

Consolidated Financial Statements of

COMMONWEALTH BREWERY LIMITED

Year ended December 31, 2018

COMMONWEALTH BREWERY LIMITED

Consolidated Financial Statements

Year ended December 31, 2018

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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, 2018, 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, 2018, 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	<p>As at December 31, 2018 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.</p>	<p>In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by management. We performed various procedures, including the following:</p> <ul style="list-style-type: none"> • 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) and inflation rate used by management in the goodwill impairment testing. <p>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.</p>

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 Talia Sweeting-Albury.

A handwritten signature in purple ink, appearing to read 'Talia Sweeting-Albury', with a large, stylized initial 'T'.

Nassau Bahamas
April 29, 2018

COMMONWEALTH BREWERY LIMITED

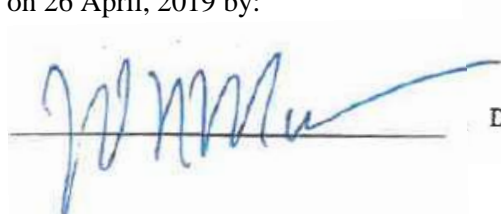

Consolidated Statement of Financial Position

As at December 31, 2018, with corresponding figures for 2017
(Expressed in Bahamian dollars)

	Note(s)	2018	2017
Assets			
Current assets:			
Cash and cash equivalents	4	\$ 9,090,464	2,617,430
Trade receivables, net	5	4,108,750	4,642,730
Prepaid expenses and other assets	6	3,620,446	3,828,791
Inventories	7	34,160,888	27,532,917
Total current assets		50,980,548	38,621,868
Non-current assets:			
Property, plant and equipment	9	49,170,094	45,302,063
Goodwill	8	4,487,242	4,487,242
Other intangible assets	10	153,431	191,851
Total non-current assets		53,810,767	49,981,156
Total assets	25	\$ 104,791,315	88,603,024
Liabilities and equity			
Current liabilities:			
Accounts payable and accrued expenses	11	\$ 23,974,037	15,732,626
Dividends payable	20	8,325,000	5,624,905
Loans and borrowings	12	15,999,993	5,999,993
Total liabilities	25	48,299,030	27,357,524
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	12,473,768	12,473,768
Retained earnings		15,139,196	19,892,411
Total equity		56,492,285	61,245,500
Total liabilities and equity		\$ 104,791,315	88,603,024

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, 2019 by:

 Director  Director

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2018, with corresponding figures for 2017

(Expressed in Bahamian dollars)

	Note(s)	2018	2017
Income:			
Revenue	25	\$ 134,238,674	133,093,069
Excise duties*		\$ (12,564,318)	(14,053,256)
Net Revenue		121,674,356	119,039,813
Operating expenses:			
Raw materials, consumables and services	17	89,977,980	82,526,361
Personnel costs	18	22,402,276	20,509,781
Depreciation	9	2,655,251	3,064,227
Amortisation	10	38,419	66,753
Total operating expenses		115,073,927	106,167,122
Other (expense)/income, net	16	(111,916)	6,045,397
Results from operating activities		6,488,514	18,918,088
Finance expenses		171,103	121,623
Total net profit	19, 25	\$ 6,317,411	18,796,465
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on revaluation of property	9	-	5,377,514
Total net profit and comprehensive income		\$ 6,317,411	24,173,979
Basic and diluted earnings per share	19	\$ 0.21	0.63

* The comparative information has been restated as a result of the initial application of IFRS 15 as discussed in Note 2

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Changes in Equity

Year ended December 31, 2018, with corresponding figures for 2017

(Expressed in Bahamian dollars)

		Share capital	Share premium	Contributed surplus	Revaluation surplus	Retained earnings	Total equity
Balance at December 31, 2016	\$	150,000	12,377,952	16,351,369	7,096,254	21,768,416	57,743,991
Comprehensive income		—	—	—	—	18,796,465	18,796,465
Revaluation Surplus (note 9)		—	—	—	5,377,514	—	5,377,514
Share based compensation		—	—	—	—	27,530	27,530
Transactions with owners, recorded directly in equity							
Dividends declared \$0.69 per share (note 20)		—	—	—	—	(20,700,000)	(20,700,000)
Balance at December 31, 2017		150,000	12,377,952	16,351,369	12,473,768	19,892,411	61,245,500
Comprehensive income		—	—	—	—	6,317,411	6,317,411
Share based compensation		—	—	—	—	29,374	29,374
Transactions with owners, recorded directly in equity							
Dividends declared \$0.37 per share (note 20)		—	—	—	—	(11,100,000)	(11,100,000)
Balance at December 31, 2018	\$	150,000	12,377,952	16,351,369	12,473,768	15,139,196	56,492,285

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with corresponding figures for 2017
(Expressed in Bahamian dollars)

	Note(s)	2018	2017
Cash flows from operating activities			
Net income		\$ 6,317,411	18,796,465
Adjustments for:			
Depreciation	9	2,655,251	3,064,227
Amortisation	10	38,419	66,752
Impairment loss recognized on trade receivables		177,004	253,939
Reversal of impairment on trade receivables		(38,419)	(808,148)
Loss on disposal of property, plant and equipment		186,680	630,794
Finance expense		171,103	121,623
Net cash from operations before changes in working capital		9,507,450	22,125,652
Changes in non-cash working capital	21	2,217,180	(4,506,557)
Net cash from operating activities		11,724,629	17,619,095
Cash flows from financing activities			
Dividends paid	20	(8,400,000)	(18,000,097)
Proceeds from loans and borrowings	12	10,000,000	-
Interest paid		(141,633)	(94,093)
Net cash from (used in) financing activities		1,458,367	(18,094,190)
Cash flows from investing activities			
Additions to property, plant and equipment	9	(6,738,062)	(6,821,233)
Proceeds from sale of property, plant and equipment		28,100	60,131
Net cash used in investing activities		(6,709,962)	(6,761,102)
Net increase/ (decrease) in cash and cash equivalents		6,473,034	(7,236,197)
Cash and cash equivalents, beginning of year		2,617,430	9,853,627
Cash and cash equivalents, end of year	4	\$ 9,090,464	2,617,430

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(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 23 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)

2.1 Amendments to IFRSs that are mandatorily effective for the current year

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 2018. The adoption of these Standards and interpretations are assessed below.

IFRS 9

In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new applicable requirements as well as their impact on the Group’s consolidated financial statements are described below.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

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

2.1 Amendments to IFRSs that are mandatorily effective for the current year (continued)

IFRS 9 *(continued)*

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(i) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. Comparative amounts in relation to instruments that continue to be recognised as at 1 January 2018 have been restated where appropriate.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost.

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- Financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

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

2.1 Amendments to IFRSs that are mandatorily effective for the current year *(continued)*

(a) IFRS 9 *(continued)*

(ii) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

- (1) Debt investments measured subsequently at amortised cost or at FVTOCI;
- (2) Lease receivables;
- (3) Trade receivables and contract assets; and
- (4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Because the Group has elected to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 January 2018), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 January 2017.

The assessment is as follows:

- Trade and other receivables – The Group applies the simplified approach and recognizes lifetime ECL (expected credit loss) for these assets.
- Cash and bank balances – All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

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

2.1 Amendments to IFRSs that are mandatorily effective for the current year *(continued)*

IFRS 9 *(continued)*

(ii) Impairment of financial assets (continued)

The reconciliation between the ending provision for impairment in accordance with IAS 39 and the provision in accordance with IAS 37 (for the financial guarantee contracts) to the opening loss allowance determined in accordance with IFRS 9 for the above financial instruments on 1 January 2017 and 1 January 2018 is disclosed in their respective notes.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Group's exposure to credit risk in the consolidated financial statements.

(iii) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

(iv) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of IFRS 9.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

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

2.1 Amendments to IFRSs that are mandatorily effective for the current year (continued)

(b) IFRS 15

The Group adopted IFRS 15 'Revenue from Contracts with Customers' as per 1 January 2018. For implementation the full retrospective method is applied, meaning that the 2017 comparative financial information has been restated. The Group concluded that IFRS 15 did not impact the timing of revenue recognition. However, the amount of recognised revenue is impacted by payments to customers and excise taxes. The Group has evaluated the available practical expedients for application of the standard and concluded that these options have no significant impact on the Group's revenue recognition. The practical expedients have therefore not been applied.

The adoption of IFRS 15 has changed the accounting for certain payments to customers, such as marketing support expenses. These payments would previously be recorded as operating expenses, but are now considered to be a reduction of revenue. Only when these payments relate to a distinct service the amounts continue to be recorded as operating expenses. There is no impact to the financial information for the years presented as there were no payments made to customers that qualify.

IFRS 15 also impacted the accounting for excise tax. Based on the current revenue standards different policies are applied by peers in our industry. Some companies include all excises in revenue, some record excise only for specific countries and some, like CBL, exclude all excise from revenue. The clarifications to IFRS 15 describes that an 'all or nothing' approach is no longer possible; an assessment of the excise tax needs to be based on the local impact. In the Bahamas, excise duties are effectively a production tax. Increases in excise duty are not always (fully) passed on to customers and where customers fail to pay for products received, CBL cannot, reclaim the excise duty. In this case the excise tax is borne by CBL and included in revenue applying IFRS 15. Only for those countries where excise tax is fully based on the sales value, CBL concluded that the excise tax is collected on behalf of a third party and is excluded from revenue.

CBL presented the excise tax expense on a separate line below revenue in the consolidated income statement. A new subtotal called 'Net revenue' was added. This 'Net revenue' subtotal is 'revenue' as defined in IFRS 15 (after discounts) minus the excise taxes borne by CBL.

(c) Other new standards and amendments

Other changes effective in 2018 had no significant impact on the disclosures or amounts recognised in the consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

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

2.2 New and revised IFRSs in issue but not yet effective

(a) IFRS 16 Leases

IFRS 16 'Leases' was published in January 2016. IFRS 16 establishes a revised framework for determining whether a lease is recognised in the (Consolidated) Statement of Financial Position. The standard replaces existing guidance on leases, including IAS 17. CBL will implement IFRS 16 per 1 January 2019 by applying the modified retrospective method, meaning that the 2018 comparative numbers in the 2019 financial statements will not be restated to show the impact of IFRS 16. Under the new standard lease contracts will be recognised on CBL's balance sheet and subsequently depreciated on a straight line basis. The liability recognised upon transition is measured based on discounted future cash flows and the future interest will be recorded in interest expenses. Lease expenses currently recorded in the income statement will therefore be replaced by depreciation and interest expenses for all lease contracts within the scope of the standard. The financial impact of the new standard on CBL's is not yet known.

The Group will apply the following practical expedients upon transition to the new standard:

(i) Recognition

- Apply the short-term lease exemption, meaning that leases with a duration of less than a year will be expensed in the income statement on a straight-line basis
- Apply the low value lease exemption, meaning that leased assets with an individual value of \$5,000 or less if bought new will be expensed in the income statement on a straight-line basis
- Apply the option to include non-lease components in the lease liability for equipment leases

(i) Transition

- Use the option to grandfather the lease classification for existing contracts
- Use the transition option for leases with a remaining contract period of less than one year, meaning that these leases will not be recorded on balance sheet and the payments will be expensed in the income statement on a straight-line basis
- Measure the Right-of-Use Asset based on the Lease Liability recognised

The lease term shall be determined as the non-cancellable period of a lease, together with:

- Periods covered by an option to extend the lease if the Group is reasonably certain to make use of that option
- Periods covered by an option to terminate the lease if the Group is reasonably certain not to make use of that option

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

3. Significant accounting policies

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

(a) *Statement of compliance*

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

(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 realisable 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

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(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.

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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(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 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 24	Financial instruments and associated risks

(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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(f) *Financial instruments (continued)*

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) *Trade receivable*

Trade receivable are stated at amortised cost net of an allowance for doubtful debts. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime Expected Credit Losses. The Expected Credit Losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

(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.

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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

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

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.

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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

3. Significant accounting policies (*continued*)

(k) *Goodwill and intangible assets*

Goodwill

Goodwill is carried at cost less accumulated amortisation and impairment losses, if any. Goodwill arose 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*

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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

3. Significant accounting policies (*continued*)

(l) *Impairment (continued)*

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
- (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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

3. Significant accounting policies (*continued*)

(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 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

The majority of the Group's revenue is generated by the sale and delivery of products to customers. The product portfolio of the Group mainly consists of beer, soft drinks, spirits and tobacco.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

3. Significant accounting policies (continued)

(r) *Revenue recognition (continued)*

Products sold (continued)

Products are own-produced finished goods from the Group's brewing activities, but also contain purchased goods for resale from the Group's wholesale and retail activities. The Group's customer group can be split between on-trade customers like restaurants and bars and off-trade customers like retailers and wholesalers. Revenue is recognised when control over products has transferred its performance obligation has been fulfilled to the customer. For the majority of the sales, control is transferred either at delivery of the products or upon pickup by the customer from the Group's premises.

Revenue recognized is based on the price specified in the contract, net of returns, discounts, sales taxes and excise taxed collected on behalf of third parties.

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.

Customer loyalty programme

The Group operates a loyalty programme through which retail customers accumulate points on purchases of qualified goods that entitle them to discounts on future purchases. These points provide a discount to customers that they would not receive without purchasing the goods (i.e. a material right). The promise to provide the discount to the customer is therefore a separate performance obligation.

The transaction price is allocated between the product, and the points on a relative stand-alone selling price basis. The stand-alone selling price per point is estimated based on the discount to be given when the points are redeemed by the customer. A contract liability is recognised for revenue relating to the loyalty points at the time of the initial sales transaction. Revenue from the loyalty points is recognised when the points are redeemed by the customer. Revenue for points that are not expected to be redeemed is recognised in proportion to the pattern of rights exercised by customers. Loyalty points earned during the period expire by February of the subsequent period.

(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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

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 two business segments: (i) Wholesale and (ii) Retail. These divisions are the basis on which the Group reports its operating segment information.

(x) ***Value Added Tax (VAT)***

On 1 January 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.

(y) ***Share based payment plan (LTIP)***

HEINEKEN's share-based compensation plans are equity-settled share rights granted to the Executive Board and senior management. The grant date fair value is calculated by deducting expected foregone dividends from the grant date during the performance period share price. The costs of the share plans are adjusted for expected performance and forfeiture and spread evenly over the service period.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

3. Significant accounting policies (continued)

(y) Share based payment plan (LTIP) (continued)

Share-based compensation expenses are recorded in the profit or loss, with a corresponding adjustment to equity.

4. Cash and cash equivalents

	2018	2017
Cash on hand	\$ 103,321	94,437
Cash held with banks, (net)	8,987,143	2,522,993
Cash and cash equivalents	\$ 9,090,464	2,617,430

The Group has an unsecured overdraft facility of \$3,000,000 for the operating account. Included in cash and cash equivalents as at 31 December 2019 is \$513,517 utilization of the overdraft facility. As the Bank has the ability to offset with all accounts within the relationship, the balance is presented net of the facility.

5. Trade receivables, net

Aging analysis of trade receivables, gross, as at December 31, 2018:

2018	Not past due	0-30 days	31-120 days	> 120 days	Total
Trade receivables, gross	2,401,157	668,881	842,229	805,427	4,717,694
Allowance for doubtful debts	-	(138)	(31,801)	(577,005)	(608,944)
Trade receivables, net	2,401,157	668,743	810,428	228,422	4,108,750

2017	Not past due	0-30 days	31-120 days	> 120 days	Total
Trade receivables, gross	3,569,724	582,965	549,396	411,003	5,113,088
Allowance for doubtful debts	-	(93,497)	(122,592)	(254,269)	(470,358)
Trade receivables, net	3,569,724	489,468	426,804	156,734	4,642,730

Movement in the allowance for doubtful debts:

	2018	2017
Balance at beginning of the year	\$ 470,358	1,024,567
Increase in allowance	177,005	253,939
Amounts written off as uncollectible	(38,419)	(808,148)
Balance at end of the year	\$ 608,944	470,358

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

5. Trade receivables, net (*continued*)

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

		2018	2017
The Bahamas	\$	4,653,216	4,925,566
United States of America		64,478	187,522
Trade receivables, gross	\$	4,717,694	5,113,088

6. Prepaid expenses and other assets

		2018	2017
Other receivables	\$	2,205,764	1,661,834
Prepaid expenses		1,408,587	2,166,113
Staff loans		11,286	6,035
		3,625,637	3,833,982
Allowance for doubtful debts		(5,191)	(5,191)
	\$	3,620,446	3,828,791

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

		2018	2017
Balance at beginning of the year	\$	5,191	497,143
Reversal of allowance		-	(491,952)
Balance at end of the year	\$	5,191	5,191

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

7. Inventories

	2018	2017
Goods bought for resale	\$ 27,017,420	20,870,205
Raw materials and packaging	4,363,829	3,866,854
Finished goods	1,156,845	1,055,946
Work-in-progress	220,015	230,295
Spare parts	1,022,939	1,039,116
Other stock items	387,768	474,543
	34,168,816	27,536,959
Provision for obsolescence	(7,928)	(4,042)
	\$ 34,160,888	27,532,917

Movement in the provision for obsolescence:

	2018	2017
Balance at beginning of the year	\$ 4,042	374,401
Increase/(Decrease) in provision	3,886	(370,359)
Balance at end of the year	\$ 7,928	4,042

As outlined in note 17, the cost of inventories recognised as an expense during the year was \$63,191,442 (2017: \$57,741,440).

8. Goodwill

Goodwill comprises the following:

	2018	2017
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 Cash Generating Unit ("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 five 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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

8. Goodwill (*continued*)

The WACC and expected growth rate are as follows:

	2018	2017
WACC	8.90%	8.60%
Expected growth rate	0.99%	1.00%

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 31 December, 2018 and 2017.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(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, 2016	\$ 5,710,254	18,668,305	1,759,941	37,854,484	13,376,316	1,978,641	1,075,815	80,423,756
Revaluation	980,195	4,397,319	-	-	-	-	-	5,377,514
Additions	-	-	-	-	-	-	6,821,233	6,821,233
Transfers	-	244,060	545,365	403,298	461,465	209,469	(1,863,657)	-
Write offs	-	(175,541)	-	(737,342)	(942,053)	(205,958)	(59,448)	(2,119,342)
Balance at December 31, 2017	6,690,449	23,135,143	2,305,306	37,520,440	12,895,728	1,982,152	5,973,943	90,503,161
Additions	-	-	-	-	-	-	6,738,062	6,738,062
Transfers	-	4,082,254	17,652	1,075,967	1,859,975	196,467	(7,232,315)	-
Write offs	-	-	-	-	(48,272)	(89,295)	(184,259)	(321,826)
Balance at December 31, 2018	\$ 6,690,449	27,217,397	2,322,958	38,596,407	14,707,431	2,089,324	5,295,431	96,919,397
Accumulated depreciation:								
Balance at December 31, 2016	\$ -	1,476,243	1,202,610	28,032,865	11,382,764	1,470,806	-	43,565,288
Depreciation	-	768,831	268,265	1,322,871	507,448	196,812	-	3,064,227
Write offs	-	(62,225)	-	(541,459)	(619,458)	(205,275)	-	(1,428,417)
Balance at December 31, 2017	-	2,182,849	1,470,875	28,814,277	11,270,754	1,462,343	-	45,201,098
Depreciation	-	725,139	263,019	1,047,662	495,560	123,871	-	2,655,251
Write offs	-	-	-	-	(48,272)	(58,774)	-	(107,046)
Balance at December 31, 2018	\$ -	2,907,988	1,733,894	29,861,939	11,718,042	1,527,440	-	47,749,303
Net book value:-								
December 31, 2018	\$ 6,690,449	24,309,409	589,064	8,734,468	2,989,389	561,884	5,295,431	49,170,094
December 31, 2017	\$ 6,690,449	20,952,294	834,431	8,706,163	1,624,974	519,809	5,973,943	45,302,603

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

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(Expressed in Bahamian dollars)

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

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings. Items of other comprehensive income included in the properties revaluation reserve will not be reclassified subsequently to profit or loss. The directors do not intend to make any distribution from the properties revaluation reserve per Group policy.

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 were performed on 24 November, 2017 by a qualified independent appraiser, using the income approach, for one property and the cost basis for the other. This resulted in a surplus of \$5,377,514.

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. The gain of \$ nil (2017: \$5,337,514) from the revaluation of land and buildings were recognized in other comprehensive income.

There are no capital commitments on work in progress projects.

Revaluation surplus

	2018	2017
Balance at January 1	\$ 12,473,768	7,096,254
Surplus arising from revaluation	-	5,377,514
Balance at December 31	\$ 12,473,768	12,473,768

Had there been no revaluation, the carrying value of land would have been \$2,073,764 (2017: \$2,073,764) and of buildings would have been \$8,953,618 (2017: \$5,596,503).

10. Other intangible assets

Intangible assets consist of computer software as follows:

	2018	2017
Cost:		
Balance at January 1	\$ 3,611,079	3,611,079
Additions	-	-
Balance at December 31	\$ 3,611,079	3,611,079
Accumulated amortisation:		
Balance at January 1	\$ 3,419,228	3,352,476
Amortisation	38,420	66,752
Balance at December 31	\$ 3,457,648	3,419,228
Net book value:	\$ 153,431	191,851

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

11. Accounts payable and accrued expenses

Accounts payable and accrued expenses comprise the following:

	2018	2017
Accounts payable - third parties	\$ 10,483,789	7,516,410
Accounts payable - related parties	7,986,841	5,384,897
Accrued expenses	5,503,407	2,831,319
	\$ 23,974,037	15,732,626

12. Loans and borrowings

The Group has two principal bank loans:

- (a) An unsecured loan of \$10,000,000. The loan was advanced on 19 November 2018 and is due for repayment in full 19 December 2019. The bank loan carries an effective interest rate at 3.6% per annum.
- (b) Amounts repayable to related parties of the Group carry interest of 2.62% per annum charged on the outstanding loan balance. As at 31 December amounts repayable amount to \$5,999,993 (2017: \$5,999,993).

13. Share capital

Authorised, issued and fully paid share capital at December 31, 2018 and 2017:

	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 at 31 December are as follows:

		Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
2018	\$	1,578,439	2,515,762	531,120	351,491	4,976,812
2017	\$	509,136	1,702,874	4,060,735	318,401	6,591,146

Lease expenses of \$4,098,385 (2017: \$3,580,814) (see note 17) includes rent on stores with no lease agreements. Future rentals of such stores are not included in lease commitments disclosed above.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

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(Expressed in Bahamian dollars)

14. Commitments and contingencies (*continued*)

Other commitments and contingencies

At 31 December, 2018 the Group was contingently liable under customs bond guarantees of \$867,000 (2017: \$867,000). These facilities are under joint and several liability of the Group in favor of each other.

At 31 December, 2018 the Group had capital commitments of \$1,141,432 (2017: \$nil).

As at 31 December, 2018 the Group was contingently liable to the Department of Inland Revenue on their assessment of intra-company stock transfers between its subsidiaries for Business Licence purposes. The Group was assessed \$560,403 (2017) and \$596,003 (2016) and a Bank Guarantee was issued pending the outcome of arbitration. The matter is still pending as of the date of issuance.

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.

Corporate Credit Cards

At 31 December 2018 the Group was had Corporate Credit Card issued to the Management Team of \$95,000 in collective credit.

COMMONWEALTH BREWERY LIMITED

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(Expressed in Bahamian dollars)

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.

	2018	2017
<i>Balances with the Parent</i>		
Trade receivables, net (note 5)	\$ 3,288	3,288
Prepaid expenses and other assets (note 6)	5,216	5,230
Accounts payable and accrued expenses (note 11)	6,083,880	3,758,050
Loans and borrowings (note 12)	5,999,993	5,999,993
Dividends payable	8,325,000	5,624,905
<i>Transactions with the Parent</i>		
Know-how fee (note 17)	519,952	469,786
IT related and other fee (note 17)	642,776	755,447
Royalties (note 17)	134,419	335,945
Dividends paid (note 20)	5,625,000	15,525,000
Group interest Loans	171,546	114,239
Group fixed Commercial Expense	-	778
<i>Balances with affiliates</i>		
Trade receivables, net	-	111,299
Accounts payable and accrued expenses (note 11)	1,391,616	1,626,847
<i>Transactions with affiliates</i>		
Purchases of inventories (notes 7 and 17)	631,254	688,921
IT related and other fee (note 17)	240,094	185,646
Supply chain fee (note 17)	306,531	162,920
Directors' fee (note 17)	42,000	42,000

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.

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(Expressed in Bahamian dollars)

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

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 \$1,276,327 (2017: \$992,695), comprising short-term employee benefits of \$1,024,875 (2017: \$1,247,600), and post-employment benefits of \$39,023 (2017: \$56,107).

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 amounted to \$174,163 (2017: \$181,987).

16. Other income, net

	2018	2017
Miscellaneous (expense) income	\$ 232,563	38,039
Insurance recovery	349,759	7,267,799
Exchange loss	(507,558)	(629,647)
(Loss) on disposal of property, plant and equipment	(186,680)	(630,794)
	\$ (111,916)	6,045,397

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 for the period ending December 31, 2017. The final settlement of the insurance occurred in August 2018 with the total settlement of \$11,998,511. These amounts are recognized in Other income as it is considered an extraordinary event.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2018

(Expressed in Bahamian dollars)

17. Raw materials, consumables and services

	2018	2017
Cost of inventories (including related import duties)	\$ 63,191,442	57,741,440
Distribution and marketing expenses	4,777,866	4,045,253
Occupancy expenses (note 14)	4,098,385	3,580,814
Utilities	2,566,182	2,325,021
Repairs and maintenance	2,345,723	2,507,987
Duties and other taxes	1,871,112	2,039,582
Royalties	1,475,933	1,723,827
Security services	1,283,112	1,397,090
IT expenses	1,059,800	1,240,190
Bad debt expense/(recovery)	177,004	(238,013)
Insurance	873,407	783,488
Know-how fee (note 15)	519,952	469,786
Bank charges	491,289	450,817
Other expenses	5,246,773	4,459,079
	\$ 89,977,980	82,526,361

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% (2017: 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 \$498,835 (2017: \$531,037).

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 1 January 1997 and optional for those who joined prior to 1 January, 1997.

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.

	2018	2017
Net income	\$ 6,317,411	18,796,465
Weighted average number of shares	30,000,000	30,000,000
Basic and diluted earnings per share	\$ 0.21	0.63

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20. Dividends

Dividends declared by the Group amounted to \$11,100,000 (2017: \$20,700,000) inclusive of interim dividends of \$8,325,000 payable by the Group as at 31 December 2018 (2017: \$5,624,905). Dividends declared are based on basic earnings per share rounded to two decimal places.

21. Changes in non-cash working capital

	2018	2017
Decrease/(increase) in trade receivables, gross	\$ 395,395	(1,223,921)
Decrease in prepaid expenses and other assets	208,345	686,011
(Increase) in inventories, net	(6,627,971)	(5,243,045)
Increase in accounts payable and accrued expenses	8,241,411	1,274,398
	\$ 2,217,180	(4,506,557)

22. Share-based payments

HEINEKEN has a performance-based Long-term incentive plan (LTIP) for the Executive Board and senior management. Under this LTIP, share rights are conditionally awarded to participants on an annual basis. The vesting of these rights is subject to the performance of Heineken N.V. on specific internal performance conditions and continued service over a three calendar year period by the employee.

The performance conditions for LTIP are Organic Net Revenue growth, Organic EBIT beia growth, Earnings Per Share beia growth and Free Operating Cash Flow for LTIP 2016-2018. As per LTIP 2017-2019 Organic EBIT beia growth changed into Organic Operating Profit beia growth.

At target performance, 100% of the awarded share rights vest. At threshold performance, 50% of the awarded share rights vest and at maximum performance, 175% of the awarded share rights vest for the Executive Board as well as senior managers. As from LTIP 2017-2019 the maximum performance is set at 200% for all senior managers.

The grant date, fair market value (FMV) at grant date, service period and vesting date for the aforementioned plans are visualised below:

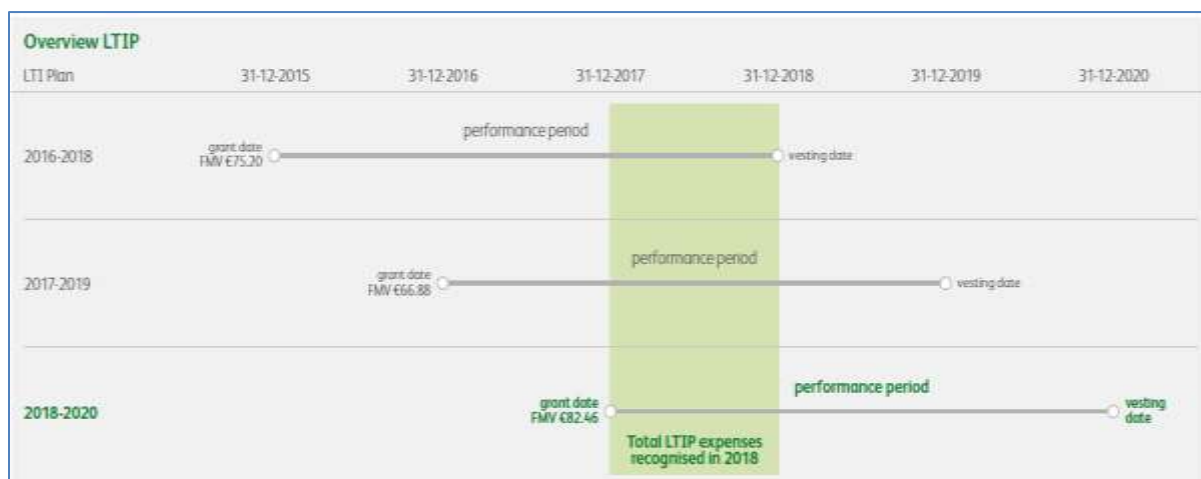
COMMONWEALTH BREWERY LIMITED

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22. Share-based payments (continued)



Ownership of the vested LTIP 2016-2018 shares will transfer to the Executive Board members shortly after publication of the annual results in 2019 and to senior management on 1 April 2019. The number of outstanding share rights and the movement over the year under the LTIP of senior management and Executive Board are as follows:

	Number of share rights	
	2018	2017
Outstanding as at 1 January	5,127	5,102
Granted during the year	1,818	1,860
Forfeited during the year	(1,863)	-
Vested previous year	(1,443)	(1,768)
Performance adjustment	(219)	(67)
Outstanding as at 31 December	3,420	5,127
Share price as at 31 December	€77.20	€86.93

As HEINEKEN will withhold the payroll tax related to vesting on behalf of the individual employees, the number of Heineken N.V. shares to be received will be an after-tax number. The share rights are not dividend-bearing during the performance period.

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23. 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. These subsidiaries currently hold real-estate contracts.

	<i>Percentage (%) Owned</i>	
	2018	2017
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

On 6 December 2018, pursuant to the Companies Act 1992 that the articles of Merger between Burns House Limited and Commonwealth Brewery Limited have been merged with the surviving company being Commonwealth Brewery Limited.

24. 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.

(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.

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Notes to Consolidated Financial Statements

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

The Group's total net liability exposure to fluctuations in foreign currency exchange rates (B\$ vs. Euro) at 31 December, 2018 was \$7,475,496 (2017: \$5,369,598).

The average exchange rate between the B\$ and the Euro was B\$1 = Euro 0.85 (2017: B\$1 = Euro 0.89). The spot rate at December 31, 2018 was B\$1 = Euro 0.87 (2017: B\$1 = Euro 0.83).

Sensitivity analysis

A 10 percent strengthening of the B\$ against the Euro at 31 December 2018 would have increased equity and net income by approximately \$678,683 (2017: \$511,380). 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, 2018 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.

(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:

	2018	2017
Cash held with banks (note 4)	\$ 8,987,143	2,522,993
Trade receivables, net (note 5)	4,108,750	4,642,730
Other receivables, net (note 6)	2,205,764	1,661,834
Staff loans (note 6)	11,286	6,035
	\$ 15,312,943	8,883,592

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 \$8,987,143 (2017: \$2,522,993) 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.

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(Expressed in Bahamian dollars)

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

(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 currently has two outstanding Loans and borrowings as of the balance sheet date (Note 12). These currently comprise of short term borrowings due within 6 months of the balance sheet date with the option to extend. Contractual cash flows for accounts payable and accrued expenses are equal to carrying amounts and are due within 6 months or less. The Group currently has Dividend payables outstanding to its Parent which will be settled within 6 months of the balance sheet date.

25. 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

		2018	2017
Wholesale	\$	91,435,913	92,075,816
Retail		42,802,761	41,017,816
	\$	134,238,674	133,093,069

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

		2018	2017
Retail		3,255,614	3,518,127
Wholesale		3,061,797	15,278,338
	\$	6,317,411	18,796,465

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25. Segment information *(continued)*

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

	2018	2017
Wholesale	\$ 87,552,119	75,986,598
Retail	8,148,732	5,407,328
Total segment assets	95,700,851	81,393,926
Unallocated	9,090,464	7,209,098
Total assets	\$ 104,791,315	88,603,024

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:

	2018	2017
Wholesale	\$ 47,946,223	27,176,498
Retail	352,807	181,026
	\$ 48,299,030	27,357,524

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

	2018	2017
Wholesale	\$ 5,632,699	6,024,335
Retail	1,105,363	796,898
	\$ 6,738,062	6,821,233

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

	2018	2017
Bahamas	\$ 133,450,571	132,618,531
United States	788,103	474,538
	\$ 134,238,674	133,093,069

Included in revenues arising from direct sales from the Group's wholesale segment to its customers is \$11,869,995 (2017: \$13,795,663) which arose from sales to the Group's top five customers.

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26. 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.

27. 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 1 January 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.

28. Subsequent event

There have been no events subsequent to 31 December 2018 that requires adjustments to or disclosure in the financial statements. We have evaluated subsequent events through 29 April 2018, the date on which the financial statements were authorized to issue.