		18
Amounts recovered during the year		-		(1)
Balance at end of the year	\$	(86)	\$	(73)

Management has deemed \$163 (2014: \$107) of the receivables to be past due, but not impaired.

The Company offers in-store financing through a subsidiary, Abaco Markets ISF Limited. As of January 31, 2015, the total amount outstanding was \$81 (2014: \$97). These amounts are included in the total receivables balance.

## 6. MERCHANDISE INVENTORIES, NET OF PROVISIONS

Merchandise inventories consist of the following:

	2015		2014	
Food distribution	\$	19,760	\$	17,557
Franchise		851		487
		20,611		18,044
Less: Provision		(1,308)		(962)
Total	\$	19,303	\$	17,082

## 7. OTHER CURRENT ASSETS

Other current assets consist of the following:

	2015	2014
Security deposits	\$ 914	\$ 914
Prepayments	1,571	1,351
Total	\$ 2,485	\$ 2,265

## 8. 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 January 31, 2013	\$ 10,801	\$ 22,532	\$ 11,600	\$ 818	\$ 45,751
Reclass WIP	495	45	54	(594)	-
Additions	-	1,440	1,237	1,089	3,766
Disposals	(3,854)	(104)	(27)	-	(3,985)
At January 31, 2014	\$ 7,442	\$ 23,913	\$ 12,864	\$ 1,313	\$ 45,532
Accumulated depreciation:					
At January 31, 2013	\$ 2,343	\$ 14,496	\$ 4,697	\$ -	\$ 21,536
Depreciation	262	1,898	1,197	-	3,357
Disposals	(1,425)	(95)	(17)	-	(1,537)
At January 31, 2014	\$ 1,180	\$ 16,299	\$ 5,877	\$ -	\$ 23,356
Net book value:					
At January 31, 2014	\$ 6,262	\$ 7,614	\$ 6,987	\$ 1,313	\$ 22,176
	Property, Land Improvements and Buildings	Equipment and Motor Vehicles	Leasehold Improvements	Work in Progress	Total
Cost/revalued amount:					
At January 31, 2014	\$ 7,442	\$ 23,913	\$ 12,864	\$ 1,313	\$ 45,532
Reclass WIP	-	50	769	(819)	-
Additions	-	2,072	876	1,952	4,900
Property Revaluation	1,357	-	-	-	1,357
At January 31, 2015	\$ 8,799	\$ 26,035	\$ 14,509	\$ 2,446	\$ 51,789
Accumulated depreciation:					
At January 31, 2014	\$ 1,180	\$ 16,299	\$ 5,877	\$ -	\$ 23,356
Depreciation	274	2,029	1,245	-	3,548
Property revaluation	(1,365)	-	-	-	(1,365)
At January 31, 2015	\$ 89	\$ 18,328	\$ 7,122	\$ -	\$ 25,539
Net book value:					
At January 31, 2015	\$ 8,710	\$ 7,707	\$ 7,387	\$ 2,446	\$ 26,250

The Company's accounting policy is to revalue land, property and buildings which comprise a retail store location and 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 Company disposed of its property in Abaco, Bahamas during the year ended January 31, 2014. The property was sold to the previous tenant for \$2,042 resulting in an adjustment to revaluation surplus of \$148 and net loss of \$241.

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 \$6,285 (2014: \$5,468).

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.

## 9. GOODWILL

Goodwill on business acquisitions is as follows:

	2015	2014
Balance, beginning of period	\$ 3,602	\$ 4,110
Impairment	(583)	(508)
Balance, end of period	\$ 3,019	\$ 3,602

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

- Solomon's Nassau (SCNL)
- Solomon's Freeport (SCFL)
- Cost Right Freeport (CRF)
- Domino's

The Company's annual impairment exercise indicated an impairment of \$583 on the remaining goodwill as of January 31, 2015 (2014: \$508).

## 10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2015	2014
Accounts payable - trade	\$ 6,591	\$ 4,496
Taxes payable	2,144	\$ 1,661
Accrued expenses	2,593	4,058
Total	\$ 11,328	\$ 10,215

## 11. 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. As of January 31, 2015, dividends accrued on preference shares amounted to \$266 (2014: \$120) and are included in accounts payable and accrued expenses in the consolidated statement of financial position.

On January 07, 2014, the Company, in accordance with the preference shares agreement, notified its preference shareholders that the first principal payment which was due in December 2014, would be paid on May 07, 2014.

On October 31, 2014, the Company retired all 17,750 Class B 7.25% redeemable non-voting cumulative preference shares and issued 17,750 Class C 6% redeemable non-voting cumulative preference shares on November 01, 2014.

As of January 31, 2015, 17,750 (2014: 20,000) redeemable non-voting cumulative preference shares, which were issued at \$1,000 per share, were outstanding. They are redeemable as follows:

	2015	2014
Due within 1 year	\$ 1,775	\$ 2,222
Due within 1 to 2 years	1,775	2,222
Due within 2 to 10 years	14,200	15,556
Total	\$ 17,750	\$ 20,000

## 12. ORDINARY SHARE CAPITAL AND TREASURY SHARES

In July 2014, the Company corrected a prior misstatement made in 2003 when the authorized share capital was increased to \$12,500. The number of authorized shares was stated as 24,975,000 ordinary shares and 25,000 redeemable non-voting, cumulative preference shares (Note 11). The correct number of shares should have been stated as 24,475,000 ordinary shares and 25,000 redeemable non-voting, cumulative preference shares.

Also in July 2014, the Company amended its authorized share capital from 24,475,000 ordinary shares to 24,350,000 ordinary shares and from 25,000 redeemable non-voting cumulative preference shares to 150,000 redeemable non-voting cumulative preference shares. The preference shares were then subdivided into 25,000 Class B Preference Shares; 25,000 Class C Preference Shares; 25,000 Class D Preference Shares; 25,000 Class E Preference Shares; 25,000 Class F Preference Shares and 25,000 Class G Preference Shares. The par values of all shares remain unchanged at \$0.50 per share.

As of January 31, 2015, 15,112,607 (2014: 15,404,711) ordinary shares of par value of \$0.50 each were issued and fully paid.

On January 10, 2011, the Company implemented a share buy-back plan at prevailing market rates. This plan ended on January 31, 2014 and the outstanding shares were subsequently cancelled. However, in June 2014, the Company re-instated the share buy-

back plan which is to be reviewed annually by the Board of Directors. As of January 31, 2015, 63,261 (2014: 292,104) shares had been repurchased at an aggregate cost of \$125 (2014: \$486). These shares are listed on the consolidated statement of financial position as treasury shares.

### 13. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

	2015	2014
Payroll and related costs	\$ 15,867	\$ 15,445
Facilities and rent (Note 17)	14,107	14,262
Sales and marketing expenses	3,618	3,664
Depreciation and amortisation of franchise fees	3,475	3,363
Other costs	1,339	1,189
Office and computer costs	885	1,031
Directors' fees	93	93
Pension contributions	59	67
<b>Total</b>	<b>\$ 39,443</b>	<b>\$ 39,114</b>

Included in payroll and related costs is \$1,004 (2014: \$964) representing compensation for key members of management. This amount includes salaries and other employee benefits.

### 14. EARNINGS PER SHARE

Earnings per share are calculated by dividing the results for the year 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:

	2015	2014
Net profit applicable to continuing operations	\$ 4,390	\$ 988
Weighted average number of ordinary shares outstanding ('000s)	15,054	15,278

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

### 15. COMMITMENTS AND CONTINGENCIES

Capital commitments amounting to \$7,250 were outstanding as of January 31, 2015 relating to land, buildings, leasehold improvements and equipment (2014: \$1,312).

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.

## 16. OPERATING LEASE COMMITMENTS

The Company and its subsidiaries lease certain retail and office space under non-cancellable operating leases. As of January 31, 2015, 18 leases (2014: 17) are in effect. The future minimum lease payments under these leases are as follows:

Fiscal Period End	Minimum Lease Payments
2015	\$ 4,852
2016	4,206
2017	4,008
2018	3,678
2019	3,674
2020 and beyond	5,865
<b>Total</b>	<b>\$ 26,283</b>

The minimum lease payments include lease payments for five (2014: five) leases that are based on the higher of 3% of sales or a fixed rent. For the year ended January 31, 2015, payments made under operating leases were \$5,482 (2014: \$5,311).

## 17. RELATED PARTY TRANSACTIONS

In addition to items already disclosed, the Company has two additional related party transactions to disclose. The Company paid rent amounting to \$628 (2014: \$642) under a 20 year lease, of which five 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 \$599 (2014: \$560). Therefore, the Company paid total rents of \$1,227 (2014: \$1,202) under lease agreements to related parties.

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

	Food Distribution		Food Franchise		Corporate		Consolidation	
	2015	2014	2015	2014	2015	2014	2015	2014
Sales	\$ 132,616	\$ 135,285	\$ 12,673	\$ 10,004	\$ -	\$ -	\$ 145,289	\$ 145,289
Gross profit	39,265	36,826	7,543	6,304	-	-	46,808	43,130
Gross profit %	29.6	27.2	59.5	63.0	-	-	32.2	29.7
Operating profit/(loss)	10,272	7,816	1,103	912	(2,408)	(2,980)	8,967	5,748
Depreciation and amortisation of franchise fees							(3,475)	(3,192)
Dividends on preference shares							(1,275)	(1,450)
Interest expense							(58)	(84)
Pre-opening costs							(125)	(34)
Property revaluation write-back							356	-
<b>Net profit</b>							<b>\$ 4,390</b>	<b>\$ 988</b>
Other information:								
Segment assets	\$ 34,120	\$ 32,428	\$ 4,123	\$ 3,392	\$ 17,863	\$ 16,188	\$ 56,106	\$ 52,008
Segment liabilities	(12,137)	(11,285)	(796)	(660)	(18,178)	(20,492)	(31,111)	(32,437)
Net operating assets	21,983	21,143	3,327	2,732	(315)	(4,304)	24,995	19,571
<b>Equity</b>							<b>\$ 24,995</b>	<b>\$ 19,571</b>

## 19. 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 minimise the gap between interest rates.

If interest rates had been 1% higher/lower, comprehensive income for the year ended January 31, 2015 would increase/decrease by \$9 (2014: \$11) 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 recognised 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 4.

- d. Capital risk management - The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from the year ended January 31, 2014.

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 January 31, 2015 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.