

Unaudited Consolidated Financial Statements of

COMMONWEALTH BREWERY LIMITED

Nine months ended September 30, 2018

COMMONWEALTH BREWERY LIMITED

Management comments on Interim Consolidated Financial Statements (Unaudited)

Nine months ended September 30, 2018

The Company experienced a revenue growth rate of 1% over the nine-month period ending September 30, 2018. Due to the seasonality of the business, it is typical of the third quarter to see declines in revenue growth. However, this period has presented more challenges than usual. As reported in previous quarterly results, a shift in consumer spending habits gives rise to sales gravitating toward spirits and more economic brands. This coupled with the impact of a VAT increase of 4.5% effective July 1, 2018, has limited the spending power of our consumers and resulted in negative revenue growth of 3.4% for the quarter. In an effort to remain competitive and assist consumers with rising costs, the Company decided to forego the above VAT price increase on its main brand Kalik.

As stated above, the shift in consumer preferences to spirits and economic brands ultimately leads to an increase in Cost of Goods Sold due to higher import costs compared to locally produced beer brands.

In 2017, hurricane Matthew distorted the year over year comparison for the nine-month period attributable to its related insurance settlement and clearance of expenses. This impact added \$6.7M to "Other (expense)/income, net" during the 2017 fiscal period. Continuous changes in consumer spending power, slow economic growth and resultant changes in consumer preferences, compels the Company to further sharpen its focus on innovation and cost optimization.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Financial Position (Unaudited)

September 30, 2018, with corresponding figures for December 31, 2017
(Expressed in Bahamian dollars)

	September 2018	December 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,461,709	2,617,430
Trade receivables, net	3,706,241	4,642,730
Prepaid expenses and other assets	4,710,539	3,828,791
Inventories	40,638,405	27,532,917
Total current assets	50,516,894	38,621,868
Non-current assets:		
Property, plant and equipment	47,036,436	45,302,063
Goodwill	4,487,242	4,487,242
Other intangible assets	170,119	191,851
Total non-current assets	51,693,797	49,981,156
Total assets	\$ 102,210,691	88,603,024
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 30,781,674	15,732,626
Dividends payable	8,325,000	5,624,905
Loans and borrowings	7,530,294	5,999,993
Total Liabilities	46,636,968	27,357,524
Equity:		
Share capital	150,000	150,000
Share premium	12,377,952	12,377,952
Contributed surplus	16,351,369	16,351,369
Revaluation surplus	12,473,768	12,473,768
Retained earnings	14,220,634	19,892,411
Total equity	55,573,723	61,245,500
Total liabilities and equity	\$ 102,210,691	88,603,024

COMMONWEALTH BREWERY LIMITED

Interim Consolidated Statement of Profit and Loss and Other Comprehensive Income (Unaudited)

For the three months ended September 30, 2018 with corresponding figures for the three months ended September 30, 2017

(Expressed in Bahamian dollars)

	September 2018	September 2017
Income:		
Revenue	\$ 30,043,634	31,095,893
Operating expenses:		
Raw materials, consumables and services	24,184,854	26,152,385
Personnel costs	5,220,274	5,827,359
Depreciation	571,838	764,334
Amortisation	(11,645)	16,688
Total operating expenses	29,965,321	32,760,766
Other (expense)/income, net	(35,517)	6,328,293
Results from operating activities	42,796	4,663,420
Finance expenses	46,370	-
Total comprehensive income	\$ (3,574)	4,663,420
Basic and diluted earnings per share	\$ (0.00)	0.16

COMMONWEALTH BREWERY LIMITED

Interim Consolidated Statement of Profit and Loss and Other Comprehensive Income (Unaudited)

For the nine months ended September 30, 2018 with corresponding figures for the nine months ended September 30, 2017

(Expressed in Bahamian dollars)

	September 2018	September 2017
Income:		
Revenue	\$ 98,517,520	97,610,434
Operating expenses:		
Raw materials, consumables and services	74,555,580	73,468,962
Personnel costs	15,977,642	15,704,703
Depreciation	1,969,669	2,348,723
Amortisation	21,731	50,064
Total operating expenses	92,524,622	91,572,452
Other (expense)/income, net	(510,141)	6,211,323
Results from operating activities	5,482,757	12,249,305
Finance expenses	121,304	7,837
Total comprehensive income	\$ 5,361,453	12,241,468
Basic and diluted earnings per share	\$ 0.18	0.35

COMMONWEALTH BREWERY LIMITED

Interim Consolidated Statement of Changes in Equity (Unaudited)

For the nine months ended September 30, 2018
(Expressed in Bahamian dollars)

	Share capital	Share premium	Contributed surplus	Revaluation surplus	Retained earnings	Total equity
Balance at December 31, 2017	150,000	12,377,952	16,351,369	12,473,768	19,892,411	61,245,500
Comprehensive income	-	-	-	-	5,361,453	5,361,453
Long Term Incentive Plan	-	-	-	-	66,770	66,770
Dividends declared	-	-	-	-	(11,100,000)	(11,100,000)
Balance at September 31, 2018	\$ 150,000	12,377,952	16,351,369	12,473,768	14,220,634	55,573,723

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Cash Flows (Unaudited)

For the nine months ended September 30, 2018, with corresponding figures for the nine months ended September 30, 2017

(Expressed in Bahamian dollars)

	2018	2017
Cash flows from operating activities		
Net income	\$ 5,361,453	12,241,468
Adjustments for:		
Depreciation	1,969,669	2,348,723
Amortisation	21,731	50,064
Bad debt expense	246,677	195,768
(Gain)/Loss on disposal of property, plant and equipment	(34,100)	630,794
Finance expense	121,304	7,837
Net cash from operation activities	7,686,734	15,474,654
Changes in non-cash working capital	1,833,789	(6,540,879)
Net cash from operations before changes in working capital	9,520,523	8,933,775
Cash flows from financing activities		
Interest paid	(136,603)	(84,383)
Dividends paid	(8,400,000)	(12,825,000)
Proceeds from loans and borrowings	1,530,301	-
Net cash used in financing activities	(7,006,302)	(12,909,383)
Cash flows from investing activities		
Additions to property, plant and equipment	(3,872,425)	(2,657,687)
Proceeds from sale of property, plant and equipment	202,483	600
Net cash used in investing activities	(3,669,942)	(2,657,087)
Net increase/ (decrease) in cash and cash equivalents	(1,155,721)	(6,632,095)
Cash and cash equivalents, beginning of year	2,617,430	9,853,627
Cash and cash equivalents, end of period	\$ 1,461,709	3,220,932

1. Accounting Policies

These interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by IFRS for consolidated financial statements. In the opinion of management, these unaudited consolidated financial statements reflect all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the Company’s financial position and results of operations as at the end of and for the periods presented. All significant intercompany accounts and transactions have been eliminated from these unaudited consolidated financial statements.