

Consolidated Financial Statements of

COMMONWEALTH BREWERY LIMITED

Year ended December 31, 2017

COMMONWEALTH BREWERY LIMITED

Consolidated Financial Statements

Year ended December 31, 2017

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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, 2017, 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, 2017, 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
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<p>Impairment of Goodwill</p>	<p>As at December 31, 2017 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. • 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.
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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,

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.

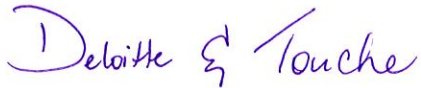
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them

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.



Nassau Bahamas
April 24, 2018

COMMONWEALTH BREWERY LIMITED

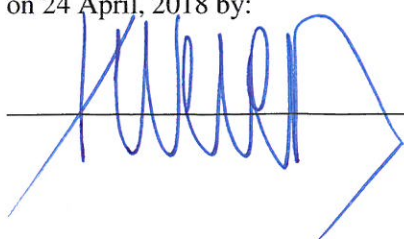
Consolidated Statement of Financial Position

As at December 31, 2017, with corresponding figures for 2016
(Expressed in Bahamian dollars)

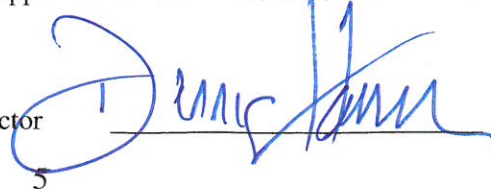
	Note(s)	2017	2016
Assets			
Current assets:			
Cash and cash equivalents	4	\$ 2,617,430	9,853,627
Trade receivables, net	5	4,642,730	2,864,600
Prepaid expenses and other assets	6	3,828,791	4,514,802
Inventories	7	27,532,917	22,289,872
Total current assets		38,621,868	39,522,901
Non-current assets:			
Property, plant and equipment	9	45,302,063	36,858,468
Goodwill	8	4,487,242	4,487,242
Other intangible assets	10	191,851	258,603
Total non-current assets		49,981,156	41,604,313
Total assets	24	\$ 88,603,024	81,127,214
Liabilities and equity			
Current liabilities:			
Accounts payable and accrued expenses	11, 24	\$ 15,732,626	14,458,228
Dividends payable	20	5,624,905	2,925,002
Loans and borrowings	12	5,999,993	-
Non-current liabilities:			
Loans and borrowings	12	\$ -	5,999,993
Total liabilities		27,357,524	23,383,223
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	7,096,254
Retained earnings		19,892,411	21,768,416
Total equity		61,245,500	57,743,991
Total liabilities and equity		\$ 88,603,024	81,127,214

See accompanying notes to consolidated financial statements.

These consolidated financial statements were approved for issue on behalf of the Board of Directors on 24 April, 2018 by:



Director



Director

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2017, with corresponding figures for 2016
(Expressed in Bahamian dollars)

	Note(s)	2017	2016
Income:			
Revenue	24	\$ 133,093,069	117,778,505
Operating expenses:			
Raw materials, consumables and services	17	96,579,617	83,178,341
Personnel costs	18	20,509,781	18,596,676
Depreciation	9	3,064,227	3,189,121
Amortisation	10	66,753	33,917
Total operating expenses		120,220,378	104,998,055
Other income, net	16	6,045,397	4,392,848
Results from operating activities		18,918,088	17,173,298
Finance expenses		121,623	53,602
Total net profit	19, 24	\$ 18,796,465	17,119,696
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		\$ 24,173,979	17,119,696
Basic and diluted earnings per share	19	\$ 0.63	0.57

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Changes in Equity

Year ended December 31, 2017, with corresponding figures for 2016
(Expressed in Bahamian dollars)

	Share capital	Share premium	Contributed surplus	Revaluation surplus	Retained earnings	Total equity
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
Comprehensive income	-	-	-	-	18,796,465	18,796,465
Share based compensation	-	-	-	-	27,530	27,530
Revaluation Surplus (note 9)	-	-	-	5,377,514	-	5,377,514
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

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Cash Flows

Year ended December 31, 2017, with corresponding figures for 2016
(Expressed in Bahamian dollars)

	Note(s)	2017	2016
Cash flows from operating activities			
Net income		\$ 18,796,465	17,119,696
Adjustments for:			
Depreciation	9	3,064,227	3,189,121
Amortisation	10	66,752	33,917
Impairment loss recognized on trade receivables	5	253,939	327,489
Reversal of impairment on trade receivables	5	(808,148)	-
(Gain)/Loss on disposal of property, plant and equipment	9, 16	630,794	(719)
Finance expense		121,623	53,602
Net cash from operations before changes in working capital		22,125,652	20,723,106
Changes in non-cash working capital	21	(4,506,557)	207,319
Net cash from operating activities		17,619,095	20,930,425
Cash flows from financing activities			
Dividends paid	20	(18,000,097)	(14,700,000)
Proceeds from loans and borrowings	12	-	5,999,993
Interest paid		(94,093)	(53,602)
Net cash used in financing activities		(18,094,190)	(8,753,609)
Cash flows from investing activities			
Additions to property, plant and equipment		(6,821,233)	(3,820,769)
Additions to intangible assets		-	(179,102)
Proceeds from sale of property, plant and equipment		60,131	330,800
Net cash used in investing activities		(6,761,102)	(3,669,071)
Net increase/ (decrease) in cash and cash equivalents		(7,236,197)	8,507,745
Cash and cash equivalents, beginning of year		9,853,627	1,345,882
Cash and cash equivalents, end of year	4	\$ 2,617,430	9,853,627

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017
(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 22 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 2017. The adoption of these Standards and interpretations has not led to any changes in the Group’s accounting policies.

Amendments to IAS 7 *Disclosure initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group’s liabilities arising from financing activities consist of borrowings from related parties (note 12). There were no movements in the balance during the year. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. The application of these amendments has had no impact on the Group’s consolidated financial statements.

Annual Improvements to *IFRSs 2014-2016 Cycle*

The Group has applied the amendments to IFRS 12 included in the *Annual Improvements to IFRSs 2014-2016 Cycle* for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 2.2).

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017

(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*

IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board issued IFRS 15 ‘Revenue from Contracts with Customers’. IFRS 15 establishes a framework for determining whether, how much and when revenue is recognised from contracts with customers. IFRS 15 supersedes existing standards and interpretations related to revenue. CBL will apply the new standard as per 1 January 2018. For implementation the full retrospective method will be applied, meaning prior period financial information will be restated. CBL concluded that IFRS 15 will not impact the timing of revenue recognition. However the amount of recognised revenue will be impacted by payments to customers and excise taxes. CBL has evaluated the available practical expedients for application of the standard and concluded that these options have no significant impact on HEINEKEN’s revenue recognition. The practical expedients will therefore not be applied.

IFRS 15 will impact the accounting for certain payments to customers, such as listing fees and marketing support expenses. Most of these payments are currently recorded as operating expenses, but will be considered a reduction of revenue under IFRS 15. Only when these payments relate to a distinct service the amounts will continue to be recorded as operating expenses.

IFRS 15 will also impact 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 done on a country by country basis. 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 can be excluded from revenue.

To provide full transparency on the impact of the accounting for excise, CBL will present the excise tax expense on a separate line below revenue in the consolidated income statement. A new subtotal called ‘Net revenue’ will be added. This ‘Net revenue’ subtotal is ‘revenue’ as defined in IFRS 15 (after discounts) minus the excise taxes borne by CBL.

The IFRS 15 changes described above will have no impact on operating profit, net profit and EPS.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017
(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 (continued)

(a) IFRS 15 Revenue from Contracts with Customers (continued)

The following table presents 2017 figures, including the impact of applying IFRS 15. The final impact is still under review and as a result the actual restated financial information may differ materially from those included in this overview. However this table gives CBL's best estimate of the impact of IFRS 15:

	2017	Estimated impact IFRS 15	2017 including impact IFRS 15
Income:			
Revenue	133,093,069	-	133,093,069
Excise taxes	-	(16,092,838)	(16,092,838)
Net revenue	133,093,069	(16,092,838)	117,000,231
Operating expenses:			
Raw materials, consumables and services	(96,579,617)	16,092,838	(80,486,779)
Personnel costs	(20,509,781)	-	(20,509,781)
Depreciation	(3,064,227)	-	(3,064,227)
Amortisation	(66,753)	-	(66,753)
Total operating expenses	(120,220,378)	16,092,838	(104,127,540)
Other income, net	6,045,397	-	6,045,397
Results from operating activities	18,918,088	-	18,918,088
Finance expenses	(121,623)	-	(121,623)
Total net profit	18,796,465	-	18,796,465

(b) 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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017
(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 *(continued)*

(b) IFRS 16 Leases *(continued)*

CBL completed the selection of a lease contract management and accounting tool in 2017, which will support the implementation of the new standard. These operating leases mainly relate to offices, warehouses, stores, cars and trucks.

In selecting which practical expedients to apply CBL has focused on reducing the complexity of implementation. Based on analysis of the options available, CBL will:

- use the option to grandfather classification as a lease for the existing contracts
- measure the Right of Use Asset based on the lease liability recognised
- apply the short-term and low value exemptions
- not use the transition option for leases with a short remaining contract period
- apply the option to exclude non-lease components from the lease liability for real estate leases

(c) Other standards and interpretations

IFRS 9	(Amended) Financial Instruments <i>[eff. 1 January 2018]</i>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an investor and its Associate or Joint Venture <i>[eff. 1 January 2018]</i>
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions <i>[eff. 1 January 2018]</i>
Amendments to IAS 40	Transfer of Investment Property <i>[eff. 1 January 2018]</i>
IFRIC 22	Foreign Currency Transactions and Advance Consideration <i>[eff. 1 January 2018]</i>

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

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”).

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017

(Expressed in Bahamian dollars)

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 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

(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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017

(Expressed in Bahamian dollars)

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 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

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017
(Expressed in Bahamian dollars)

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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017

(Expressed in Bahamian dollars)

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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017
(Expressed in Bahamian dollars)

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) Goodwill and 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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

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(Expressed in Bahamian dollars)

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

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017

(Expressed in Bahamian dollars)

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

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(p) *Provisions (continued)*

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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017
(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 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.

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

HEINEKEN has a performance-based share plan (Long-Term Variable award (LTV)) for both the Executive Board and senior management.

The grant date fair value, adjusted for expected dividends, of the share rights granted is recognised as personnel expenses with a corresponding increase in equity (equity-settled) over the period that the employees become unconditionally entitled to the share rights.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017

(Expressed in Bahamian dollars)

3. Significant accounting policies (continued)

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

The costs of the share plan for both the Executive Board and senior management members are spread evenly over the performance period, during which vesting conditions are applicable subject to continued services. The total amount to be expensed is determined taking into consideration the expected forfeitures.

At each balance sheet date, HEINEKEN revises its estimates of the number of share rights that are expected to vest, for the 100 per cent internal performance conditions of the running share plans for the senior management members and the Executive Board. It recognises the impact of the revision of original estimates (only applicable for non-market performance conditions, if any) in profit or loss, with a corresponding adjustment to equity.

4. Cash and cash equivalents

	2017	2016
Cash on hand	\$ 94,437	73,405
Cash held with banks	2,522,993	9,780,222
Cash and cash equivalents	\$ 2,617,430	9,853,627

5. Trade receivables, net

	2017	2016
Trade receivables, gross	\$ 5,113,088	3,889,167
Allowance for doubtful debts	(470,358)	(1,024,567)
	\$ 4,642,730	2,864,600

Aging analysis of trade receivables, gross, as at December 31, 2017:

	2017	2016
Current (up to 30 days)	\$ 3,569,724	2,379,667
Past due but not impaired (over 30 days)	1,073,006	484,933
Past due and impaired	470,358	1,024,567
	\$ 5,113,088	3,889,167

Movement in the allowance for doubtful debts:

	2017	2016
Balance at beginning of the year	\$ 1,024,567	697,078
Increase in allowance	253,939	327,489
Amounts written off as uncollectible	(808,148)	-
Balance at end of the year	\$ 470,358	1,024,567

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017

(Expressed in Bahamian dollars)

5. Trade receivables, net (continued)

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

	2017	2016
The Bahamas	\$ 4,925,566	3,788,943
United States of America	187,522	100,224
	\$ 5,113,088	3,889,167

6. Prepaid expenses and other assets

	2017	2016
Other receivables	\$ 1,661,834	3,937,830
Prepaid expenses	2,166,113	1,069,052
Staff loans	6,035	5,063
	3,833,982	5,011,945
Allowance for doubtful debts	(5,191)	(497,143)
	\$ 3,828,791	4,514,802

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

	2017	2016
Balance at beginning of the year	\$ 497,143	497,143
Reversal of allowance	(491,952)	–
Balance at end of the year	\$ 5,191	497,143

7. Inventories

	2017	2016
Goods bought for resale	\$ 20,870,205	17,201,878
Raw materials and packaging	3,866,854	3,044,761
Finished goods	1,055,946	924,496
Work-in-progress	230,295	234,670
Spare parts	1,039,116	852,483
Other stock items	474,543	405,985
	27,536,959	22,664,273
Provision for obsolescence	(4,042)	(374,401)
	\$ 27,532,917	22,289,872

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017
(Expressed in Bahamian dollars)

7. Inventories (continued)

Movement in the provision for obsolescence:

	2017	2016
Balance at beginning of the year	\$ 374,401	284,838
(Decrease)/Increase in provision	(370,359)	89,563
Balance at end of the year	\$ 4,042	374,401

As outlined in note 17, the cost of inventories recognised as an expense during the year was \$57,741,440 (2016: \$46,290,661).

8. Goodwill

Goodwill comprises the following:

	2017	2016
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.

The WACC and expected growth rate are as follows:

	2017	2016
WACC	8.60%	10.06%
Expected growth rate	1.00%	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 December 31, 2017 and 2016.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017
(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, 2015	\$ 5,710,254	18,283,611	3,195,052	36,074,098	15,025,734	1,891,184	1,370,089	81,550,022
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	1,759,941	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	-	(174,541)	-	(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
Accumulated depreciation:								
Balance at December 31, 2015	\$ -	518,993	2,678,027	26,851,279	13,545,364	1,399,458	-	44,993,121
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	1,202,610	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
Net book value:-								
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
December 31, 2016	\$ 5,710,254	17,192,062	557,331	9,821,619	1,993,552	507,835	1,075,815	36,858,468

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Notes to Consolidated Financial Statements

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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 revaluations 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 was done on November 24, 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.

There are no capital commitments on work in progress projects.

Revaluation surplus

	2017	2016
Balance at January 1	\$ 7,096,254	7,096,254
Surplus arising from revaluation	5,377,514	–
Balance at December 31	\$ 12,473,768	7,096,254

Had there been no revaluation, the carrying value of land would have been \$2,073,764 (2016: \$2,073,764) and of buildings would have been \$5,596,503 (2016: \$4,719,560).

10. Other intangible assets

Intangible assets consist of computer software as follows:

	2017	2016
Cost:		
Balance at January 1	\$ 3,611,079	3,431,977
Additions	-	179,102
Balance at December 31	\$ 3,611,079	3,611,079
Accumulated amortisation:		
Balance at January 1	\$ 3,352,476	3,318,559
Amortisation	66,752	33,917
Balance at December 31	\$ 3,419,228	3,352,476
Net book value:	\$ 191,851	258,603

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11. Accounts payable and accrued expenses

Accounts payable and accrued expenses comprise the following:

	2017	2016
Accounts payable - third parties	\$ 7,516,410	10,603,422
Accounts payable - related parties	5,384,897	1,025,695
Accrued expenses	2,831,319	2,829,111
	\$ 15,732,626	14,458,228

12. Loans and borrowings

As at 31 December amounts repayable to related parties amounted to with interest of 2.62% per annum due 19 May 2018:

	2017	2016
Loans from related parties	\$ 5,999,993	5,999,993

13. Share capital

Authorised, issued and fully paid share capital at December 31, 2017 and 2016:

	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
2017	\$ 509,136	1,702,874	4,060,735	318,401	6,591,146
2016	\$ 245,085	1,007,331	3,668,750	976,426	5,897,592

Lease expenses of \$3,580,814 (2016: \$3,415,993) (see note 17) includes rent on stores with no lease agreements. Future rentals of such stores are not included in lease commitments disclosed above.

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Notes to Consolidated Financial Statements

Year ended December 31, 2017

(Expressed in Bahamian dollars)

14. Commitments and contingencies *(continued)*

Other commitments and contingencies

At December 31, 2017 the Group was contingently liable under customs bond guarantees of \$867,000 (2016: \$867,000). These facilities are under joint and several liability of the Group in favor of each other.

At December 31, 2017 the Group had capital commitments of \$nil (2016: \$nil).

As at December 31, 2017 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.

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 (2016: \$2,000,000). This facility bears interest at the rate of LIBOR plus 0.60% per annum (2016: LIBOR plus 0.60% per annum). As at December 31, 2017, \$nil (2016: \$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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

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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.

	2017	2016
<i>Balances with the Parent</i>		
Trade receivables, net (note 5)	\$ 3,288	-
Prepaid expenses and other assets (note 6)	5,230	-
Accounts payable and accrued expenses (note 11)	3,758,050	-
Loans and borrowings (note 12)	5,999,993	5,999,993
Dividends payable	5,624,905	2,925,002
<i>Transactions with the Parent</i>		
Know-how fee (note 17)	469,786	403,286
Royalties (note 17)	335,945	323,565
IT related and other fee (note 17)	755,447	685,047
Dividends paid (note 20)	15,525,000	11,025,000
Group interest Loans	114,239	-
Group fixed Commercial Expense	778	-
<i>Balances with affiliates</i>		
Trade receivables, net	111,299	-
Accounts payable and accrued expenses (note 11)	1,626,847	1,025,695
<i>Transactions with affiliates</i>		
Purchases of inventories (notes 7 and 17)	688,921	951,452
IT related and other fee (note 17)	185,646	168,609
Supply chain fee (note 17)	162,920	54,827
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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2017
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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 \$992,695 (2016: \$1,191,782), comprising short-term employee benefits of \$1,247,600 (2016: \$1,073,014), and post-employment benefits of \$56,107 (2016: \$62,831).

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 \$181,987 (2016: \$78,256).

16. Other income, net

	2017	2016
Miscellaneous (expense) income	\$ 38,039	(147,436)
Insurance recovery	7,267,799	4,730,712
Exchange loss	(629,647)	(191,147)
(Loss)/gain on disposal of property, plant and equipment	(630,794)	719
	\$ 6,045,397	4,392,848

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

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17. Raw materials, consumables and services

	2017	2016
Cost of inventories (including related import duties)	\$ 57,741,440	46,290,661
Excise duties and taxes	16,092,838	15,779,189
Distribution and marketing expenses	4,045,253	4,811,766
Occupancy expenses (note 14)	3,580,814	3,415,993
Utilities	2,325,021	2,073,856
Royalties	1,723,827	1,734,464
Bad debt (recovery)/expense	(238,013)	327,489
Insurance	783,488	781,593
Repairs and maintenance	2,507,987	1,771,622
Know-how fee (note 15)	469,786	403,286
Security services	1,397,090	903,751
Bank charges	450,817	212,243
Other expenses	5,699,269	4,672,428
	\$ 96,579,617	83,178,341

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% (2016: 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 \$531,037 (2016: \$344,809).

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% (2016: 5%) of gross salary, and BHL contributes 5% (2016: 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 \$421,339 (2016: \$251,734).

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.

	2017	2016
Net income	\$ 18,796,465	17,119,696
Weighted average number of shares	30,000,000	30,000,000
Basic and diluted earnings per share	\$ 0.63	0.57

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20. Dividends

Dividends declared by the Group amounted to \$20,700,000 (2016: \$14,700,000) inclusive of interim dividends of \$5,624,905 payable by the Group as at December 31, 2017 (2016: \$2,925,002). Dividends declared are based on basic earnings per share rounded to two decimal places.

21. Changes in non-cash working capital

	2017	2016
(Increase)/decrease in trade receivables, gross	\$ (1,223,921)	178,467
(Increase)/decrease in prepaid expenses and other assets	686,011	(1,631,041)
(Increase)/decrease in inventories, net	(5,243,045)	(2,396,041)
Increase/(decrease) in accounts payable and accrued expenses	1,274,398	4,055,934
	\$ (4,506,557)	207,319

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.

	<i>Percentage (%) Owned</i>	
	2017	2016
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.

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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, 2017 was \$5,369,598 (2016: \$4,276,130).

The average exchange rate between the B\$ and the Euro was B\$1 = Euro 0.89 (2016: B\$1 = Euro 0.90). The spot rate at December 31, 2017 was B\$1 = Euro 0.83 (2016: B\$1 = Euro 0.95).

Sensitivity analysis

A 10 percent strengthening of the B\$ against the Euro at December 31, 2017 would have increased equity and net income by approximately \$511,380 (2016: \$115,485). 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, 2017 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.

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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:

	2017	2016
Cash held with banks (note 4)	\$ 2,522,993	9,780,222
Trade receivables, net (note 5)	4,642,730	2,864,600
Other receivables, net (note 6)	1,661,834	3,937,830
Staff loans (note 6)	6,035	5,063
	\$ 8,833,592	16,587,715

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 \$2,617,430 (2016: \$9,780,222) 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. Loans and Borrowings are due within 6 months of the balance sheet date. Contractual cash flows for accounts payable and accrued expenses are equal to carrying amounts and are due within 6 months or less.

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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			
		2017	2016
Wholesale	\$	91,600,715	79,805,135
Retail		41,017,816	37,333,218
Production		55,227,430	52,863,550
	\$	187,845,961	170,001,903
Inter-segment revenue			
		2017	2016
Wholesale	\$	-	-
Production		54,752,892	52,223,398
	\$	54,752,892	52,223,398
Revenue from external customers			
		2017	2016
Wholesale	\$	91,600,715	79,735,104
Retail		41,017,816	37,333,218
Production		474,538	710,183
	\$	133,093,069	117,778,505

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24. Segment information (continued)

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

	2017	2016
Wholesale	\$ 1,585,135	1,615,508
Retail	3,518,127	2,420,697
Production	13,693,203	13,083,491
	\$ 18,796,465	17,119,696

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

	2017	2016
Wholesale	\$ 35,942,604	35,168,525
Retail	5,407,328	5,349,334
Production	40,043,994	31,090,183
Total segment assets	81,393,926	71,608,042
Unallocated	7,209,098	9,519,172
Total assets	\$ 88,603,024	81,127,214

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:

	2017	2016
Wholesale	\$ 9,118,822	16,186,749
Retail	181,026	530,918
Production	18,057,675	6,665,556
	\$ 27,357,524	23,383,223

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

	2017	2016
Wholesale	\$ 1,368,755	1,601,762
Retail	796,898	710,874
Production	4,655,580	1,508,133
	\$ 6,821,233	3,820,769

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Year ended December 31, 2017
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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:

	2017	2016
Bahamas	\$ 132,618,531	117,144,079
United States	474,538	634,426
	\$ 133,093,069	117,778,505

Included in revenues arising from direct sales from the Group's wholesale segment to its customers is \$13,795,663 (2016: \$13,717,662) 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.

27. Subsequent event

There have been no events subsequent to December 31, 2017 that requires adjustments to or disclosure in the financial statements. We have evaluated subsequent events through April 24, 2018, the date on which the financial statements were authorized to issue.