COMMONWEALTH BREWERY LIMITED

THE BAHAMAS

Part of the HEINEKEN Company

2016 ANNUAL REPORT


KALIK
Radler
LEMON
KALIK
GOLD
EXTRA
STRONG
THE BEER OF THE BAHAMAS
7%
KALIK
Bahamian Pride
FINEST QUALITY
KALIK
THE BEER OF THE BAHAMAS
5%
PLATINUM
KALIK
LIGHT
PLATINUM 6%
THE BEER OF THE BAHAMAS
KALIK
LIGHT
KALIK
LIGHT
THE BEER OF THE BAHAMAS
4.5% ALC. VOL.

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INTRODUCTION

Every year is different and yet here at Commonwealth Brewery we enjoy a common thread of unity through our shared goals, camaraderie, respect and love of our company.

People of course is what make the difference to everything, and we strongly believe in ours and the value of letting them know they are appreciated. During 2016, to ensure we listened and received timely feedback from our employees, we changed the company's Climate Survey to an annual programme instead of every two years. This change reflects the important role that employee feedback plays in shaping the culture and environment we work in.

The value of our employees was underscored one-hundred fold when Hurricane Matthew blew into town! A solid core of our four-hundred plus employees showed up uninvited and set to work with the clean-up crews. Some worked around the clock. The employees came to help restore the brewery and once they started, they took it on as a mission to get their brewery and recycling plant back up and running. What they accomplished in a little over two weeks could have taken months.

In spite of Hurricane Matthew which suspended production for three weeks and numerous out of stocks, we were able to grow our results from Operating Activities of $11.8 million in 2015 to $17.2 million in 2016 an increase of more than 45%.

FINANCIAL HIGHLIGHTS

BSD '000	2016	2015	2014	2013	2012	2011	2010	2009
Volume ('000 hectoliters)	188	199	196	196	199	187	187	203
Revenue	117,779	123,523	124,157	119,124	118,468	113,409	109,376	111,833
Result from operating activities	17,173	11,810	18,171	19,145	19,297	17,278	19,943	16,104
Earning per share (cts)	0.57	0.39	0.61	0.64	0.64	0.58	0.74	0.57
Assets	81,127	68,652	74,254	70,163	73,280	72,008	76,967	83,363
Long term liabilities	nil	nil	nil	nil	nil	nil	nil	nil
Dividends	17,100	18,300	18,300	19,200	17,400	25,153	26,268	6,850
Capital expenditure	3,821	2,173	2,758	1,721	2,445	1,314	1,404	1,885
Employees (FTE)	426	413	402	385	381	390	384	390

HISTORIC MILESTONES

1983

November 1983 - Heineken NV and Associated Bahamas Distillers and Brewers (ABDAB) become Commonwealth Brewery Limited (CBL).

1984

October 1984 - The Government of The Bahamas approved brewery operations on the island of New Providence.

November 1984 - Prime Minister and Minister of Finance Lynden O. Pindling gave exclusive license to brew beer in The Bahamas under the Spirits and Beer Manufacture Act, replacing "Goldstar Brewery" as the sole brewer in The Bahamas.

1985

1985 - Construction of the country's first brewery began at Clifton Pier.

1987

1987 - CBL began operations producing Heineken and Guinness; Heineken was first off the conveyor belt for mass distribution and consumption.

1988

1988 - Kalik beer brand launched to wide acclaim.
The supplier-distributor partnership between CBL and Burns House Limited (BHL) strengthened as production increased. BHL was established since inception in 1953 by ABDAB.

1990

1990 - ABDAB increased its holding in CBL from 10% to 30% in exchange for a 30% interest in BHL with an option to increase that stake to 40%, which they later exercised.

1994

1994 - BHL merged its operations with its parent company's subsidiary, Bethell Robertson & Company Limited.

2000

2000 - BHL acquired main competitor Butler & Sands Company Limited adding new product lines, operational efficiencies and expanded distribution channels.

2010

May 2010 - Heineken International became the sole owner of CBL and BHL after purchasing all interests. Legal restructuring was completed July 2010 and CBL became 100% owner of BHL.

2011

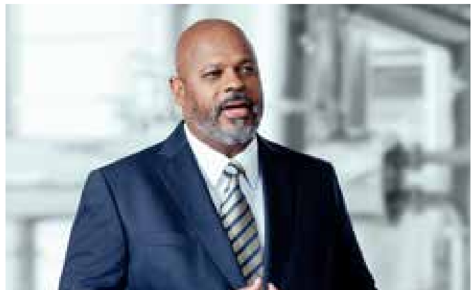
March 2011 - CBL opened its Initial Public Offering, floating 25% of its shares. When it closed on April 15, the company had 3,000 shareholders. Some 15.1% of the shares are held by Bahamian nationals or other bona fide investors and 9.9% by the National Insurance Board.

Since going public, the Company has steadily reported positive results, paid out more than $115 million in dividends to shareholders and enjoyed consistent growth. Today, CBL employs 426 persons and has a retail presence on 13 islands across The Bahamas. In 2016, the Company generated more than $117 million in sales despite the impact of Hurricane Matthew and continued its commitment to advancing Bahamians by sending a Bahamain to work for the Regional office of HEINEKEN.

Share value has increased from $8.33 when Commonwealth Brewery went public in 2011 to $13.23 at year-end 2016.

COMMONWEALTH BREWERY LIMITED
DIRECTORS

JULIAN W. FRANCIS



ED FIELDS

HANS NEVEN

JULIAN W. FRANCIS
CHAIRMAN

Mr. Francis is a former governor of the Central Bank of The Bahamas and brings a wealth of knowledge and experience to the Board. He was previously the Chairman of The Bahamas Telecommunications Company Limited (BTC) and has held other chairmanships and posts in both governmental and private organisations. He holds Bachelor's (with special honours) and Master's degrees in Finance from New York University.

ED FIELDS
Mr. Fields is the Senior Vice President of Retail Services and Public Affairs for Atlantis and General Manager of Ocean Club Estates and Golf Course. He serves as Managing Director of the Downtown Nassau Partnership and as Commissioner of the Bahamas National Festival Committee. Mr. Fields holds a Bachelor's degree in Government from St. John's University in Minnesota and a Master's degree in Public Administration from the University of Georgia.

HANS NEVEN
MANAGING DIRECTOR

Mr. Neven is the Managing Director of Commonwealth Brewery Ltd. With more than 16 years experience with Heineken NV, Mr. Neven has led an impressive turnaround in the organization's newly acquired operations, creating winning and challenging teams which delivered strong and sustainable year on year topline and market share gains, resulting in impressive financial results. Mr. Neven holds a Master's degree in Business Administration from The Free University of Brussels.

DENNIS HANNA
Mr. Hanna is the Corporate Relations Director for Burns House Limited. He has more than 26 years experience with the Burns House Group of Companies in various capacities: Retail Director, Brand Manager, Logistics Manager and Supply Chain Manager. He presently serves as a member of the Vestry for Epiphany Anglican Church. Mr. Hanna holds a Bachelor of Science Degree in Accounting from Elmira College.

GUIDO DE BOER
Guido de Boer is CFO of HEINEKEN's Americas region since 2016. Prior to this role, he was CFO for FRANCE, and CFO and Executive Director at United Breweries Ltd, India's largest brewery. He joined Heineken in 2004 following a career in investment banking, as a Director in HEINEKEN's Global Business Development department, leading acquisition projects across the globe. He has an MSc in Finance from Erasmus University Rotterdam, and has attended various executive management programs, including at Harvard, INSEAD and IMD.

EUGENE UBALIJORO
Mr. Ubalijoro is the Managing Director of Heineken Caribbean & American Export. He has had a varied career with Heineken since joining in 1990 as the first African international trainee. In 1995, Mr. Ubalijoro became Heineken USA's first Regional Marketing Manager for the Southeast Region. He has been a consultant in Amsterdam, Commercial Manager in Sub Sahara Africa and Managing Director in La Reunion. Mr. Ubalijoro holds a Bachelor's degree in Business Administration from Georgetown University and an MBA from Université de Sherbrooke.

PATRICIA HERMANNS
Ms. Hermanns is the Director/CEO of The National Insurance Board and is a former banking and insurance executive with more than 30 years' experience in the financial services sector. She is credited with managing corporate transitions for greater efficiency and effectiveness, and successfully launching new life and health insurance as well as investment products and services. Ms. Hermanns holds a Bachelors Degree in Economics and Spanish from New York University, New York, and a Masters Degree in Business Administration from the University of Miami. Ms. Hermanns currently serves as Director of Bahamas Electricity Corporation/Bahamas Power and Light, Director of Bahamas Resolve Ltd. and is also a trustee of the Anglican Diocese Pension Fund and of the Governor General Youth Award.

DENNIS HANNA

GUIDO DE BOER

EUGENE UBALIJORO

PATRICIA HERMANNS

COMMONWEALTH BREWERY LIMITED
EXECUTIVE MANAGEMENT TEAM

Pictured left to right: Wendell Seymour – Sales Director | Alberto Terzi – Supply Chain Director | Ron Hepburn – Retail Director
Nadia Stubbs – Human Resources Director | Hans Neven – Managing Director | Katarzyna Malczewska – Blaszczuk – Marketing Director
Mustapha Gammar – Finance Director | Dennis Hanna – Corporate Relations Director

CHAIRMAN'S MESSAGE

JULIAN W. FRANCIS

Developing my message for your company's fiscal year 2016 required a review of the Central Bank's recent economic reports as Commonwealth Brewery's operating performance and growth are inextricably linked to the behaviour of the Bahamian economy.

During 2016, the country benefitted from a modest recovery in tourism and construction, and in overall employment, however in reality, the economy continued to be impacted by shrinkage at the higher income levels and, as in 2015, suffered substantial and widely felt negative impact from a major hurricane in the fourth quarter of the year.

As many of you already know, 2016 has been the fourth consecutive year during which real growth of the Bahamian economy has been less than 1%, mirroring the generally weak performances in most of the world's industrial economies, the United States included, which in real terms, grew only modestly this last year.

CBL is among the larger Bahamian commercial enterprises, whose operations are almost entirely confined within the domestic economy. Our business is deeply and widely linked at all levels of the economy similarly as sectors such as food, communications, energy, transport and a few other vital sectors. Your management is, therefore, keenly aware of the need to be at the edge of trends and developments within the economy if CBL is to continue to deliver the competitive results that you expect.

During this last year, your company's operating results, despite the important on-going work to modernize and re-position our business, reflected the combined impact of a weak economy, a major hurricane, and a consuming public adjusting to the second full year of the 7.5% Value Added Tax introduced in 2015. In this context, the 4.6% decline in Total Revenue, and the Total Comprehensive Income result of $17.1 million, is evidence of the tremendous effort and achievement of CBL to navigate this challenging period.

We are optimistic that this current period of economic malaise will lift in due course. Already, there appears to be real progress toward an eventual, at least partial, opening and operation of the Baha Mar project during 2017. If this does materialize the economy will derive from it much needed support, and our business, like others, will no doubt be positively impacted.

I referred above to the continuing modernizing of CBL: For the past several years, much time, effort and financial resources have been invested in every aspect of your company's operating and management systems and sales and distribution infrastructure. We imagine that few members of the community would not have become aware, over the past year, of the new 700 Wines and Spirits branding, a long overdue initiative that creatively brings together our collective brands under one self-identifying umbrella.

No doubt too, you have seen the steady progress being made in up-grading a number of our sales outlets nationwide, significantly enhancing the physical appearance and functionality, delivering a happier shopping and work experience for customers and staff.

Few entities within the Heineken Group are as diverse in their range of products as is Commonwealth Brewery.

If our faithful customers across the 250,000 square kilometers of land and sea, which characterizes The Bahamas, are to enjoy steady and reliable supplies of our many beers, wines and spirits, we must maintain a smart and effective distribution system.

You'll be pleased to know that CBL's distribution network, probably the largest of any single business within The Bahamas, has been further expanded during the year by new additions in several of the Family Islands.

One of the exciting opportunities to grow our business is through leveraging our distribution resource by the addition of complimentary products and service. Significant groundwork has been done in this regard, the benefits of which are sure to be evident in time, and as the economy improves.

I believe that you, our shareholders, should be confident that your business is doing everything possible to achieve the best possible performance while economic conditions remain less than favourable, and to be ready to take advantage of opportunities as conditions improve. Over the longer term, CBL continues to commit itself fully to solid, diversified growth and performances, and to building shareholder value.

I would like to thank our many faithful clients and customers for their continued patronage, to thank our hard working and dedicated employees for their commitment, and to thank you, our shareholders, for your continued confidence.

JULIAN W. FRANCIS | **CHAIRMAN**

"I WOULD LIKE TO THANK OUR MANY FAITHFUL CLIENTS AND CUSTOMERS FOR THEIR CONTINUED PATRONAGE, TO THANK OUR HARD WORKING AND DEDICATED EMPLOYEES FOR THEIR COMMITMENT, AND TO THANK YOU, OUR SHAREHOLDERS, FOR YOUR CONTINUED CONFIDENCE."

MANAGING DIRECTOR'S REPORT

HANS NEVEN

As we can all attest, many of the challenges of 2015 persisted or were repeated in 2016 and the business environment remained disconcerting. The despondent local economic situation was related primarily to Baha Mar remaining closed, unemployment still at a high - which kept disposable income under pressure, and of course another hurricane ripping through several of the Family islands and this time too, crippling New Providence with major damage. However, your company has maneuvered well through the rough patches and continued to lay the groundwork for ongoing and future growth through varying initiatives and managed to make progress, including returning Heineken to a positive growth trend as from the second part of 2016.

HURRICANE MATTHEW

Category 4 Hurricane Matthew is a big part of any discussion for 2016 because it had the biggest impact on us. New Providence felt the full brunt after its devastating run through several of the Family Islands. We remain grateful there was no loss of life. But we lost around 20% of the Brewery roof and suffered equipment loss and massive interior damage to cellars, brew house, warehouse, packaging area and offices. It is thanks to our people and with the support of our insurance company that the resumption of brewing was in under two weeks and the product bottling started within three, despite a first estimate of business resumption five to six weeks. Damages and Business Interruption costs totaled above 10 million dollars, but we were well insured and the financial impact remained very limited. The enormous post clean-up provided CBL team members the opportunity to display traits that are vital to our business success – conscientiousness, drive, determination and commitment. We were glad to have them.

CBL donated more than $250,000 to employees to aid in their individual recovery efforts. We knew that by helping our employees, we would also be helping to rebuild communities. We believe in always supporting our people in times of crisis, it's the right thing to do.

NEW BRAND NAME

The launch of a new unifying brand name, "700 Wines & Spirits" for our collective retail chain was especially meaningful and a cause for celebration. Due to the lack of a singular brand name, few customers were aware that Burns House, Butler and Sands, Beverage Depot, Ole Nassau, Wholesale Wines and Spirits and Bethell Robertson were ours. The launch of the 700 Wines & Spirits brand was designed to unify the retail stores and dispel any confusion as to where consumers could find their favourite products. The name was selected to better reflect the company's strong cultural ties and presence across The Bahamas' chain of 700 islands and cays.

RE-BRANDING

To compete in the more aggressive global market and competitive local arena, we re-branded the Todhunter-Mitchell local rums, Ricardo and Ole Nassau, in appropriate style. Smart new labelling is capable of commanding attention and very fitting for our award-winning rums. They are now ready/well prepared to conquer other territories as well.

BAHAMAR

While we have not seen the expected progress in the Bahamar project, we remain positive that this mega resort will open and deliver the promised input in the Bahamian economy.

NEW PRODUCTS STEAL THE SHOW

The Heineken brand experienced growth helped by the launch of a Heineken 16 ounce can. People perceived better value which revived their Heineken comfort level with the brand. It quickly became a best seller as did a new local star, Kalik Light Platinum. Kalik Light Platinum has augmented its place as a must-stock brand in restaurants, bars, and celebrations from Grand Bahama to Inagua. The resounding success of this Kalik varietal demonstrates the perfect fusion of company vision, marketing prowess and customer demand. Kalik Light Platinum has played a major role too in filling the gap in our light beer segment left by the departure of the Anheuser Busch InBev portfolio. The growth of Coors Light, too, in our retail business and trade portfolio helped to offset the loss of some lost brands. There's no doubt your brewery company continues to lead innovation in the Bahamian liquor industry.

NEW FACES

In 2016 we welcomed a number of new faces to our Management Team and we are feeling the benefits of their enthusiasm about joining us. We welcome their input and the oft times intoxicating blend of new ideas and creativity. Not a new face but much appreciated and respected 26 year company veteran Dennis Hanna, has a new position as Corporate Relationship Director.

OUR PEOPLE

During 2016, to ensure we listened and received timely feedback from our employees, we changed the company's Climate Survey to an annual programme instead of every two years. This change reflects the important role that employee feedback plays in shaping the culture and environment we work in. We want to make CBL the most desired place to work.

OPERATIONS

I think most companies these days seek to reach an operational world class standard. We are fortunate as Heineken is a long standing, much respected company with a brand to match; we are working from the blue print that is

> **"CBL DONATED MORE THAN $250,000 TO EMPLOYEES TO AID IN THEIR INDIVIDUAL RECOVERY EFFORTS"**

leading us to become even more 'Heinekenized', moving closer to Heineken's world class standards. We continue to build on the tremendous advances we made in 2015, improving our effectiveness in all areas of operations. We feel the benefits of the tightened more organized controls in retail and in inventory, the improved internal system upgrades that have brought a more seamless production process from production to the payment process.

Today in addition to 57 stores, we have 426 employees, a 150,000 square foot brewery and above 3,000 shareholders who will enjoy their share of $17.1 million in dividends relating to 2016. Some 75% of the shares are held by HEINEKEN NV and 25% by Bahamian investors, including the National Insurance Board. Share value has continued to show strength since the initial public offering of $8.33 in 2011 and ended the year at $13.23. To date, Commonwealth Brewery Limited has paid out more than $97 million in dividends.

This year we have achieved a lot and not allowed a somewhat stagnant economy to affect our activity. If anything, we've been more motivated to make further improvements in operational efficiencies to better serve our bottom line. We've made good headway this year on many fronts including the launch of our new brand and logo, 700 Wines & Spirits, for our retail stores. This branding and positioning exercise was in response to carefully conducted market research which told us we needed to unite all of our retail operations under a single name and brand identity. I think you'll agree the findings made a lot of sense and the new signage and promotional materials look wonderful!

Our business is not only about the products, it's about the people. As in any company that delivers the best it can, people are all-important. By every measure, CBL/ Burns House is a great company with a great history and with great potential and it's the great people who work with us every day who make it so.

HANS NEVEN | **MANAGING DIRECTOR**


Hennessy


Santa Margherita


KEEP TALKING
KEEP
WINNING
@COORSLIGHTBHS
Coors LIGHT
BE
COOL


Stoli


Coors LIGHT


STOLICHNAYA

MANAGEMENT DISCUSSION & ANALYSIS

This management discussion and analysis (MD&A) should be read in conjunction with the audited consolidated financial statements for the year end December 31st, 2016 and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Bahamian dollars. This MD&A is dated, 18th April 2017.

The MD&A might from time to time contain forward-looking statements. Readers should be cautious in interpreting these statements. Forward-looking statements involve numerous assumptions. Changes in these assumptions could cause actual results to differ materially from the expectations in those statements.

FINANCIAL PERFORMANCE

RESULTS FROM OPERATIONS

REVENUE

Revenue for the year totaled $117.8 million representing a $5.6 million decrease year compared to the previous year. This decline of 4.9% is partially attributed to a 5.2% decline in sales volume compared to the previous year. Commonwealth Brewery Ltd. results were affected by the devastating storm that hit the northern Bahamas during the latter part of the year. The impact of the storm apart from property damage also impacted the Company's supply chain and route to market.

GROSS PROFIT

Gross profit slightly increased by 2% due to the effective cost management of raw and packaging materials used in the production of local products. Due to the decrease in fuel charges and effective cost saving initiatives throughout, the company was able to keep costs stable year over year.

OTHER INCOME

As stated previously, Commonwealth Brewery Ltd. was impacted by the Hurricane suffering property and inventory damages primarily to the Nassau and Freeport locations. The financial impact for these losses where mitigated due to the Company's insurer which assessed the claim at December 2016 to total $1.9 million for stock loss and $2.8 million for business interruption. The impact of the stock loss had been settled by year end and the assessment of business interruption will continue into 2017.

Results from operating activities amounted to $17.1 million and is very close to net income. This is explained by the fact that the company has only minor finance costs. The change in the Company's personnel costs increase slightly by 1.7% ($18.5M vs. $18.3M) primarily due to management's efforts to reduce overtime however this savings was netted with the new hire and salary increases during the year.

NET INCOME

Net income was 45% above the previous year and as previously mentioned was mainly due to cost savings and increase in other income by $3.9 million. As stated, the growth in net income by 45% demonstrates Commonwealth Brewery Ltd. effort to increase the return on investment for its shareholders. There were challenges throughout the year as we continue to battle the parallel market while adapting to consumer demands. The country experienced an economic setback after Hurricane Matthew which further eroded any potential increase in net income however the Company was able to begin production relatively quickly in the aftermath.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Commonwealth Brewery Ltd. received a loan facility facilitated by a related party amounting to $6,000,000 with interest bearing at 1.7%. The facility was received to increase the Company's working capital while performing repairs to the various properties damaged during the storm.

Cash and cash equivalents amounted to $9.8 million at December 31st 2016 which represents a $8.5 million increase when compared to 2015. This facility discussed above contributed to the increase of cash and cash equivalents despite the increase in assets purchased during the year.

Commonwealth Brewery Ltd. has continued to show the commitment of increasing local investments which is demonstrated by the additions to property, plant and equipment of $3.8 million during the year. This investment is expected to increase in the future as a result of the restoration efforts currently ongoing at numerous locations. On top of this Commonwealth Brewery continued to invest in brands and people in 2016, in order to be well prepared for the future

LIQUIDITY

Commonwealth Brewery's cash flow generation from operating activities in 2016 amounted to $ 21.3 million, of which $ 3.8 million was used for investments. The remaining cash flow was allocated to dividend payout and held in order to meet current working capital demands.

Under stable market conditions, the company does not experience major fluctuations in liquidity, due to working capital requirements or development activities. The company does not employ derivative financial instruments and is free of long term debt. The liquidity risk of the company is described in note 22(c) of the disclosures to the consolidated financial statements and relates mainly to accounts payable obligations and operating leases. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities and other commitments, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

CONTRACTUAL OBLIGATIONS 2016	PAYMENT DUE BY PERIOD				
	Total	< 1 year	1-2 years	2-5 years	>5 years
Long term debt	5,999,993	-	5,999,993	-	-
Capital leases	-	-	-	-	-
Operating leases	5,897,592	245,085	1,007,331	3,668,426	976,426
Purchase obligations	-	-	-	-	-
Account payable and accrued expenses	17,383,230	17,383,230	-	-	-
Total contractual obligations	**29,280,815**	**17,628,315**	**7,007,324**	**3,668,426**	**976,426**

CAPITAL RESOURCES

At December 31st, 2016, Commonwealth Brewery had no material commitment of capital resources in place. The company generates sufficient cash from operations for its needs.

The dividend policy of Commonwealth Brewery is to distribute 100% of net income. The frequency and payout ratio for any dividend remains the discretion of the Board of Directors and is subject to approval at the Annual General Meeting of shareholders.

OFF BALANCE SHEET ARRANGEMENTS

As of December 31st, 2016 the company had no off balance sheet arrangements with any parties. Note 14 of the consolidated financial statements lists the commitments and contingent liabilities of the company. The majority of commitments relate to lease contracts for commercial real estate, most of which are short-term with duration of one to five years. The main contingent liabilities are related to customs bond guarantees and standby letters of credit.

TRANSACTIONS WITH RELATED PARTIES

Commonwealth Brewery has a number of transactions and agreements with other entities of the Heineken Group in place. These transactions and agreements relate to the secondment of senior employees, purchasing of raw and packaging materials, supply chain consultancy, transport of products, bottling, trademark licensing, IT services and management fee. The amounts related to these transactions are specified in note 14 of the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Notes 2 and 3 of the consolidated financial statements detail the significant accounting policies and estimates of Commonwealth Brewery. Management considers none of these accounting policies and estimates to be critical, meaning that the policies and estimates require the company to make assumptions about matters that are highly uncertain and that different estimates are reasonably likely to occur from period to period, which could have a material impact on financial results.

Note 8 details the assumption used to test impairment on goodwill annually. The company carries net $4,487,242 in goodwill, resulting from the acquisition of 100% ownership interest in Butler & Sands Company Limited in the year 2000. Goodwill by nature is subject to the risk of impairment if key assumptions like the projected sales volume of acquired wine and spirits brands change. However, using reasonable expectations only a limited change in key assumptions would occur, and this would not cause a material impact on results.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2016, and have not been applied in preparing these consolidated financial statements. The adoption of these Standards and Interpretations has not led to any changes in the Group's accounting policies. The Group expects an impact for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2018 consolidated financial statements and could change the classification and measurement of financial instruments. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

"COMMONWEALTH BREWERY CONTINUED TO INVEST IN BRANDS AND PEOPLE IN 2016, IN ORDER TO BE WELL PREPARED FOR THE FUTURE"

> **"EMPLOYEES WERE AMAZING 60 CBL EMPLOYEES HELPED WITH REPAIRS, MANY WORKING 7 DAYS A WEEK"**

HURRICANE MATTHEW

Two weeks after Category 4 Hurricane Matthew tore through southern New Providence on October 6, 2016, destroying the Commonwealth Brewery, the facility was back up and in production, thanks to as many as 60 CBL employees who daily helped with repairs, many working around the clock. At the time and still today, Commonwealth Brewery Managing Director Hans Neven calls them, 'amazing.'

"The employees who showed up to help were nothing short of amazing," said Nevens who oversees the brewery and business that includes 57 stores on 13 islands and represents 229 brands, including Kalik, The Beer of The Bahamas. "The employees came to help restore the brewery and once they started, they took it on as a mission to get their brewery and recycling plant back up and running. What they accomplished in a little over two weeks could have taken months."

Hans Neven was genuine in his gratitude and thanked them publically on behalf of the shareholders, directors and management. "I thanked them publically and personally, and still today, I let them know that we were beyond impressed, we were moved by their dedication."

Ed Beneby, engineering manager for the brewery who was on site following the 'all clear' from the local Met Office, was shocked at the devastation.

"We visited the brewery and saw that the site was extensively damaged," said Beneby the brewery's longest-standing staff member. "The middle section of the roof was completely torn off, there was flooding on the interior of the brewery floor, and offices and equipment were severely

damaged. I have been here since 1986 when the brewery was under construction and in 1987 when production first began, and to see the destruction done in one day was heartbreaking. My initial thoughts were that it would take months before we would be operational again."**

DEVASTATED

There was hardly a part of the 150,000 square foot facility left untouched. There was plenty to do before normal serviced could be resumed. Priority was given to the immediate protection of the expensive and vital manufacturing and quality control equipment and to the preservation of the remaining inventory. Staff assisted with structural repairs, salvaged office materials and even sawed and helped move fallen trees and damaged building debris.

"What I witnessed on Day One and then 21 days later was amazing," Beneby continued. "To see and hear Kalik on the bottling line was a testament to all the hard work of the brewery team members, some who worked seven days and long hours for nearly three weeks. I'm proud of the job we did in the short period of time."

Hurricane Matthew hit the plant on October 6 and by October 21, just 15 days later, Commonwealth Brewery, which then produced 4 products - Kalik, Heineken, Guinness, and Vitamalt was back to brewing and the first bottle was capped and ready for market four days later.

"Thanks to the dedication of committed staff members, many of whom were also dealing with repairs to their homes, and to careful management of inventory prior to the storm," said Neven, "Kalik and other brands were back on market in record time and there was never a time that our stores ran out of inventory."

Ed Beneby, (above) Commonwealth Brewery Limited engineering manager and Ricardo Roberts brewing manager each with a bottle of the nation's favourite beer, Kalik as it rolled off the bottling line 21 days post Hurricane Matthew. Staff of the brewery didn't hesitate to jump into rescue mode to ensure that normal service was resumed ASAP to the damaged brewery and crippled production facilities.

HEINEKEN LOOKING GOOD

Innovation and a return to basics led to growth and an enhanced brand position.

The Heineken brand experienced growth led by innovation and a return to basics following a review and refresh of past promotional successes.

IT'S A HEINEKEN WORLD

The launch of the Heineken 16 ounce can was coupled with the Launch of the "Heineken Credentials" campaign. This communication campaign used a series of commercials featuring Benicio del Toro, a top Puerto Rican actor, that spoke to what made the brand special. The campaign successfully educated consumers on the unique process used to make the Heineken brand and its worldliness, emphasizing that Heineken is the only brand served in 192 countries.

TARGET MARKET CONNECT

In the first quarter, Heineken commenced a two prong promotional business approach. The objective was to maintain the premium status position of the perennial favourite, while courting the volume base. To do this it built on its hall mark sponsorship of The Bahamas Rugby Football club, and partnered with unique and exciting musical and lifestyle experiences. The radio station Hot 91.7 Beyoncé's Formation Tour was one such partnership. Support for vendors in volume base areas was demonstrated via block parties, Happy Hours and price specials.

May 2016 saw the launch of the Heineken 16 ounce can, addressing the consumer who enjoyed the Heineken brand but perceived it too expensive compared to Kalik. The larger size quickly gained traction in the market and saw month on month double digit growth in our retail stores.

The third quarter saw the "Heineken Live Your Music Campaign." This was an 'under the cap' promotion in which consumers could win Heineken branded merchandise, BTC Top Up, or Tickets to Heineken Concerts. This promotion had a strong start but was derailed by Hurricane Matthew.

In December Christmas retail and trade promotions were activated rewarding Heineken consumers with discounted prices.

HEINEKEN OUTLOOK

2016 saw changes in the Heineken brand direction that allowed it to be viewed as a premium beer whilst still relatable to the volume base. This trend led to a slowing in the decline of the brand and reflected in positive numbers in 2017 and the highest first quarter growth for the reinvigorated brand in 10 years. There has been a focus on excellent execution of the best most appropriate market platforms, whilst still using the two pronged approach to ensure relevance to the volume base without alienation of loyal consumers.

KALIK

Still Winning Hearts and Influencing People

KALIK, the beer of The Bahamas continues to win in the popularity stakes as reflected in its intoxicating growth trend. And by default, its popularity and strong cultural acceptance as the beer of The Bahamas led to a new campaign advising that "Kalik is Bahamian for beer." KALIK commemorating the 43rd anniversary of The Bahamas' independence by letting the world know that "KALIK" is Bahamian for "beer," won a silver award in the "best social media campaign" category of the Caribbean Addy awards organized by the American Advertising Federation.

KALIK LIGHT PLATINUM BECAME THE OFFICIAL BEER OF BAHAMAS JUNKANOO CARNIVAL

Launched as the official "Party Beer" of The Bahamas, KALIK Light Platinum - a 6% "light" beer that packs a punch, and brings energy, maximum fun and Platinum lifestyle to consumers got everyone's attention. The new beer on the block made its debut at the 1st annual KALIK Light Platinum Road March in celebratory mood with additional extravaganza from Bahamas Junkanoo Carnival groups. The compelling campaign also featured the Platinum Ambassadors - a collection of the hippest young Bahamian influencers who endorsed the premium beer and guaranteed it would upgrade the drinking experience and fuel moments to the max! Backing up the campaign promise, KALIK Light Platinum became the official beer of Bahamas Junkanoo Carnival, showcasing the Platinum Effect in one of the largest cultural celebrations of the event year.

KALIK Light also put Bahamians on notice that it was no lightweight with the, "Who You Callin' Light?" campaign featuring KALIK's very own conch salad ninja. In 2016, KALIK Light, became the official beer sponsor of The Bahamas Flag Football League, The Popeye's Bowl and The Bahamas' men's beach soccer national team and hosted the KALIK Light Cup match between the Bahamas and Switzerland. KALIK is Bahamian for Beer!

COMMUNITY

KALIK continued its commitment to Bahamian community and culture doing all that it could to support the sustenance and growth of 'all things Bahamian' through sponsorships of local regattas, festivals and homecomings from Abaco in the north to Inagua in the south.

700 WINES & SPIRITS

NEW BRAND NAME AND LOGO UNIFIES

For the over 6,000 customers who daily shop for CBL products, identifying them is now much easier. Retail stores Burns House, Butler and Sands, Beverage Depot, Ole Nassau, Wholesale Wines and Spirits and Bethell Robertson now present under one new store-front brand name and logo - 700 Wines & Spirits. The introduction on May 18, 2016, marked the first significant branding makeover in the company's 30-year history. The name was selected to better reflect the company's strong cultural ties and presence across the Bahamas' chain of 700 islands and cays.

Due to the lack of a singular brand name, few customers were aware that the stores were operated by the same company. The launch of the 700 Wines & Spirits brand was designed to unify the retail stores and dispel any confusion as to where consumers could find their favourite products.

At the launch in Nassau, Commonwealth Brewery Managing Director Hans Neven said that the key mission was to provide customers with their favourite products more easily and conveniently under one unique, recognisable identifying brand.

"All our retail stores nationwide will be branded 700 Wines & Spirits, a name that echoes and resonates with the Bahamian soul and spirit. No matter where you are, close to home, visiting others on one of the Family Islands, our stores will be easy to spot. 700 Wines & Spirits enables the way we celebrate every day, mark special occasions and toast our successes," Commonwealth Brewery Managing Director Hans Neven said.

Commonwealth Brewery Marketing Director, Katarzyna Malczewska-Blaszczuk explained the creative brief for the new brand and logo development.

"We are and have been a part of the rich history of The Bahamas and its landscape, and we wanted to reflect that in the unification of our retail stores. Black, a strong colour that represents the vigour of the Bahamian people, aquamarine representing the stunningly clear waters of The Bahamas, and gold for the golden sun. These colours are woven intrinsically throughout the brand," she stated. "Additionally, the tag line, "Celebration Across the Nation" summarises our ambition and the message we want to deliver."

Dennis Hanna, Corporate Relations Director a 26 year veteran of the company said a rich and varied history began in 1918 with Bethell-Robertson Company which became Burns House Limited and further mergers and acquisitions, followed.

"We have faced challenges; for instance some stores were unable to accommodate the extensive line of products we had just acquired," Mr Hanna explained. "However, from the smallest store to the largest, from the newest to the oldest, we have always been proud of who we are and what we represented, Bahamian entrepreneurship and know-how coupled with international affiliation and experience."

TODHUNTER MITCHELL

Handsome New Look for Ricardo, The Bahamas' #1-selling flavoured rum

Ricardo is sporting a new smart, handsome look these days representing the popular, award- winning rum's drive onto an international stage for a more commanding presence in world and regional markets. Ricardo's redesign coincides with the recent updates of Ole Nassau Rum's labeling – a favourite among tourists who like duty-free areas. Ole Nassau, which dates back to 1729, has undergone its own makeover to depict the iconic landscape of Nassau on its labels. Like Ricardo's new look, the updated Ole Nassau packaging has a modern feel with classic imagery, and reflects the range of premium tastes the brand offers.

The new Ricardo branding seeks to propel it into today's age of aggressive and contemporary marketing. The objective also was to present the Ricardo line of rums with a more unified and refined feel; the new packaging prominently features the brand's updated wordmark and sun icon, while retaining some imagery from its earlier labelling.

Ricardo has become the nation's top-ranked and top-poured Bahamian rum, the number one brand in The Bahamas. First produced over 20 years ago by Todhunter-Mitchell Distilleries, the brand comprises four flavours -- coconut, banana, mango, pineapple -- and four classic favourites, 151, gold, white, and dark. Ricardo prides itself on its versatility with 8 variants that represent a full, balanced range of well made, excellent value rums, that are smooth and bold with easy drinkability. Ricardo provides the perfect base in any cocktail and is a "must have" in tropical ones. Today, Ricardo's coconut flavour remains a local favourite and is considered the 'flagship' flavour of the brand, getting 78% of sales.

Commonwealth Brewery Rum Category Manager Arianne Richardson explained that the new brand strategy was to enhance Ricardo's brand identity to match its rich product offering, which rivals some of the world's most popular spirits.

"The Ricardo brand has always been bright and colourful, reminiscent of many things in our culture, so we wanted to keep that element," Ms Richardson said. "We needed to ensure that Ricardo's visual presence could compete with international brands. So we created a clean, sleek look for our classic rums and we added a bit of colour and personality for our fruit-flavoured rums. The result is a brand identity that is 'classically modern'. It's visually appealing and something Bahamians can be proud of."

"WE CREATED A CLEAN, SLEEK LOOK FOR OUR CLASSIC RUMS AND WE ADDED A BIT OF COLOUR AND PERSONALITY FOR OUR FRUIT FLAVOURED RUMS. THE RESULT IS A BRAND IDENTITY THAT IS 'CLASSICALLY MODERN'. IT'S VISUALLY APPEALING AND SOMETHING BAHAMIANS CAN BE PROUD OF"

> COMMONWEALTH BREWERY LIMITED IS PROUD OF ITS PIONEERING ROLE AS AN ENVIRONMENTAL STEWARD THROUGH DECADES OF BOTTLE RECYCLING, THE DONATION OF PLASTIC DRUMS AND CARD-BOXES AND OUR WASTE WATER RECYCLING INITIATIVE.

CORPORATE SOCIAL RESPONSIBILITY

The appointment of a corporate relations director indicates our continued commitment and focus on nurturing, building and supporting relationships with our shareholders, team members, customers and neighbours. We have always accepted our role as a community partner and have acted in good faith through supporting numerous community-based initiatives. Our determination includes encouraging our team members to live by Heineken's Life Saving Rules.

We value the role education plays as an equalizing force in our community and are now two years into our ten year Memorandum of Understanding for the CBL Endowment Fund of half a million dollars to the University of The Bahamas. Our commitment to education extends to our team members, too, with a newly implemented scheme that offers financial assistance and reimbursement for qualifying courses they pursue.

Commonwealth Brewery Limited is proud of its pioneering role as an environmental steward through decades of bottle recycling, the donation of plastic drums and card-boxes and our waste water recycling initiative. We are actively implementing ways to reduce energy consumption and use energy efficient equipment in our brewery, retail stores and offices.

Commonwealth Brewery participated in the annual Enjoy Responsibly Day, with the theme, "Celebration of Moderation" in September, 2016, partnering with The AIDS Foundation. Staff members passed out bumper stickers, educational material and non-alcoholic beverages to market the message of the importance of moderation.

Commonwealth Brewery supported Hurricane Matthew relief efforts, assisting NEMA and The Red Cross with volunteers, and donating funds, packing boxes and beverages. Support of other organizations such as Bahamas AIDS Foundation, the Cancer Society, REACH, Autism Awareness, Bahamas Red Cross Society, The College of The Bahamas and Bel Canto Singers heralds the company's ongoing commitment to community programmes and causes that promote education, health and culture. Understanding the importance of sports in the community, Commonwealth Brewery continues to sponsor various local teams and international sporting events like the Heineken Bahamas Cup, Flag Football, Old Timers Softball and Street Basketball.

700 WINES & SPIRITS STORES

ABACO
Premium Marsh Harbour
Convenience Marsh Harbour
Convenience Plus Treasure Cay
Duty Free Marsh Harbour Int'l Airport

ANDROS
Convenience Lowe Sound
Convenience Fresh Creek
Convenience Mangrove Cay
Convenience South Andros
Convenience Berry Islands

BIMINI
Premium Alice Town

CAT ISLAND
Convenience New Bight

ELEUTHERA
Convenience Rock Sound
Premium Governor's Harbour
Convenience Bluff
Premium Jean's Bay
Convenience Harbour Island
Premium Harbour Island

EXUMA
Convenience Georgetown
Premium Georgetown

GRAND BAHAMA
Convenience Queen's Highway
Duty Free International Airport
Convenience Churchill Square
Premium RND Shopping Centre
Convenience Freeport Arcade
Convenience Plaza Liquor THM
Premium Seahorse Plaza
Duty Free Port Lucaya
Duty Free Port Lucaya
Convenience Eight Mile Rock
Premium West End

INAGUA
Convenience Inagua

LONG ISLAND
Convenience Queen's Highway

NEW PROVIDENCE
Premium Cable Beach
Premium J.F. Kennedy Drive
Convenience Cable Beach
Convenience Plus West Bay Street
Convenience West Bay Street
Duty Free Bay Street
Convenience Carmichael Road
Duty Free Bay Street
Duty Free Woodes Rogers Wharf
Express East & Fowler Streets
Duty Free Bay Street
Convenience East Bay Street
Premium West Bay Street
Premium Harbour Bay Shopping Plaza
Premium Shirley Street
Premium Coral Harbour Shopping Center
Convenience Bernard Road
Convenience Plus Marathon Mall
Convenience Fox Hill Road
Convenience East Street South
Convenience Palmdale Shopping Centre
Duty Free LPI Airport/Non-U.S. International Departure & Local Departure-Arrivals
Duty Free LPI Airport/Non-U.S. International Departure & Local Departure-Arrivals
Duty Free LPI Airport/U.S. International Departure

SAN SALVADOR
Convenience Cockburn Town

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AUDITORS
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Nassau, The Bahamas

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Citibank
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P.O. Box N-8158
First Caribbean International Bank (Bahamas) Limited
Shirley Street, P.O. Box N-7125

LEGAL COUNSEL
Higgs & Johnson
Ocean Centre, Montagu Foreshore
East Bay Street, P.O. Box N-3247

REGISTRAR & TRANSFER AGENTS
Bahamas Central Securities Depository
2nd Floor, Fort Nassau Centre,
British Colonial Hilton
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Bay Street, Nassau, The Bahamas

REGISTERED OFFICE

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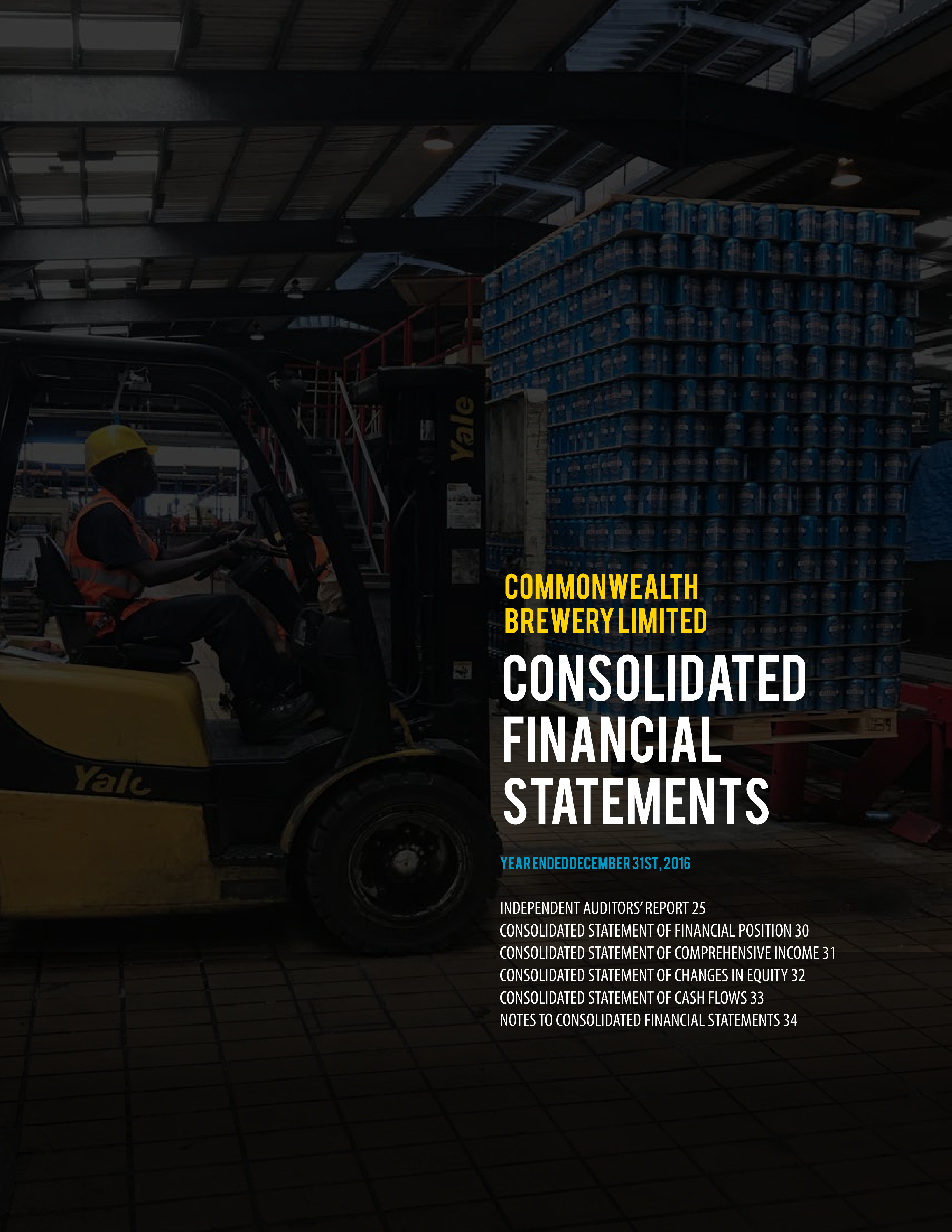
Ocean Centre, Montagu Foreshore
East Bay Street, P.O. Box N-3247

Corporate Office
Clifton Pier, P.O. Box N-4936



COMMONWEALTH BREWERY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31ST, 2016

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Commonwealth Brewery Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Commonwealth Brewery Limited (the Company) and its subsidiaries collectively, (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impairment of Goodwill	As at December 31, 2016 Goodwill of $4,487,242 was carried in the consolidated statement of financial position and is subject to an annual impairment test, details of which are set out in note 8. Management's annual impairment assessment is considered to be a matter of key significance because the assessment process is complex and relies on significant estimates and assumptions. Management determines assumptions in respect of future market and economic conditions such as economic growth, expected inflation rates, demographic developments, expected market share, revenue and margin development. The details on the accounting for goodwill and disclosure requirements under IAS 36 Impairment of assets are included in notes 3 and 8 to the consolidated financial statements.	In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by management. We performed various procedures, including the following: • We assessed the Group's design and implementation of controls relating to the preparation of the cash flow forecasts. • We tested key inputs into the cash flow forecast against historical performance and in comparison to the management's strategic plans. • We compared the growth rates used to historical data regarding economic growth rates. • We involved a fair value specialist to assist with the testing of the weighted average cost of capital (discount rate), inflation rate and sensitivity analysis around key assumptions used by management in the goodwill impairment testing. • We performed sensitivity analyses on the growth rates and discount rates to evaluate the extent of impact on the value in use and the appropriateness of management's disclosures.
Revenue recognition	The Group's revenue for the year ended December 31, 2016 amounted to $117,778,505 and the revenue accounting policy is disclosed in note 3 to the consolidated financial statements. As the Company is a listed entity, we consider there to be a heightened risk that revenue may be inappropriately recognized to achieve a desired financial result.	We tested the design and implementation of key controls around the main revenue streams. For each of the main sources of revenue, we performed test of details and substantive analytical procedures to test the accuracy and completeness of the underlying customer invoices, sales returns subsequent to year end, timing of the passing of risk and rewards to the customers and manual inputs in to the revenue recognition process. These procedures included challenging the appropriateness of management's assumptions and estimates, and agreeing input data to underlying agreements with customers.

Key Audit Matter	Summary of the Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Impact of Hurricane Matthew on the consolidated financial results	Hurricane Matthew impacted The Bahamas in October, 2016 causing losses to the Group through lost sales, inventory destruction, and plant and infrastructure damage. The details of the impact and related insurance recoveries are disclosed in note 16 to the consolidated financial statements. Management has made estimates related to the losses associated with Hurricane Matthew and the insurance recoveries. Management has also applied judgment in determining the accounting treatment for any identified impairment and related recoveries, as well as the related presentation and disclosure in the consolidated financial statements.	We tailored our audit procedures to perform more responsive audit strategy considering impact of Hurricane Matthew on financial results. We assessed the reasonableness of the basis used by management to identify impairment and estimate insurance recoveries. We performed a combination of test of details and substantive analytical procedures to test the accuracy and completeness of the underlying calculations of the claims made and recoveries received to date. We assessed the presentation and disclosure of the related losses and recoveries within the consolidated financial statements.

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.

Deloitte & Touche

Nassau Bahamas
April 26, 2017

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Financial Position

December 31, 2016, with corresponding figures for 2015
(Expressed in Bahamian dollars)

	Note(s)		2016	2015
Assets				
Current assets:				
Cash and cash equivalents	4	$	9,853,627	1,345,882
Trade receivables, net	5		2,864,600	3,370,556
Prepaid expenses and other assets	6		4,514,802	2,883,761
Inventories	7		22,289,872	19,893,831
Total current assets			39,522,901	27,494,030
Non-current assets:				
Property, plant and equipment	9		36,858,468	36,556,901
Goodwill	8		4,487,242	4,487,242
Other intangible assets	10		258,603	113,418
Total non-current assets			41,604,313	41,157,561
Total assets	24	$	81,127,214	68,651,591
Liabilities and equity				
Current liabilities:				
Accounts payable and accrued expenses	11, 15, 24	$	17,383,230	13,327,296
Non-current liabilities:				
Loans and borrowings	12	$	5,999,993	-
Total liabilities			23,383,223	13,327,296
Equity:				
Share capital	13		150,000	150,000
Share premium			12,377,952	12,377,952
Contributed surplus			16,351,369	16,351,369
Revaluation surplus	9		7,096,254	7,096,254
Retained earnings			21,768,416	19,348,720
Total equity			57,743,991	55,324,295
Total liabilities and equity		$	81,127,214	68,651,591

See accompanying notes to consolidated financial statements.

These consolidated financial statements were approved for issue on behalf of the Board of Directors on 26 April, 2017 by:

__________________ Director __________________ Director

COMMONWEALTH BREWERY LIMITED
Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2016, with corresponding figures for 2015
(Expressed in Bahamian dollars)

	Note(s)		2016	2015
Income:				
Revenue	24	$	117,778,505	123,523,439
Operating expenses:				
Raw materials, consumables and services	15, 17		83,178,341	91,098,817
Personnel costs	15, 18		18,596,676	18,290,875
Depreciation	9		3,189,121	2,746,557
Amortisation	10		33,917	42,599
Total operating expenses			104,998,055	112,178,848
Other income, net	16		4,392,848	465,319
Results from operating activities			17,173,298	11,809,910
Finance expenses			53,602	8,418
Total comprehensive income	19, 24	$	17,119,696	11,801,492
Basic and diluted earnings per share	19	$	0.57	0.39

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Changes in Equity

Year ended December 31, 2016, with corresponding figures for 2015
(Expressed in Bahamian dollars)

		Share capital	Share premium	Contributed surplus	Revaluation surplus	Retained earnings	Total equity
Balance at December 31, 2014	$	150,000	12,377,952	16,351,369	7,096,254	25,847,228	61,822,803
Comprehensive income		–	–	–	–	11,801,492	11,801,492
Transactions with owners, recorded directly in equity							
Dividends declared $0.61 per share (note 20)		–	–	–	–	(18,300,000)	(18,300,000)
Balance at December 31, 2015		150,000	12,377,952	16,351,369	7,096,254	19,348,720	55,324,295
Comprehensive income		–	–	–	–	17,119,696	17,119,696
Transactions with owners, recorded directly in equity							
Dividends declared $0.49 per share (note 20)		–	–	–	–	(14,700,000)	(14,700,000)
Balance at December 31, 2016	$	150,000	12,377,952	16,351,369	7,096,254	21,768,416	57,743,991

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Cash Flows

Year ended December 31, 2016, with corresponding figures for 2015
(Expressed in Bahamian dollars)

	Note(s)		2016	2015
Cash flows from operating activities				
Net income		$	17,119,696	11,801,492
Adjustments for:				
Depreciation	9		3,189,121	2,746,557
Amortisation	10		33,917	42,599
Bad debt expense	5		327,489	188,977
(Gain)/Loss on disposal of property, plant and equipment	9, 16		(719)	(26,500)
Finance expense			53,602	8,418
Net cash from operation activities			20,723,106	14,761,543
Changes in non-cash working capital	21		207,319	(85,754)
Net cash from operations before changes in working capital			20,930,425	14,675,789
Cash flows from financing activities				
Dividends paid	19		(14,700,000)	(18,300,000)
Interest paid	12		(53,602)	(8,418)
Proceeds from loans and borrowings	12		5,999,993	-
Net cash used in financing activities			(8,753,609)	(18,308,418)
Cash flows from investing activities				
Additions to property, plant and equipment	9		(3,820,769)	(2,173,211)
Additions to intangible assets			(179,102)	-
Proceeds from sale of property, plant and equipment	9, 16		330,800	26,500
Net cash used in investing activities			(3,669,071)	(2,146,711)
Net increase/ (decrease) in cash and cash equivalents			8,507,745	(5,779,340)
Cash and cash equivalents, beginning of year			1,345,882	7,125,222
Cash and cash equivalents, end of year	4	$	9,853,627	1,345,882

See accompanying notes to consolidated financial statements.

(Expressed in Bahamian dollars)

1. General information

Commonwealth Brewery Limited ("CBL" or "the Company") was incorporated under the laws of The Commonwealth of The Bahamas on November 17, 1983 and commenced trading in March 1987. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as "the Group" and individually as "Group entities"). Details of the principal subsidiaries are set out in note 21 to the consolidated financial statements.

The principal activity of the Group is the production of alcoholic and non-alcoholic beverages, liquor importation, distribution and sales.

The Group's registered office is located at Clifton Pier, Nassau, Bahamas.

The Group is a subsidiary of Heineken International B.V. ("Heineken" or "the Parent"). Heineken is incorporated under the laws of The Netherlands and its corporate office is located at Tweede Weteringplantsoen 21, 1017 ZD, P. O. Box 28, 1000 AA Amsterdam, The Netherlands. The ultimate parent of CBL is Heineken N.V. located at the same address. 75% of shares of the Group are owned by Heineken and remaining 25% are owned by the Bahamian public.

2. New and revised international financial reporting standards (IFRSs)

Relevant Standards and Interpretations in issue and effective

In the current year, the Group has applied a number of amendments to IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2016. The adoption of these Standards and Interpretations has not led to any changes in the Group's accounting policies.

Standards and Interpretations in issue but not yet effective

IFRS 9	(Amended) Financial Instruments *[eff. 1 January 201]*
IFRS 15	Revenue from Contracts with Customers (and related Clarifications) *[eff. 1 January 2018]*
IFRS 16	Leases
Amendments to IFRS 2	Sale or Contribution of Assets between an investor and its Associate or Joint Venture *[eff. 1 January 2018]*
Amendments to IFRS 7	Disclosure Initiative *[eff. 1 January 2017]*

The Group is still in the process of assessing the impact of the adoption of these standards and interpretations on the financial statements and it is not practicable to provide a reasonable estimate of the effect as at the date of these consolidated financial statements. The Group does not intend to early apply these standards.

3. Significant accounting policies

(a) *Statement of compliance*

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

3. Significant accounting policies *(continued)*

(b) *Basis of preparation*

These consolidated financial statements are prepared under the historical cost convention, except for land and buildings included in property, plant and equipment, which are carried at revalued amounts.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net relisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurement are categorised into Level 1,2,3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

(c) *Basis of consolidation*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has power over the entity, is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by the Group. All intragroup assets and liabilities, equity, income and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The carrying amount of non-controlling interests is the amount of these interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity.

3. Significant accounting policies *(continued)*

(c) *Basis of consolidation* *(continued)*

Total comprehensive income is attributed to non-controlling interests even if it results in the non-controlling interests having a deficit balance.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

(d) *Functional and presentation currency*

These consolidated financial statements are presented in Bahamian dollars, the Group's functional and reporting currency. The Bahamian dollar is the currency of the country where the Group entities are domiciled and is the prime operating currency.

(e) *Use of estimates and judgements*

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Information about critical judgements in applying accounting policies and estimates that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

Note 3(l)	Impairment
Note 3(p)	Provisions
Note 5	Trade receivables, net
Note 6	Prepaid expenses and other assets
Note 7	Inventories
Note 8	Goodwill and intangible assets
Note 9	Property, plant and equipment
Note 10	Other Intangible assets
Note 14	Commitments and contingencies
Note 23	Financial instruments and associated risks

Following is a summary of the significant accounting policies which have been applied consistently by the Group in preparing these consolidated financial statements.

3. Significant accounting policies *(continued)*

(f) *Financial instruments*

Classification

Financial instruments include financial assets and financial liabilities. Financial assets that are classified as loans and receivables include cash held with banks and trade and other receivables. Financial liabilities that are not at fair value through profit or loss include accounts payable and accrued expenses.

Recognition

The Group recognises financial instruments initially at the trade date, which is the date when it becomes a party to the contractual provisions of the instruments.

Measurement

Financial instruments are measured initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately, while on other financial instruments they are amortised.

Subsequent to initial recognition, financial assets and financial liabilities not at fair value through profit or loss are carried at amortised cost using the effective interest method, less in the case of financial assets, impairment losses, if any.

Derecognition

The Group derecognises a financial asset when the contractual rights for cash flows from the financial asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

The Group derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expired.

(g) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and cash held with banks.

(h) *Accounts receivable*

Accounts receivable are stated at amortised cost net of an allowance for doubtful debts.

(i) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes expenditure incurred in acquiring the inventories, production costs and other costs incurred in bringing them to their existing location and condition. In the case of finished goods and work-in-progress, cost includes an allocation of those production overhead costs based on normal operating capacity, that relate to bringing the inventories to their present location and condition.

3. Significant accounting policies *(continued)*

(i) *Inventories* *(continued)*

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Provision for obsolescence is established when management determines the net realisable value of the inventories to be less than cost.

(j) *Property, plant and equipment*

Items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses, except land and buildings, which are carried at revalued amounts. The directors review the carrying value annually. Whenever the directors determine that the carrying value differs materially from the fair value, an independent valuation is obtained and the land and buildings are revalued.

The surplus on revaluation is recorded in other comprehensive income, in the revaluation surplus account, and is transferred to retained earnings when the revalued asset is derecognised. When an item of property, plant and equipment is revalued, accumulated depreciation is eliminated against the gross carrying amount of the asset.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the consolidated statement of profit or loss and other comprehensive income as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised on a net basis within other income in the consolidated statement of profit or loss and other comprehensive income.

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amounts substituted for cost, less its residual value.

Depreciation is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of the items of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

3. Significant accounting policies *(continued)*

(j) *Property, plant and equipment* *(continued)*

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives. No depreciation is charged on land and capital work in progress.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	15 to 40 years
Plant and machinery	5 to 30 years
Furniture, fixtures and equipment	3 to 25 years
Vehicles and transportation equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted, if necessary.

(k) *Intangible assets*

Goodwill

Goodwill is carried at cost less accumulated amortisation and impairment losses, if any. Goodwill arising on the acquisition of the Group's 100% ownership interest in Butler & Sands Company Limited and its subsidiaries in the year 2000 represents the excess of the cost of acquisition over the net fair value of the identifiable assets and liabilities of Butler & Sands Company Limited and its subsidiaries recognised at the date of acquisition less accumulated amortisation thereon to December 31, 2004, at which time amortisation ceased and goodwill was deemed to have an indefinite useful life. Thereafter, goodwill is tested for impairment annually.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The computer software is carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is computed on the straight-line method over an estimated useful life of up to five years.

(l) *Impairment*

Financial assets

Financial assets other than receivables, which are reviewed on a continuous basis, are assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. Significant accounting policies *(continued)*

(l) *Impairment (continued)*

Financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated each year at the same time. An impairment loss is recognised if the carrying amount of the asset or its related cash generating unit ("CGU") exceeds its estimated recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use represents the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Impairment losses are recognised in the consolidated statement of profit or loss and other comprehensive income except for revalued assets where the impairment loss is first applied to the revaluation surplus and any excess is recognised in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognised in respect of a CGU is allocated first to reduce the carrying amount of any goodwill associated with the CGU and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised except for assets normally carried at revalued amounts.

(m) *Related parties*

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

3. Significant accounting policies *(continued)*

(m) ***Related parties*** *(continued)*

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.
(vi) The entity is controlled, or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(c) A related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

(n) ***Leases***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental income and expense from operating leases are recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the relevant lease. Initial direct costs, if incurred, in negotiating and arranging an operating lease are recognised on a straight-line basis over the lease term.

(o) ***Share capital***

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of shares are recognised as a deduction from equity.

(p) ***Provisions***

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the

3. Significant accounting policies *(continued)*

(p) ***Provisions*** *(continued)*

consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(q) ***Foreign currencies***

Transactions in foreign currencies are translated into Bahamian dollars at exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in such currencies at the year-end date are translated at the rates prevailing at that date.

Any differences arising on translation are recognised as exchange gains/losses within other income in the consolidated statement of profit or loss and other comprehensive income.

(r) ***Revenue recognition***

Products sold

Revenue from the sale of products in the ordinary course of business is measured at the fair value of the consideration received or receivable net of customer discounts and other sales related discounts. Revenue from the sale of products is recognised in the consolidated statement of profit or loss and other comprehensive income when the amount of revenue can be measured reliably, the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably and there is no continuing management involvement with the products.

Services

Revenue from services, which is included in miscellaneous income, is recognised in the consolidated statement of profit or loss and other comprehensive income when the services are rendered.

(s) ***Employee benefits***

Defined contribution plans

A defined contribution plan is a pension plan under which the Group pays fixed contributions to the fund. The Group has no legal or constructive obligation to pay further contributions. Contributions to the Group's defined contribution pension plans are recognised as an employee benefit expense in the consolidated statement of profit or loss and other comprehensive income in the periods during which services are rendered by employees.

3. Significant accounting policies *(continued)*

(s) *Employee benefits (continued)*

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term benefits if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employees and the obligation can be estimated reliably.

(t) *Finance income*

Finance income is accrued on a daily basis using the effective interest rate method.

(u) *Earnings per share*

Earnings per share are based on consolidated net income divided by the weighted average number of ordinary shares outstanding during the year.

(v) *Dividends*

Dividends are recognised as a liability in the period in which they are declared.

(w) *Operating segments*

Business segments are components of an enterprise about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance.

Generally, financial information is required to be reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments.

For management purposes, the Group is currently organised into three business segments: (i) Wholesale (ii) Retail and (iii) Production. These divisions are the basis on which the Group reports its operating segment information.

(x) *Value Added Tax (VAT)*

On January 1, 2015, the Bahamas Government implemented a consumer VAT. Output VAT related to the sale of goods is payable to the Government upon delivery of goods and property rights to customers. Input VAT related to goods and services purchased is generally recoverable against output VAT. It is presented net on the Consolidated Statement of Financial Position as it is off set and settled on a net basis.

4. Cash and cash equivalents

		2016	2015
Cash on hand	$	73,405	52,895
Cash held with banks		9,780,222	1,292,987
Cash and cash equivalents	$	9,853,627	1,345,882

(Expressed in Bahamian dollars)

5. Trade receivables, net

		2016	2015
Trade receivables, gross	$	3,889,167	4,067,634
Allowance for doubtful debts		(1,024,567)	(697,078)
	$	2,864,600	3,370,556

Aging analysis of trade receivables, gross, as at December 31, 2016:

		2016	2015
Current (up to 30 days)	$	2,379,667	2,628,408
Past due but not impaired (over 30 days)		484,933	742,148
Past due and impaired		1,024,567	697,078
	$	3,889,167	4,067,634

Movement in the allowance for doubtful debts:

		2016	2015
Balance at beginning of the year	$	697,078	508,521
Increase in allowance		327,489	188,977
Amounts written off as uncollectible		-	(420)
Balance at end of the year	$	1,024,567	697,078

Maximum exposure to credit risk for trade receivables at December 31, by geographic region:

		2016	2015
The Bahamas	$	2,763,182	3,205,659
United States of America		100,224	164,897
	$	2,863,406	3,370,556

(Expressed in Bahamian dollars)

6. Prepaid expenses and other assets

		2016	2015
Other receivables	$	3,937,830	1,988,263
Prepaid expenses		1,069,052	1,383,393
Staff loans		5,063	9,248
		5,011,945	3,380,904
Allowance for doubtful debts		(497,143)	(497,143)
	$	4,514,802	2,883,761

Movement in the allowance for doubtful debts created for other receivables is as follows:

		2016	2015
Balance at beginning of the year	$	497,143	497,143
Reversal of allowance		–	–
Balance at end of the year	$	497,143	497,143

7. Inventories

		2016	2015
Goods bought for resale	$	17,201,878	14,528,375
Raw materials and packaging		3,044,761	3,210,571
Finished goods		924,496	772,338
Work-in-progress		234,670	176,067
Spare parts		852,483	708,851
Other stock items		405,985	782,467
		22,664,273	20,178,669
Provision for obsolescence		(374,401)	(284,838)
	$	22,289,872	19,893,831

Movement in the provision for obsolescence:

		2016	2015
Balance at beginning of the year	$	284,838	465,770
Increase in provision		89,563	–
Decrease in provision		-	(180,932)
Balance at end of the year	$	374,401	284,838

As outlined in note 17, the cost of inventories recognised as an expense during the year was $46,290,661 (2015: $52,681,092).

(Expressed in Bahamian dollars)

8. Goodwill

Goodwill comprises the following:

		2016	2015
Balance at beginning and end of the year	$	4,487,242	4,487,242

Goodwill is tested for impairment annually. The recoverable amount of the CGU which includes the goodwill is based on a value in use calculation. The value in use has been determined by discounting the future cash flows generated from the continuing use of the CGU.

The key assumptions used for the value in use calculations are as follows:

- Cash flows are projected based on actual operating results and the annual plan. Cash flows for a further two year period are projected using expected annual growth rates.
- Cash flows after the first five years were projected using growth rate, based on internal sources, in order to calculate the terminal recoverable amount.
- Weighted average cost of capital ("WACC") is applied in determining the recoverable amount of the CGU.

The WACC and expected growth rate are as follows:

	2016	2015
WACC	10.06%	9.97%
Expected growth rate	1.00%	5.44%

The values assigned to the key assumptions represent management's assessment of future trends in the wine & spirits industry and are based on both external and internal sources (historical data). The directors believe that any reasonable possible change in key assumptions on which recoverable amounts are based will not lead to a materially different outcome. Based on the value in use calculation management has determined that there has not been any impairment in the carrying amount of goodwill as at December 31, 2016 and 2015.

(Expressed in Bahamian dollars)

9. Property, plant and equipment

	Land	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Vehicle and transportation equipment	Capital work in progress	Total
Cost/revalued amount:								
Balance at December 31, 2014	$ 5,710,254	18,164,747	2,996,424	34,935,230	14,277,162	1,562,998	1,813,015	79,459,830
Additions	-	-	-	-	-	-	2,173,211	2,173,211
Transfers	-	118,864	204,441	1,137,761	762,135	339,828	(2,563,029)	-
Write offs	-	-	-	-	-	(6,334)	-	(6,334)
Balance at December 31, 2015	5,710,254	18,283,611	3,200,865	36,072,991	15,039,297	1,896,492	1,423,197	81,626,707
Additions	-	-	-	-	-	-	3,820,769	3,820,769
Transfers	-	384,694	230,287	2,031,513	981,935	229,999	(3,858,428)	-
Write offs	-	-	(1,665,398)	(251,127)	(2,631,353)	(142,542)	(256,615)	(4,947,035)
Balance at December 31, 2016	$ 5,710,254	18,668,305	1,765,754	37,853,377	13,389,879	1,983,949	1,128,923	80,500,441
Accumulated depreciation:								
Balance at December 31, 2014	$ -	-	2,488,671	25,404,004	13,230,484	1,206,424	-	42,329,583
Depreciation	-	518,993	195,167	1,447,275	385,759	199,363	-	2,746,557
Write offs		-	-	-	-	(6,334)		(6,334)
Balance at December 31, 2015	-	518,993	2,683,838	26,851,279	13,616,243	1,399,453	-	45,069,806
Depreciation	-	957,250	189,873	1,432,713	395,393	213,892	-	3,189,121
Write offs	-	-	(1,665,290)	(251,127)	(2,557,993)	(142,544)	-	(4,616,954)
Balance at December 31, 2016	$ -	1,476,243	1,208,421	28,032,865	11,453,643	1,470,801	-	43,641,973
Net book value:-								
December 31, 2016	$ 5,710,254	17,192,062	557,333	9,820,512	1,936,236	513,148	1,128,923	36,858,468
December 31, 2015	$ 5,710,254	17,764,618	517,027	9,221,712	1,423,054	497,039	1,423,197	36,556,901

(Expressed in Bahamian dollars)

9. Property, plant and equipment *(continued)*

The Group's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. The latest revaluation of land and buildings was done on December 31, 2014 by a qualified independent appraiser, Robin Brownrigg, using the income approach, except for one property where the cost basis was used. This resulted in a surplus of $2,826,667.

The fair value of land and buildings are included in Level 3 at the end of the reporting period. There were no transfers between the hierarchy Levels during the year.

There are no capital commitments on work in progress projects.

Revaluation surplus

		2016	2015
Balance at January 1	$	7,096,254	7,096,254
Surplus arising from revaluation		–	–
Balance at December 31	$	7,096,254	7,096,254

Had there been no revaluation, the carrying value of land would have been $2,073,764 (2015: $1,689,070) and of buildings would have been $4,719,560 (2015: $4,719,560).

10. Other intangible assets

Intangible assets consist of computer software as follows:

		2016	2015
Cost:			
Balance at January 1	$	3,431,977	3,431,977
Additions		179,102	-
Balance at December 31	$	3,611,079	3,431,977
Accumulated amortisation:			
Balance at January 1	$	3,318,559	3,275,960
Amortisation		33,917	42,599
Balance at December 31	$	3,352,746	3,318,559
Net book value:	$	258,603	113,418

(Expressed in Bahamian dollars)

11. Accounts payable and accrued expenses

Accounts payable and accrued expenses comprise the following:

		2016	2015
Accounts payable - third parties	$	10,603,422	8,382,350
Accounts payable - related parties		3,950,697	2,949,915
Accrued expenses		2,839,974	1,995,031
	$	17,394,093	13,327,296

12. Loans and borrowings

As at 31 December amounts repayable to related parties amounted to with interest of 1.732% per annum:

		2016	2015
Loans from related parties	$	5,999,993	-

13. Share capital

Authorised, issued and fully paid share capital at December 31, 2016 and 2015:

	No. of shares		Amount
Ordinary shares of $0.005 each	30,000,000	$	150,000

14. Commitments and contingencies

Operating lease commitments

The Group's commitments on operating leases are as follows:

		Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
2016	$	245,085	1,007,331	3,668,750	976,426	5,897,592
2015	$	2,005,777	1,163,071	1,785,299	279,480	5,233,627

Lease expenses of $3,415,993 (2015: $3,170,084) (see note 17) includes rent on stores with no lease agreements. Future rentals of such stores are not included in lease commitments disclosed above.

(Expressed in Bahamian dollars)

14. Commitments and contingencies *(continued)*

Other commitments and contingencies

At December 31, 2016 the Group was contingently liable under customs bond guarantees of $867,000. These facilities are under joint and several liability of the Group in favor of each other.

At December 31, 2016 the Group had capital commitments of $nil (2015: $nil).

Loan facility

Effective May 30, 2014, BHL entered into a facility agreement with an affiliate for an unsecured loan of up to $2,000,000 (2015: $2,000,000). This facility bears interest at the rate of LIBOR plus 0.60% per annum (2015: LIBOR plus 0.60% per annum). As at December 31, 2016, $nil (2015: $nil) of this facility had been utilised.

Pending Litigation

Legal proceedings are pending against the Group in the ordinary course of business. Management considers that the aggregate liability resulting from these proceedings will not be material.

15. Balances and transactions with related parties

For the purpose of this note, affiliates include other Heineken group entities and directors. Additional related party transactions are disclosed in other notes to the consolidated financial statements.

		2016	2015
Balances with the Parent			
Accounts payable and accrued expenses (note 11)	$	2,925,002	1,543,002
Loans and borrowings (note 12)	$	5,999,993	-
Transactions with the Parent			
Know-how fee (note 17)		403,286	451,385
Royalties (note 17)		323,565	326,759
IT related and other fee (note 17)		685,047	519,449
Dividends paid (note 20)		11,025,000	13,725,000
Balances with affiliates			
Accounts payable and accrued expenses (note 11)		1,025,695	1,406,913
Transactions with affiliates			
Purchases of inventories (notes 7 and 17)		951,452	643,322
IT related and other fee (note 17)		168,609	660,036
Supply chain fee (note 17)		54,827	57,392
Directors' fee (note 17)		42,000	42,000

(Expressed in Bahamian dollars)

15. Balances and transactions with related parties *(continued)*

Know-how fee

Effective May 18, 2010, the Group entered into an agreement with the Parent to pay 0.4% per annum of revenue to Heineken as a know-how fee. Related payments are made and/or accrued for in the normal course of business.

Royalties

Royalties are calculated as a percentage of revenue and are payable to the Parent based on the relevant agreement. Related payments are made and/or accrued for in the normal course of business.

Purchase of inventories, IT related fee and supply chain fee

The Group sources certain inventories from its affiliates. IT related fee, supply chain fee and other fee are charged by Heineken and other Heineken group entities as incurred and are included in other expenses (see note 17). Related payments are made and/or accrued for in the normal course of business.

Compensation of key management personnel

During the year, key management personnel received compensation amounting to $1,191,782 (2015: $1,087,622), comprising short-term employee benefits of $1,073,014 (2015: $992,850), and post-employment benefits of $62,831 (2015: $94,771).

Included in key management costs are costs relating to a Long Term Incentive Plan. This is a share based plan which provides senior employees with Heineken N.V. shares based on the performance of the Heineken Group as a whole. The amount recognised in personnel cost amounted to $78,256 (2015: $62,276).

16. Other income, net

		2016	2015
Miscellaneous (expense) income	$	(147,436)	658,278
Insurance recovery		4,730,712	-
Exchange gain/ (loss)		(191,147)	(219,459)
Gain on disposal of property, plant and equipment		719	26,500
	$	4,392,848	465,319

The Group incurred losses due to inventory destruction, property damage and lost sales due to the impact of a hurricane that hit The Bahamas in October 2016. These losses were covered under the Group's comprehensive insurance plan and resulted in recoveries of stock and lost sales of $1,930,712 and $2,800,000 respectively for the period to December 31, 2016. These amounts are recognized in Other income as it is considered an extraordinary event. Property, plant and equipment damage recovery and restoration was ongoing at December 31, 2016, is also covered under the insurance plan and is not expected to result in any financial loss.

(Expressed in Bahamian dollars)

17. Raw materials, consumables and services

		2016	2015
Cost of inventories (including related import duties)	$	46,290,661	52,681,092
Excise duties and taxes		15,779,189	15,414,678
Distribution and marketing expenses		4,811,766	6,778,208
Occupancy expenses (note 14)		3,415,993	3,170,084
Utilities		2,073,856	2,399,730
Royalties (note 15)		1,734,464	1,414,105
Bad debt expense		327,489	188,977
Insurance		781,593	961,299
Repairs and maintenance		1,771,622	1,523,942
Know-how fee (note 15)		403,286	451,385
Other expenses (note 15)		5,788,422	6,115,316
	$	83,178,341	91,098,816

18. Employee pension plans

In 1997, the Group commenced a defined contribution pension plan. In accordance with the terms of the plan both employer and employees are required to contribute 5% (2015: 5%) of the participants' earnings to the plan. Employees are permitted to make additional contributions in order to increase their retirement benefits. The Group's contribution net of forfeitures to the plan included in personnel costs was $344,809 (2015: $350,152).

Employees are eligible to become participants of the plan upon the completion of a probationary period, provided they have attained the age of 18 years. The plan is mandatory for all employees who joined the Group after January 1, 1997 and optional for those who joined prior to January 1, 1997.

Burns House Limited ("BHL") has a defined contribution plan for eligible employees. The employees contribute 5% (2015: 5%) of gross salary, and BHL contributes 5% (2015: 5%) of eligible earnings. BHL's contribution to the pension costs net of forfeitures in respect to the plan for the year included in personnel costs amounted to $251,734 (2015: $276,943).

19. Basic and diluted earnings per share

The calculation of basic and diluted earnings per share is based on the consolidated net income divided by the weighted average number of ordinary shares outstanding during the year.

		2016	2015
Net income	$	17,119,696	11,801,492
Weighted average number of shares		30,000,000	30,000,000
Basic and diluted earnings per share	$	0.57	0.39

(Expressed in Bahamian dollars)

20. Dividends

Dividends declared and paid by the Group amounted to $14,700,000 (2015: $18,300,000) including interim dividends of $2,925,000 (2015: $7,500,000). Dividends paid are based on basic earnings per share rounded to two decimal places.

21. Changes in non-cash working capital

		2016	2015
Change in trade receivables, gross	$	178,467	(395,825)
Change in prepaid expenses and other assets		(1,631,041)	(1,091,924)
Change in inventories		(2,396,041)	506,341
Change in accounts payable and accrued expenses		4,055,934	895,654
	$	207,319	(85,754)

22. Principal subsidiary and other significant operating subsidiaries

The following significant operating subsidiaries, all of which are incorporated in The Bahamas, are owned by the Group.

	Percentage (%) Owned	
	2016	2015
Burns House Limited	100	100
Butler & Sands Company Limited	100	100
Kerland Limited	100	100
Todhunter-Mitchell Distillers Limited	100	100
Todhunter-Mitchell Wines & Spirits Limited	100	100
Wholesale Wines and Spirits Limited	100	100

23. Financial instruments and associated risks

The Board of Directors has established a risk management framework whose primary objective is to protect the Group from events that hinder the sustainable achievement of the Group's performance objectives.

There are a number of risks inherent in the drinks industry that the Board has identified and manages on an ongoing basis. Among these risks, the more significant are market, credit and liquidity. In accordance with IFRS 7, Financial Instruments, the Group presents qualitative information about its exposure to risk and the objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout this note.

23. Financial instruments and associated risks *(continued)*

(a) Market risk

Market risk is the risk that future changes in market conditions such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Currency risk

The Group is party to financial instruments or enters into transactions denominated in currencies other than its functional currency. Consequently, the Group is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Group's assets or liabilities denominated in currencies other than the Bahamian dollar. Raw materials, packaging and finished products are purchased principally from Europe and are payable in Euros. The Group does not hedge against movements in foreign currency exchange rates.

The Group's total net liability exposure to fluctuations in foreign currency exchange rates (B$ vs. Euro) at December 31, 2016 was $4,276,130 (2015: $2,492,465).

The average exchange rate between the B$ and the Euro was B$1 = Euro 0.90 (2015: B$1 = Euro 0. 90). The spot rate at December 31, 2016 was B$1 = Euro 0.95 (2015: B$1 = Euro 0. 92).

Sensitivity analysis

A 10 percent strengthening of the B$ against the Euro at December 31, 2016 would have increased equity and net income by approximately $115,485 (2015: $97,092). This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent weakening of the B$ against the Euro at December 31, 2016 would have had the equal but opposite effect on equity and net income of the amounts shown above, on the basis that all other variables remain constant.

(ii) Interest rate risk

Interest rate risk refers to the risk of loss due to adverse movements in interest rates. The Group's interest rate risk arises from borrowings and its banking facilities. The Group manages its exposure to fluctuations in interest rates by linking its cost of borrowing to prevailing domestic or international interest rates.

(Expressed in Bahamian dollars)

23. Financial instruments and associated risks *(continued)*

(b) Credit risk

Credit risk is the risk that a counter party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group.

The Group's maximum exposure to credit risk is as follows:

		2016	2015
Cash held with banks (note 4)	$	9,780,222	1,292,987
Trade receivables, net (note 5)		2,864,600	3,370,556
Other receivables, net (note 6)		3,937,830	1,491,120
Staff loans (note 6)		5,063	9,248
	$	16,587,715	6,163,911

Management actively monitors the aging of receivables and establishes an allowance as circumstances warrant. The Group does not anticipate any losses in excess of the allowance for doubtful accounts as a result of this exposure.

Cash at bank amounting to $9,780,222 (2015: $1,292,987) was deposited with regulated financial institutions. Accordingly management considers this to bear minimal credit risk.

The Group does not have a significant concentration of credit risk as it transacts and deals with various customers and counterparties.

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities and other commitments when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has no long-term liabilities. Contractual cash flows for accounts payable and accrued expenses are equal to carrying amounts and are due within 6 months or less.

(Expressed in Bahamian dollars)

24. Segment information

The Group has adopted IFRS 8, Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. This standard has been applied to all years presented in the consolidated financial statements. Information regarding the Group's reportable segments is presented below.

The Group's revenue from operations by reportable segment is as follows:

Segment revenue

		2016	2015
Wholesale	$	79,805,135	106,966,157
Retail		37,333,218	37,777,768
Production		52,866,824	51,505,983
	$	170,005,177	196,249,908

Inter-segment revenue

		2016	2015
Wholesale	$	-	21,961,896
Production		52,223,398	50,764,572
	$	52,223,398	72,726,468

Revenue from external customers

		2016	2015
Wholesale	$	79,735,104	85,004,260
Retail		37,333,218	37,777,768
Production		710,183	741,411
	$	117,778,505	123,523,439

(Expressed in Bahamian dollars)

24. Segment information *(continued)*

The Group's net income by reportable segment is as follows:

		2016	2015
Wholesale	$	1,615,508	1,839,828
Retail		2,420,697	1,370,906
Production		13,083,491	8,590,758
	$	17,119,696	11,801,492

The Group's assets by reportable segment are as follows:

		2016	2015
Wholesale	$	35,168,525	24,541,799
Retail		5,349,334	4,359,809
Production		31,090,183	32,410,798
Total segment assets		71,608,042	61,612,406
Unallocated		9,519,172	7,339,185
Total assets	$	81,125,214	68,651,591

For the purposes of monitoring segment performance and allocating resources between segments, the only assets allocated by segment are trade and other receivables, inventories and property, plant & equipment.

The Group's liabilities by reportable segment are as follows:

		2016	2015
Wholesale	$	10,186,756	5,333,199
Retail		530,918	453,825
Production		6,665,556	7,540,272
	$	17,383,230	13,327,296

The Group's additions to property, plant and equipment by reportable segment are as follows:

		2016	2015
Wholesale	$	1,601,762	632,418
Retail		710,874	333,167
Production		1,508,133	1,207,629
	$	3,820,769	2,173,213

(Expressed in Bahamian dollars)

24. Segment information *(continued)*

The Group's revenue from external customers by geographical location from operations from its major products and services are as follows:

		2016	2015
Bahamas	$	117,144,103	122,782,028
United States		634,426	741,411
	$	117,778,529	123,523,439

Included in revenues arising from direct sales from the Group's wholesale segment to its customers is $13,717,662 (2015: $15,947,790) which arose from sales to the Group's top five customers.

25. Fair values of financial instruments

The carrying values of financial assets and liabilities are considered to approximate their fair values due to the following reasons:

(a) immediate or short-term maturity; and/or
(b) interest rates approximate current market rates

The fair values of cash and cash equivalents, trade and other receivables, accounts payable and accrued expenses are not considered to be materially different from their carrying values due to their short-term nature.

26. Capital management

The Group is not subject to externally imposed capital requirements except that under The Companies Act 1992, the Group may not declare and pay a dividend if there are reasonable grounds for believing that:

(a) the Group is unable or would, after the payment of dividends be unable to meet its liabilities as they become due; or
(b) the realisable assets of the Group will be less than the sum of its total liabilities and outstanding share capital.

There were no changes in the Group's approach to capital management during the year.

With effect from January 1, 2011 the Group's policy is to distribute 100% of consolidated net income as dividends subject to the provisions of the The Companies' Act 1992 as outlined above. The frequency of the payout is at the discretion of the Board of Directors and is subject to approval at the annual shareholders' meeting.

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