ANNUAL REPORT 2022

COMMONWEALTH BREWERY LIMITED
THE BAHAMAS
Part of the HEINEKEN Company

CONTENTS

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

The operating year 2022 delivered on the promise of a guarded recovery, which began in the second half of 2021.

THE GLOBAL CONTEXT

Despite the looming threat of global recession, which was expected toward the end of the year, 2022 proved to be positive overall for the international economy, with growth estimated at 3.4%.

The United States' economy grew by an estimated 2.2%, representing a sharp decline from the previous year when unusually strong growth was fueled by fiscal stimulus and a re-opening of the economy as the Covid pandemic receded.

THE BAHAMAS ECONOMY

Estimates indicate that The Bahamas' economy grew by at least 8% in 2022, driven by a rapid expansion in the recovery of the tourism sector. Total tourist arrivals more than tripled to 7 million, only 3% below the record level of 7.2 million in 2019.

The Bahamas unemployment rate looks to have improved marginally during 2022, to approximately 13.9%, with the expectation that continued strengthening in the tourism sector could drive further improvement in 2023.

CBL'S PERFORMANCE

The 15.6% improvement in CBL's Gross Revenue--to $135 million--exceeded the company's 2018 performance, which had been the highest since the company's public debut in 2011. The result reflects the Bahamas' underlying economic expansion as well as CBL's ability to maintain a commanding position in the beverage sector, which is impressive considering the number of significant participants who have entered the space since 2011.

THE SHORT TERM OUTLOOK

The global economic context remains unsettled, uncertain, and characterized by persistent international trading disruptions, one of the principal legacies of the Covid pandemic. Stubbornly high levels of inflation continue in North America and Europe with a major protracted war in the heart of Europe that has resulted in energy supply disruptions and resultant price volatility.

It's not an exaggeration to suggest that the hard fought, but not yet fully realized, post-Covid global economic recovery could still be challenged by recessionary developments. The Bahamas, like most other countries, cannot realistically insulate itself from this risk.

However, there is reason to be increasingly optimistic regarding the prospects for short-term economic growth here at home, propelled by tourism and foreign direct investments. While the legacy tourism sector is fast approaching short-term capacity limits, the relatively recent and growing Airbnb sector is making a significant economic impact by injecting money directly into the mid-income level portion of the economy, where the immediate impact is perhaps strongest. While not yet sufficiently understood in The Bahamas to quantify its overall impact on the economy, the evidence that it is growing is clear.

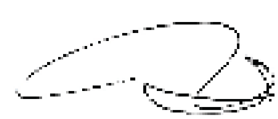
Important, also, is the steady development of Family Island resorts and other tourism facilities that potentially broaden and strengthen CBL's business outside of New Providence.

CONCLUSION

CBL continues the process of re-tooling and adapting to the evolving Bahamian economy. I am satisfied to say that CBL is as well poised as it has ever been over the past five years--in terms of the quality and reach of the company's commercial infrastructure and the size and structure of its professional team--to embrace new commercial opportunities as they occur. I have confidence they will extract maximum profits from this growth, should it come about.

The CBL executives and our ever-dedicated team of associates are to be congratulated for their tireless commitment to the success of this business. I wish also to thank our many commercial partners for their essential collaboration, which continues to strengthen over time.

Finally, once again this year, thank you shareholders for your confidence and support which we always seek to deserve.



JULIAN W. FRANCIS | **CHAIRMAN**

MANAGING DIRECTOR'S REPORT

OUR RESULTS
I am pleased to share that, despite significant challenges such as inflation and global supply chain disruptions, the financial health of our company continues to stay strong, delivering consistent top and bottom line growth.

During 2022, we continued to maintain our cost discipline and re-invested in our sustainable future growth through platforms such as our Kalik Shop and other digital commercial initiatives. Our brands have delivered strong results, confirming to us that our focused portfolio is indeed delivering relevant propositions to our consumers and customers.

STRATEGIC DIRECTION
Our Evergreen Strategy continues to guide us through our journey. Our collective commitment to the key pillars of the strategy give me confidence that we can navigate challenges ahead, while continuing to build our sustainable growth future.

Evergreen strategy:
- Drive superior growth
- Fund the growth and fuel the profit
- Raise the bar on sustainability and responsibility
- Become the best-connected brewer
- Unlock the full potential of our people

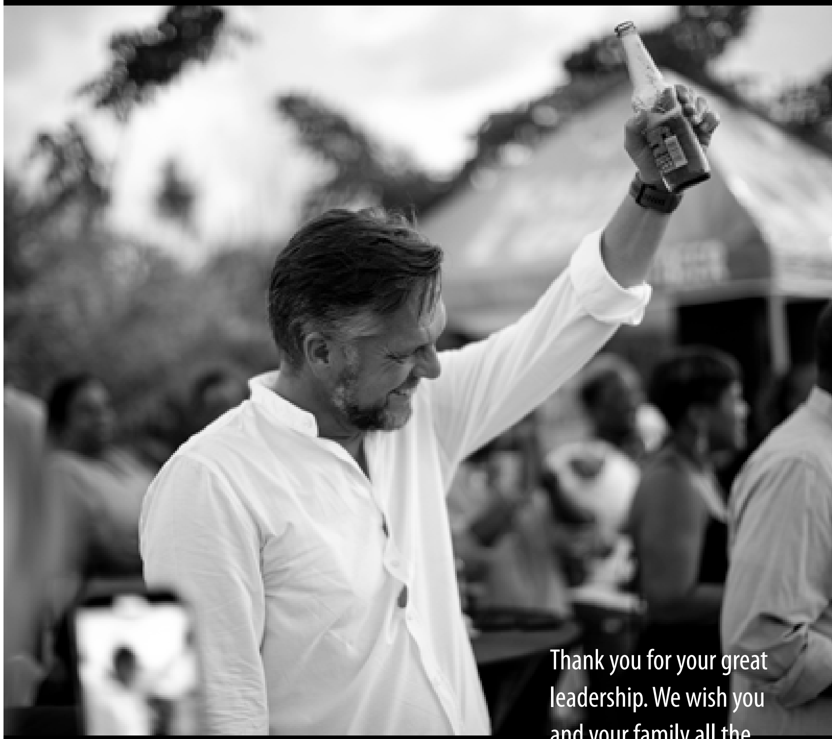
Our purpose remains focused on '' brewing the joy of true togetherness to inspire a better world."

LOOKING AHEAD
2023 will be another challenging year, as we will continue to face higher costs and inflation across our operations. We will address these challenges by leveraging our commercial programmes, tools and capabilities, while maintaining investments and our objective of driving sustainable, profitable growth.

THANK YOU
At CBL, we were impressed by the level of commitment our employees have shown this year and would like to thank each and every one. We also want to extend a "thank you note" to all our partners and suppliers for their support and collaboration during 2022, and our gratitude to our consumers and customers.

WELCOME, ANCA

CBL is delighted to welcome Anca Olteanu, Managing Director, to our team. We look forward to growing with you and the organization

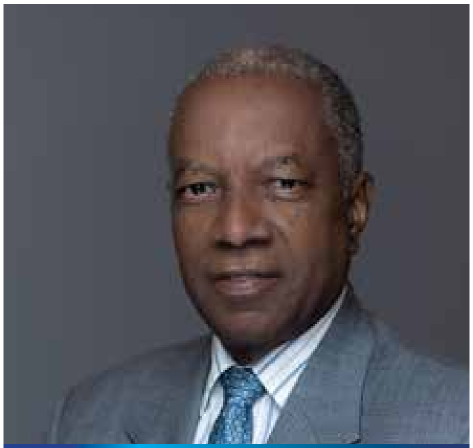


FAREWELL, JURGEN

Thank you for your great leadership. We wish you and your family all the best as you start a new journey.

COMMONWEALTH BREWERY LIMITED

DIRECTORS



JULIAN W. FRANCIS | CHAIRMAN

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

ANCA OLTEANU | MANAGING DIRECTOR

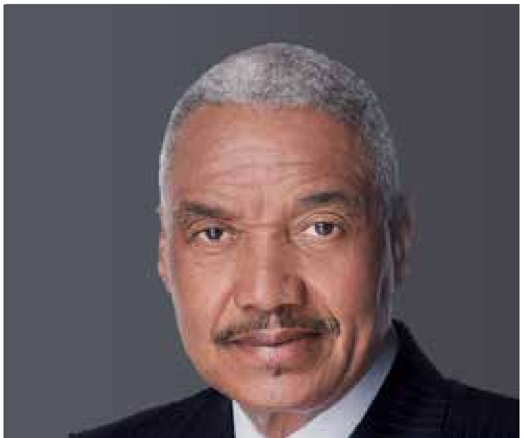
Ms. Anca Olteanu is the Managing Director of Commonwealth Brewery Ltd. She began her career more than 15 years ago at Procter & Gamble and served more recently in Heineken's Global Procurement Team in the Netherlands, as Packaging Strategic Sourcing Director. Ms. Olteanu holds a degree in Law, a master's degree in Business Management from the Economic Studies Academy of Bucharest, along with certifications in International Business Management from the International Institute for Management Development in Switzerland.

ED FIELDS

Mr. Fields is the Director of Business Development for Nassau Cruise Port Ltd. and has a vast knowledge of and experience in the Public Relations, Financial Services, Insurance and Hospitality Industries. Mr. Fields has more than 20 years' experience as Senior Vice-President of Public Affairs and Retail Services with Atlantis Resort in the capacity of Government Affairs Consultant. Mr. Fields holds a Master's Degree in Public Administration from University of Georgia and a Bachelor of Arts in Government Studies from St. John's University in Minnesota.

MARK RUTTEN

Mr. Rutten is the Chief Financial Officer of Heineken Americas, a position he's held since October 2020. Mr. Rutten has worked for more than 20 years in positions of high responsibility in Strategy and Finance in seven different countries on three continents. Mr. Rutten holds a Bachelor's Degree in Business Economics from the Erasmus University in Rotterdam, Master's Degree in Business Economics and Business Administration from the University of Groningen and a Post-Master's Certified Controller (Registered Controller's Education) designation from the University of Amsterdam (VU).



LESLIE MILLER

Mr. Miller is a Bahamian athlete, businessman, and politician who has served as chairman of New Providence Port Authority, the Bahamas Electricity Corporation, Town Planning, and the Water and Sewerage Corporation. He was elected a Member of Parliament for the Blue Hills and Tall Pines constituencies and has served variously as Minister of Trade and Industry and Minister of Agriculture and Marine Resources.

CHADEAU WILSON | SECRETARY

Mr. Wilson began his post university career at Deloitte & Touche in Cincinnati, OH in the Audit practice. Five years later he started with Commonwealth Brewery Limited (CBL) in 2018 and is currently the Planning & Control Senior Manager of the Company. In this role, Mr. Wilson shares his knowledge and experience over multiple departments within the company namely: Finance, Procurement, I.T., Human Resources, Security, and General Management. Prior to his most recent role, Mr. Wilson served in the Strategic Business Controller position. He is a Certified Public Accountant and holds degrees in both Finance and Accounting from Xavier University in Cincinnati, OH

EXECUTIVE MANAGEMENT TEAM

ANCA OLTEANU
MANAGING DIRECTOR

JAMES KOMOR
FINANCE DIRECTOR

FRISO LEFEBER
SUPPLY CHAIN DIRECTOR

MEIKE DIJKSTRA
MARKETING DIRECTOR

ANTIONETTE TURNQUEST
HUMAN RESOURCES DIRECTOR

WENRICK CLARKE
COMMERCIAL DIRECTOR

MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis (MD&A) should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022 and its related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Bahamian dollars. This MD&A is dated May 30, 2023.

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

FINANCIAL PERFORMANCE

REVENUE

The 2022 Financial Year saw Commonwealth Brewery (CBL) continue to produce substantial revenue growth, driven by a rebound of the tourism sector and the return of on-premises consumption. As a result, CBL's revenue increased by $20M, or 19%, at the end of the year, compared to the previous period. This increase was driven by double-digit growth of our premium beer, malt, and spirits categories, whilst we struggled in wines due to lack of supply. Hotels and other on-premises channels grew fastest thanks to the rebound in the tourism sector, whilst we also realized double-digit growth in our retail channel. The underlying product price mix also contributed to revenue growth, through assertive pricing and our premiumisation strategy. CBL also successfully deployed part of the overall digital transformation strategy with the introduction of the digital B2B platform, Kalik Shop, and OASIS, our new POS system for retail. The two projects were among the key highlights for the year, ensuring a future-fit business with better services and insights.

OPERATING EXPENSES

Total operating expenses increased by $16M during the year--an increase of 16%, but still less than revenue growth—which improved profitability. CBL was impacted by continued pressure on input cost, driven by the aftermath of the pandemic and overall global inflation. However, the company was able to identify specific cost mitigations and gross savings to offset inflationary pressures and restore profitability. CBL will continue to focus on the execution of the EverGreen strategy to drive sustainable growth.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Management continued to focus on redistribution of the balance sheet, whilst ongoing supply distortion led to a need to increase inventories to ensure business continuity. They did this by maintaining strict attention to capital expenditure and re-allocating working capital. The company also retired its last remaining long-term external debt obligation in early 2022, which resulted in significant improvement of liabilities.

CAPITAL RESOURCES

At December 31, 2022, CBL had no material commitment of capital resources in place. The company generates sufficient cash from operations and financing activities for its own needs.

The company's dividend policy is to distribute net income when excess cash is available. The frequency and pay-out ratio for any dividend remains at the discretion of the Board of Directors and is subject to approval at the Annual General Meeting of shareholders.

OFF-BALANCE SHEET ARRANGEMENTS

As of December 31, 2022 the company had no off-balance sheet arrangements with any party. The majority of the company's commitments relate to lease contracts for commercial real estate, most of which are short-term in duration of one to five years. The main contingent liabilities are related to customs bond guarantees and standby letters of credit.

As of December 31, 2022 CBL and its group of companies ("The Group") were contingently liable to The Bahamas Department of Inland Revenue upon assessment of intra-company stock transfers between its subsidiaries for business license purposes. The Group was assessed $596,003 in 2016 and $560,403 in 2017, which required the issuance of a Bank Guarantee. The company successfully challenged the matter in arbitration and is currently awaiting further response by the Government of The Bahamas.

TRANSACTIONS WITH RELATED PARTIES

A number of transactions and agreements are in place between CBL and other entities of the Heinken Group. These transactions and agreements relate to the secondment of senior employees, purchasing of raw and packaging materials, supply chain consultancy, transport of products, bottling, trademark licensing, IT services and management fee, as well as dividends and borrowings. The amounts related to these transactions are specified in Note 16 of the consolidated financial statements.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

Note 3 of the consolidated financial statements outline significant CBL accounting policies and estimates. Management does not consider these accounting policies and estimates to be of a critical nature, however, because they require the company to make assumptions about matters that are highly uncertain. Different estimates, therefore, are reasonably likely to occur from period to period and could have a material impact on financial results.

Note 9 details the assumption used to annually test impairment on Goodwill. By nature, Goodwill is subject to the risk of impairment if key assumptions—such as projected sales volume of an acquired wine and spirits brand—change. The company carries $4,487,242 net in Goodwill, generated by the acquisition of 100% ownership interest in Butler & Sands Company Limited in the year 2000. Using reasonable expectations, CBL would experience only a limited change in key assumptions, which would not have a material impact on results.

Trying to separate Kalik from Bahamian culture is like trying to separate heat from the sun or salt from the sea. The two have been an integral part of the other's composition for 35 years (2023) in so many ways:

- Original Kalik lager (1988) is named after the sound a cowbell makes when shaken – a fundamental musical accompaniment in Junkanoo, THE cultural expression of the country;
- Kalik Gold was introduced in 1992 to celebrate the 500th anniversary of the landing of Columbus on the Bahamian island of San Salvador;
- Variations on the original theme have been introduced periodically ever since, including Kalik Light (1997), Kalik Lime (2010), Kalik Radler (2014) and Kalik Light Platinum (2022);
- It's the best-selling beer in the country.

It should come as no surprise, then, that a two-year, pandemic-induced cancellation of the country's most important annual cultural celebration—Junkanoo on Bay Street—was traumatic for both the brand and the participants. Restarting the event in 2022, according to Kalik brand manager Jared Cartwright, felt like heaven.

"Junkanoo is something Bahamians use as a release through costumes, dance, and music," he said. "We got hit hard during the pandemic and lost both friends and family members to COVID. But by 2022 things were almost back to normal and it was time to get back onto Bay Street and show what Junkanoo really means to us as a cultural expression to the world. 'Back to Bay' was a very fitting theme."

Although no formal, in-person Junkanoo occurred in 2020 and 2021, Kalik and Commonwealth Brewery (CBL) still did their best to keep the event's spirit alive in Bahamians with their "Who Are We" ad campaign and Junkanoo documentary, along with an inspiring 40-second Instagram tribute titled "Until We Meet Again," which skillfully captured the desire of participants for the cultural connection the event has always delivered.

Kalik and CBL have long been staunch supporters of Junkanoo in other ways as well, going so far as to donate nearly 90% of the cardboard used in the creation of the incredible costumes for the parade. (As anyone who has witnessed the spectacular affair can attest, that's a lot of cardboard!) Kalik also regularly donates to the Junkanoo Corporation New Providence (JCNP), the main organizer, and contributes wherever and whenever they can throughout the year to support the community effort that goes into the event. As Cartwright points out, this commitment—especially in 2022--is about much more than just a corporate sponsorship.

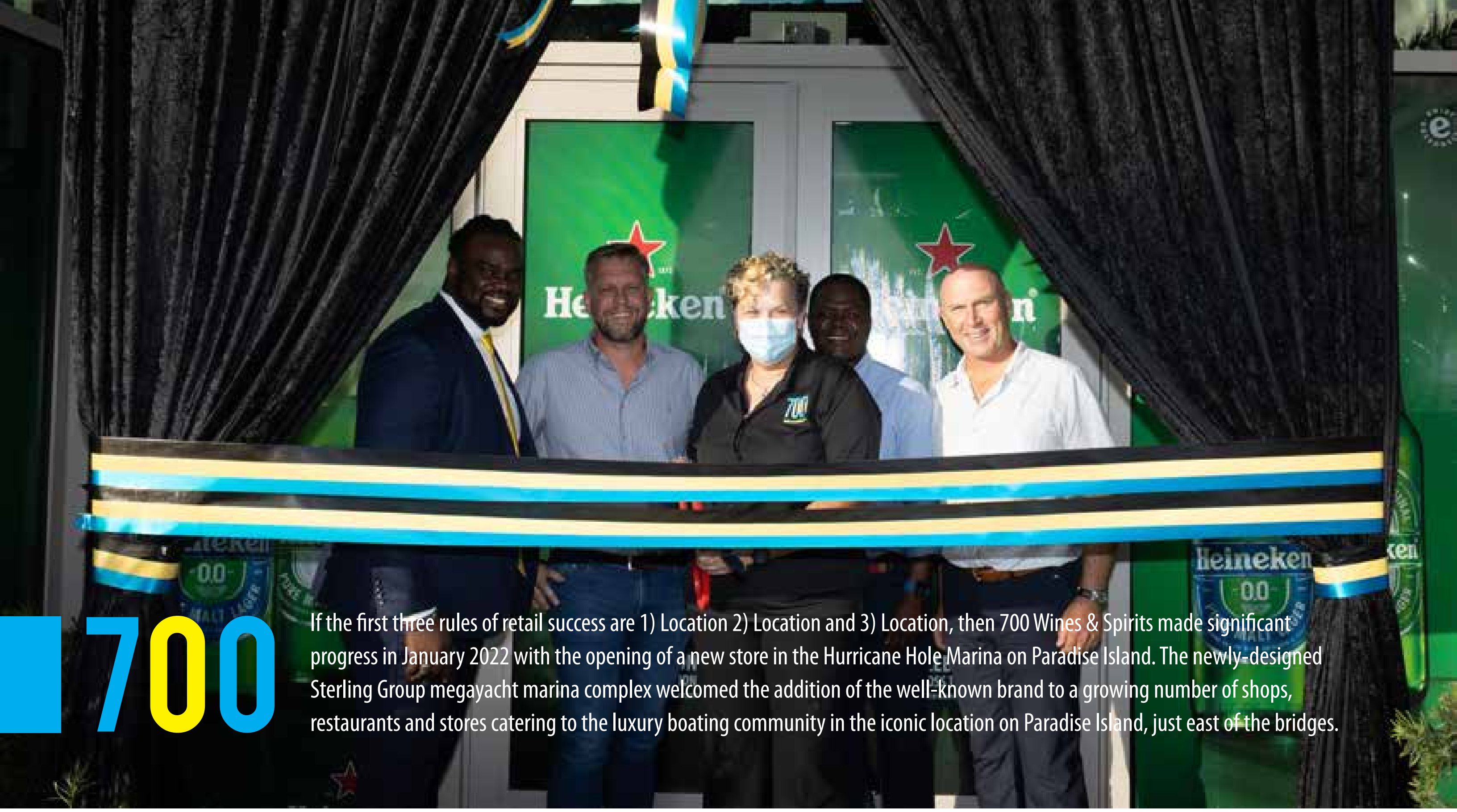
"It was wonderful. Very emotional," he said about the return to Bay Street. "We interviewed some of the participants and everyone was excited about being back with their friends and celebrating with their groups. Group members call each other 'family' because they spend so much time with each other during the few months prior to Junkanoo. But, in fact, these persons spend so much time away from their real families during this time that it can be considered as much of a sacrifice as it is a celebration."

Although Commonwealth Brewery's own group—the Kalikers—were not able to participate this year, Cartwright says they're definitely on the docket for Junkanoo 2023, which marks the brand's 35th anniversary in the same year the country celebrates 50 years of Independence. Certainly appropriate. As Cartwright points out, "without 50 years, there wouldn't be a 35 years."

Even the word "Kalik" occupies a special place in the Bahamian lexicon beyond its onomatopoeic effect, on par with "Bey," "Potcake," or "Biggity." But The Beer of The Bahamas is popular with tourists too, and for reasons other than it tastes great.

"We are focused mainly on our local customers," Cartwright said, "but we know that visitors definitely come to The Bahamas looking for an authentic experience. And because our Bahamian people know that Kalik and conch salad—or conch fritters--go best together, they end up introducing tourists to our local beer. That's a big support for us and we're very happy to have it."

In the end, you could use many different words to describe the decades-long relationship between Kalik and Junkanoo: entwined, joined, connected, integrated. But only one fits perfectly: Bahamian.



700

If the first three rules of retail success are 1) Location 2) Location and 3) Location, then 700 Wines & Spirits made significant progress in January 2022 with the opening of a new store in the Hurricane Hole Marina on Paradise Island. The newly-designed Sterling Group megayacht marina complex welcomed the addition of the well-known brand to a growing number of shops, restaurants and stores catering to the luxury boating community in the iconic location on Paradise Island, just east of the bridges.

"It was a great chance for us—along with the variety of shops that will also be there—to provide something like a community to the boaters and residents of that area," said Jana Stubbs, First Commercial Manager for 700 W&S. "We're excited about all the new opportunities it opens up for us."

The store was designed to produce an "elevated experience," which includes an on-site Enomatic wine sampling machine, a wider and more upscale selection of wines and spirits, as well as plans for frequent store-based events in the future. Similar to another new location that opened in November 2022 in Southwest Plaza in Nassau, the premium quality of the Hurricane Hole store reflects the taste and demographics of its customer base, Stubbs pointed out.

Whether it's Dom Perignon in Hurricane Hole or Glen Morangie 18 in the Southwest Plaza, it's clear that the strategic planners at 700 W&S intimately understand the most important rules of retail.

NEW YEAR, NEW FOCUS

2022 was largely back-to-business for Heineken, as the iconic brand once again promoted existing products, introduced new ones, and sponsored hugely successful signature events following the COVID disruptions of the past couple years.

- The brand tapped into a natural human inclination for making New Year's resolutions to remind consumers about Heineken 0.0--the company's first non-alcoholic beer—and to rebrand the first month of the year "Dry January." Introduced in 2021, Heineken 0.0 was a key component of last year's "EverGreen Strategy," a corporate initiative that includes a focus on more responsible consumption, which has proven popular among both resolution-makers at New Year and alcohol-abstainers during Lent.

- It introduced Heineken Silver, a lower-calorie beer targeting a younger consumer demographic and expected to debut in late April 2023. While both 0.0 and Silver are a bit of a departure from the traditional full-bodied beer that made Heineken a household name, no- and low-calorie brands address evolving consumer tastes looking for more healthy beverage alternatives. The new Silver will feature fewer calories, carbs and alcohol than traditional Heineken.
- The company also fixed the spotlight on another important feature of its famous brand: exclusivity. Through the invitation-only "All White Party" held in May at the Sunset Beach Club on West Bay Street, Heineken raised both the wow factor and the FOMO bar on both traditional and social media platforms. Notable local guests such as vocalist Bodine, designer Kedar Clarke, and photographer Scharad Lightbourne and his wife, Sonia, helped make the event a rousing success.
- Finally, Heineken unveiled its new "Sleek" can design, constructed to be more lightweight, portable, and sturdy than the original product.

"Especially coming out of the pandemic, we wanted to keep the strong Heineken brand power in front of the public, to show that it's still here, still relevant, still trendy,' said Brand Representative De'Shay Whyms. "And I think we were successful doing that."

VITAMALT – A YEAR IN REVIEW

Although she has enjoyed a longstanding community partnership with the Royal Bahamas Police, brand manager Tonya Rolle was gifted a unique opportunity this year: to put up a "Vitamalt Christmas Tree" at police headquarters on East Street during their annual tree lighting celebration. Rolle and Vitamalt have worked with the police and other local entities to organize Back-to-School Fun Days at local community parks for years, but this opportunity was extra special for her.

"It was a hit," she said. "The police commissioner absolutely loved it. We decorated the tree in Vitamalt style, placed cases of Vitamalt underneath as the gifts. We also held drawings for additional cases for lucky families who were in attendance at the event." (Rolle and team even went so far as to contribute Santa Claus to the party, one who arrived in a Bahamian horse-driven carriage rather than a reindeer-powered sleigh!)

But the holiday season this year turned out to be about more than Christmas for Rolle. Vitamalt also introduced a new flavour into the local market—Vitamalt Ginger—that sold 3,000 cases from August to December, a respectable showing that has prompted CBL to turn it into a regular seasonal product offering. So, Rolle will have something else to keep her busy during the holidays. Is she worried about the extra work? Hardly. "We will definitely be doing all these things again," she said.

HENNESSEY ARTISTRY

Successfully pairing a particular product with a particular audience requires a clear understanding of both. Like the Cognac and Caribbean music featured in the Hennessey Artistry series. Billed as "an explosion of energetic dancehall and reggae entertainment," the event returned to Nassau in December for the first time since a two-year COVID hiatus. And according to Brand Representative, Pareece Johnson, it truly brought out the A-game in all.

"Everyone put on a very good show," she said. "I was super excited for our team, who was able to put together a performer lineup that really spoke to a lot of different age ranges. I was also very happy to see how well the artists were received by the local audience."

Headlined by Elephant Man, the schedule of high-energy performers featured both local (DJs Melody and Tank, Bahamian Trae, Judah Tha Lion) and international DJs and performers (DJs OveDose and Puffy, Skeng, LaaLee, Jada Kingdom and Spragga Benz), who revved up the 2,500-strong crowd at the National Stadium.

Although the event is part of a global Hennessey performance initiative, Johnson revealed that there are no plans in place for an Artistry redux in 2023. But one thing is certain: whenever the event does return, its potent combination of eager local fans, great performance lineup, and the Hennessey brand promises to translate into another success story.

DIAGEO BARTISTRY

What started out as a fun, CBL-sponsored event in 2019, transformed three years later into a brand-sponsored battle for local bartending dominance thanks to Diageo brand manager, Timothy White. Formally called the "Diageo Bartistry Mixology Competition," this year's contest paired a number of brands from the Diageo portfolio—Tanqueray Gin, Johnny Walker Whiskey, Ketel One Vodka, Zacapa Rum, and Don Julio and Casamigos Tequilas—with local bartending prowess for the event.

Participants in the three-round affair were required to initially submit a video of them mixing a cocktail of their choice using one of the Diageo products. Six skilled mixers made it to the semifinal mixoff, held at the Sunset Beach Club in western New Providence, where the judges (Marv Cunningham, Maurisa Glinton and Sheldon Sweeting) eventually whittled the field down to three: Brenton Dames, Dineiko Russell and Damian Gray.

With a $1,500 grand prize at stake and a desire to locally capture that "Food Channel flair," organizers filmed the final round of the contest at IL Studios in Nassau. The "Free Style Cocktail" round required the competitors to create a single drink using one mixing ingredient from a mystery basket and one spirit from the Diageo list. At the end of the day, the judges could choose only one winner, and they did: Brenton Dames and his Passion Fruit and Cilantro Margarita won the day and the grand prize.

COMMUNITY NEWS

UB EDUCATION FUND

Prompted by Heineken's corporate "Brew a Better World" ESG (Environmental, Social, Governance) mandates, Commonwealth Brewery (CBL) revisited a 2019 scholarship agreement with the University of The Bahamas (UB). What was apparent to the company following COVID and Hurricane Dorian and the subsequent displacement of families and students, was a need to expand its support beyond strict "tuition-only" guidelines.

"A lot of university needs had changed (because of the disruptions) and we really wanted to redo the terms of the Memorandum of Understanding (MOU)," said Kendria Ferguson, the company's Corporate Relations & Sustainability Manager. "So, we spent time on campus speaking to both the administration and the First Year Student Department, and came up with ways to reallocate our funding to better address these needs."

The new agreement, signed in August 2022, encompasses standard student financial challenges such as tuition, but broadens the field to include books and laptops (called "Beyond Tuition Scholarship Support"), part-time and continuing education funding for both students and CBL staff, as well as departmental funding for athletics (in partnership with Vitamalt) and a research centre dedicated to climate change and environmental awareness. The new MOU even addresses career development by offering two paid internships per year to select students enrolled in CBL's main focus areas at UB.

Modifications to the MOU include a Marketing and Branding component as well, that will place the CBL and Vitamalt logos on outdoor signage throughout campus, on the University's website, and on athletic gear and sports uniforms. Ferguson couldn't be more pleased.

"The partnership has really grown a lot," she said. "It's fantastic because we get to give students some real job experience, engage departments in some learning opportunities, and we get to support them from a scholarship standpoint."

UB RESPONSIBLE CONSUMPTION PARTNER

Commonwealth Brewery (CBL) partnered with the University of The Bahamas in 2022 to promote responsible alcohol consumption and the role that its own Heineken 0.0 alcohol-free beer might play. The product dovetailed nicely into a panel discussion held on campus as part of the school's 2022 orientation program in August.

Speaking mainly to first-year UB students, representatives from the Royal Bahamas Police Force, Emergency Medical technicians and officials from Road Traffic made clear not only the laws regarding alcohol consumption and vehicle operation, but also the grim consequences that can occur on the road as a result of overconsumption.

RECYCLING: HO NASH SPENT GRAIN DONATION

If you want to make beer, you've got to boil some barley! And what's left over after the malt you produce is used to make the beer is called "spent grain" by brewers. It's a byproduct of the process consisting mostly of grain husks and other residue and all breweries produce a lot of it, including Commonwealth Brewery.

"We have a huge silo filled with it usually," said Kendria Ferguson, CBL's Corporate Relations & Sustainability Manager. "It's really great for animal feed, so rather than just dispose of it we donate it to whomever can use it. A local farmer collects it from us to distribute to other farmers in the area."

This year was a little different, however, and included a new and rather unexpected recipient of the spent grain donation: HO Nash Junior High School. Despite the school's relatively central location off JFK Drive, it actually maintains a full agriculture program right on property, complete with pigs and cows. Students work the farm while learning the skills associated with animal husbandry, including what and how to feed the animals. While nearby neighbors may pinch their nose a bit at the spent grain aroma that can emanate from the stuff, the animals and students at HO Nash appreciate the donation.

"We reached out to HO Nash because it's a school nearby our offices, and we wanted to find out how we could help with whatever needs they had," Ferguson said. "When we visited the campus and realized they actually had a farm, that's when the subject of spent grain came up."

CBL sent three full dump trucks (several tons!) of spent grain to the school this year, which should make all the farm animals at HO Nash full, happy and healthy.

SPONSORSHIPS IMPACT: JOURNEYS INTERNATIONAL & THE BAHAMAS NATIONAL YOUTH CHOIR

Commonwealth Brewery's (CBL) commitment to Heineken's "Brew a Better World" mandate has actually been a regular part of the company's operations in The Bahamas from day one. Even if its community-mindedness never really received a formal title--or a formal and detailed plan of action--until now, CBL nonetheless has always taken an active part in supporting the local community through multiple sponsorships that touch Bahamians across all walks of life. And this year was no different.

- Education and Youth Engagement. $50,000 to the UB Education Fund and another $82,000 on youth education athletics and back-to-school projects. The company also turned the focus inward in August with a Back-to-School Safari specifically for employees and their children under the motivational theme, "I Can."
- Human Health & Well Being. CBL revived its support of an annual Back-to-School Health and Dental Fair for more than 1,000 children in Grand Bahama, in partnership with the Kiwanis Club of Freeport. The event had been sidelined by COVID for two years. The company also supported Journeys International, an inner-city youth program in New Providence, with a $10,000 donation toward swimming and soccer lessons for disadvantaged kids.
- Arts and Culture. In 2022, CBL supported the vocal efforts of the Bahamas National Youth Choir, under the direction of Mr. Dexter Fernander. The assistance helped the Choir reach its goal of performing on the main stage at Carnegie Hall. (More importantly for CBL staff, it provided the perfect opportunity for the group to perform in person at the company's annual Thanksgiving celebration!)
- Transformative and Sustainable Communities, Environmental. Barefoot Beach Cleanups in both Nassau and Grand Bahama that removed more than 1,400 pounds of waste; redirection of spent grain from landfill to local famers and the HO Nash agricultural program.

The bottom line that underscores all this support and community involvement? Pretty simple, really: the healthier, happier, smarter and more sustainably-minded the local community is, the more prosperous the future becomes for everyone, including CBL.

CONSOLIDATED
FINANCIAL STATEMENTS

COMMONWEALTH BREWERY LIMITED

YEAR ENDED DECEMBER 31ST, 2022

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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, 2022, 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, 2022, 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.

Impairment of Goodwill	As at December 31, 2022 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 9. 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 9 to the consolidated financial statements.	In evaluating the impairment of goodwill, we reviewed the value in use calculations prepared by management. We performed various procedures, including the following: • We assessed the Group's design and implementation of controls relating to the preparation of the cash flow forecasts. • We tested key inputs into the cash flow forecast against historical performance and in comparison to the management's strategic plans. • We compared the growth rates used to historical data regarding economic growth rates. • We involved a fair value specialist to assist with the testing of the weighted average cost of capital (discount rate) 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.

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 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 S. Tshombe Godet.

Deloitte & Touche

Nassau Bahamas
April 30, 2023

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Financial Position

As at December 31, 2022, with corresponding figures for 2021
(Expressed in Bahamian dollars)

	Note(s)		2022	2021
Assets				
Current assets:				
Cash and cash equivalents	4	$	10,783,179	12,333,392
Trade receivables, net	5		3,491,290	3,528,302
Prepaid expenses and other assets	6		6,403,972	5,723,037
Inventories	7		26,418,447	21,060,072
Total current assets			47,096,888	42,644,803
Non-current assets:				
Right of use asset	8		8,972,772	7,842,602
Property, plant and equipment	10		41,520,503	43,515,336
Goodwill	9		4,487,242	4,487,242
Other intangible assets	11		1,878,085	1,697,985
Total non-current assets			56,858,602	57,543,165
Total assets		$	103,955,490	100,187,968
Liabilities and equity				
Current liabilities:				
Accounts payable and accrued expenses	12	$	16,318,479	16,465,270
Short-term Lease Liability	24		2,440,283	2,063,364
Loans and borrowings	13		-	4,999,995
Total current liabilities			18,758,762	23,528,629
Non-current liabilities:				
Long-term Lease liability	24		6,951,632	6,093,743
Total liabilities			25,710,394	29,622,372
Equity:				
Share capital	14		150,000	150,000
Share premium			12,377,952	12,377,952
Contributed surplus			16,351,369	16,351,369
Revaluation surplus	10		9,284,462	9,284,462
Retained earnings			40,081,313	32,401,813
Total equity			78,245,096	70,565,596
Total liabilities and equity		$	103,955,490	100,187,968

These consolidated financial statements were approved for issue on behalf of the Board of Directors on 29 April, 2023 by:

_____________ Director   Anca Olteanu _____________ Director

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2022, with corresponding figures for 2021
(Expressed in Bahamian dollars)

	Note(s)		2022	2021
Income:				
Revenue	25	$	134,989,917	116,788,708
Excise			(9,677,692)	(11,472,723)
Net revenue			125,312,225	105,315,985
Operating expenses:				
Raw materails, consumables and services	18		85,070,125	70,969,479
Personnel costs	19		19,251,892	17,444,024
Depreciation	10		6,450,587	6,624,393
Amortisation	11		457,636	420,567
Total operating expenses			111,230,240	95,458,463
Other income/(expenses)	17		232,612	(975,799)
Results from operating activities			14,314,597	8,881,723
Finance expenses			635,097	676,913
Total net profit	20, 25	$	13,679,500	8,204,810
Other comprehensive income				
Gain (Loss) on revaluation of property	10		-	1,200,000
Total net profit and comprehensive income			13,679,500	9,404,810
Basic and diluted earning per share	20	$	0.46	0.27

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Changes in Equity

Year ended December 31, 2022, with corresponding figures for 2021
(Expressed in Bahamian dollars)

		Share Capital	Share premium	Contributed Surplus	Revaluation surplus	Retained earnings	Total equity
Balance as at 31 December 2020	$	150,000	12,377,952	16,351,369	8,084,462	24,197,003	61,160,786
Profit		-	-	-	-	8,204,810	8,204,810
Revaluation Loss (note 10)					1,200,000		1,200,000
Balance as at 31 December 2021		150,000	12,377,952	16,351,369	9,284,462	32,401,813	70,565,596
Profit		-	-	-	-	13,679,500	13,679,500
Transacitons with owners recorded directly to equity							
Dividends declared $0.20 per share	Note 21	-	-	-	-	(6,000,000)	(6,000,000)
Balance at December 31, 2022		150,000	12,377,952	16,351,369	9,284,462	40,081,313	78,245,096

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Cash Flows

Year ended December 31, 2022, with corresponding figures for 2021
(Expressed in Bahamian dollars)

	Note(s)		2022	2021
Cash flows from operating activities				
Net income		$	13,679,500	8,204,810
Adjustments for:				
Depreciation	10		6,450,587	6,624,393
Amortisation	11		457,636	420,567
Impairment loss recognized on cash and cash equivalents and trade receivables	18		1,120,425	239,694
Loss on disposal of property, plant and equipment			-	246,827
Finance expense			635,097	676,913
Net cash from operations before changes in working capital			22,343,245	16,413,204
Changes in non-cash working capital	22		(7,094,236)	571,590
Net cash from operating activities			15,249,009	16,984,794
Cash flows from financing activities				
Dividends paid	21		(6,000,000)	-
Other Financing cost - stamp duty	21		(71,333)	-
Repayment of loans and borrowings			(4,999,995)	(4,026,590)
Interest paid			(635,097)	(676,913)
Net cash used in financing activities			(11,706,425)	(4,703,503)
Cash flow from investing activities				
Additions to property, plant and equipment	10		(2,124,290)	(2,847,944)
Additions to intangible assets	11		(637,736)	(160,764)
Repayment of lease liability			(2,331,465)	(2,548,581)
Proceeds from sale of property, plant and equipment	17		694	9,816
Net cash used in investing activities			(5,092,797)	(5,547,473)
Net (decrease)/increase in cash and cash equivalents			(1,550,213)	6,733,818
Cash and cash equivalents, beginning of year			12,333,392	5,599,574
Cash and cash equivalents, end of year	4		10,783,179	12,333,392

See accompanying notes to consolidated financial statements.

(Expressed in Bahamian dollars)

1. General information

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

2.1 New and revised IFRSs in issue but not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. Management has not assessed whether the relevant adoption of these standards and interpretations in future periods will have a material impact on the consolidated financial statements of the Group.

IFRS 17	Insurance Contracts	January 1, 2023
IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IAS 1	Classification of Liabilities as Current Or Non-Current	January 1, 2023
Annual Improvements to IFRS Standards 2018–20 Cycle	Amendments to IFRS 1 First-time Adoption of IFRS, IRS 9, IFRS 16, IAS 41	January 1, 2022
IFRS 10	IFRS 10 Consolidated Financial Statements	(*)
IAS 28	IAS 28 (amendments) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(*)
Amendments to IFRS 16	Proceeds before Intended Use	January 1, 2022

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

2.2 New and revised IFRSs in issue but not yet effective *(continued)*

Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract	January 1 2022
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	January 1 2022

(*) The IASB decided in September 2014 to defer the effective date indefinitely; nevertheless, the amendments are available for earlier adoption.

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 if market participants would take those characteristics into account when pricing 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 IFRS 16, 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;

3. Significant accounting policies *(continued)*

- 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.

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.

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.

3. Significant accounting policies *(continued)*

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.

(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 9	Goodwill
Note 10	Property, plant and equipment
Note 24	Lease Liability
Note 15	Commitments and contingencies
Note 24	Financial instruments and associated risks

(f) *Financial instruments*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

3. Significant accounting policies *(continued)*

(f) *Financial instruments* *(continued)*

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Classification as financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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.

3. Significant accounting policies *(continued)*

(h) *Trade receivable*

Trade receivables 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.

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.

3. Significant accounting policies *(continued)*

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

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.

(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 and 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.

3. Significant accounting policies *(continued)*

(k) ***Goodwill and intangible assets*** *(continued)*

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 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.

(l) ***Impairment*** *(continued)*

Non-financial assets (continued)

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.

3. Significant accounting policies *(continued)*

(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).
(viii) 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*

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

3. Significant accounting policies *(continued)*

(n) ***Leases*** *(continued)*

Lease payments included in the measurement of the lease liability comprise:

(i) Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;

(ii) Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;

(iii) The amount expected to be payable by the lessee under residual value guarantees;

(iv) The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and

(v) Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

(i) The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

(ii) The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

(iii) A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

4. Significant accounting policies *(continued)*

(n) ***Leases*** *(continued)*

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

(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.

3. Significant accounting policies *(continued)*

(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.

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.

3. Significant accounting policies *(continued)*

(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.

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.

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(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.

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

4. Cash and cash equivalents

		2022	2021
Cash on hand	$	89,001	107,521
Cash held with banks		10,694,178	12,225,871
Cash and cash equivalents	$	10,783,179	12,333,392

The cash and cash equivalents balance is presented net of expected credit loss of $566,964.

The Group has an unsecured overdraft facility of $3,000,000 for the operating account. As the Bank has the ability to offset with all accounts within the relationship, the balance is presented net of the used facility.

5. Trade receivables, net

		2022	2021
Trade receivables, gross	$	5,368,536	4,838,258
Allowance for doubtful debts		(1,877,246)	(1,309,956)
	$	3,491,290	3,528,302

Aging analysis of trade receivables, gross, as at December 31, 2022:

December 31st 2022	Not past due	0-30 days	31-180 day	> 180 days	Total
Expected Credit Loss Rate	0%	31%	61%	88%	
Estimated total gross carrying amount at default	2,314,351	1,189,885	473,680	1,390,620	5,368,536
Lifetime ECL	-	(365,680)	(291,146)	(1,220,420)	(1,877,246)

December 31st 2021	Not past due	0-30 days	31-180 day	> 180 days	Total
Expected Credit Loss Rate	0%	6%	80%	85%	
Estimated total gross carrying amount at default	2,049,792	1,346,333	114,149	1,327,984	4,838,258
Lifetime ECL	-	(83,635)	(91,319)	(1,135,002)	(1,309,956)

(Expressed in Bahamian dollars)

5. Trade receivables, net *(continued)*

Allowance for expected credit losses and movement in allowance for doubtful accounts is as follows:

		2022	2021
Balance at beginning of the year	$	1,309,956	1,048,594
Increase in allowance		567,290	261,362
Amounts written off as uncollectible		-	-
Balance at end of the year	$	1,877,246	1,309,956

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

		2022	2021
The Bahamas	$	5,296,176	4,759,153
Caribbean		-	-
Europe		72,360	79,105
United States of America		-	-
	$	5,368,536	4,838,258

6. Prepaid expenses and other assets

		2022	2021
Other receivables	$	4,397,981	3,708,970
Prepaid expenses		2,011,182	2,019,258
		6,409,163	5,728,228
Allowance for doubtful debts		(5,191)	(5,191)
	$	6,403,972	5,723,037
		6,403,972	5,723,037

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

Balance at beginning of the year	$	5,191	5,191
Reversal of allowance		-	-
Balance at end of the year	$	5,191	5,191

(Expressed in Bahamian dollars)

7. Inventories

		2022	2021
Goods bought for resale	$	15,987,495	13,862,910
Raw materials and packaging		7,490,692	4,612,051
Finished goods		1,426,064	1,440,009
Work-in-progress		544,502	504,601
Spare parts		1,710,025	1,108,172
Other stock items		173,114	67,917
		27,331,892	21,595,660
Provision for obsolescence		(913,445)	(535,588)
	$	26,418,447	21,060,072

Movement in the provision for obsolescence:

		2022	2021
Balance at beginning of year	$	535,588	601,994
Increase in provision		377,857	-
Decrease in provision		-	(66,406)
Balance at end of year	$	913,445	535,588

As outlined in note 18, the cost of inventories recognized as an expense during the year was $59,551,003 (2021: $50,986,301).

8. Right of Use (ROU) assets

The group leases stores, an office, and cars in the ordinary course of business. Many leases contain extension and termination options, which are included in the lease term if the Group is reasonably certain to exercise an extension option and reasonably certain not to exercise a termination option. Refer to the table below for the carrying amount of ROU assets per asset class per balance sheet date:

Right of use (ROU) assets		**2022**	**2021**
Real estate	$	8,520,406	7,507,404
Motor vehicles		452,366	335,198
Carrying amount ROU assets	$	**8,972,772**	**7,842,602**

Depreciation of ROU assets		**2022**	**2021**
Real estate	$	2,005,343	2,102,216
Motor vehicles		326,121	446,365
Carrying amount ROU assets	$	**2,331,464**	**2,548,581**

(Expressed in Bahamian dollars)

9. Goodwill

Goodwill comprises the following:

	2022	2021
Balance at the beginning and end of 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:

	2022	2021
WACC	13.00%	9.00%
Expected growth rate	2.00%	2.00%

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, 2022 and 2021.

Sensitivity Analysis

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the group of CGU to which goodwill is allocated. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGU.

(Expressed in Bahamian dollars)

10. Property, plant and equipment

	Land	Buildings	Plant and machinery	Furniture, fixtures and equipment	Vehicle and transportation equipment	Capital work in progress	Total
Cost/revalued amount:							
Balance at December 31, 2020	6,740,000	23,803,257	41,086,048	24,292,966	1,769,453	931,350	98,623,074
Revaluation	-	1,200,000	-	-	-	-	1,200,000
Additions	-	126,200	76,228	533,813	-	2,111,703	2,847,944
Transfers	-	-	-	105,409	-	(105,409)	-
Write offs	-		(31,153)	(74,708)	(70,706)	(153,943)	(330,510)
Balance at December 31, 2021	6,740,000	25,129,457	41,131,123	24,857,480	1,698,747	2,783,701	102,340,508
Revaluation	-	-	-	-	-	-	-
Additions	-	531,251	529,046	593,016	77,612	393,365	2,124,290
Transfers	-	866,184	160,672	624,585	-	(1,651,440)	-
Write offs/reclass	-		-	-	-	-	-
Balance at December 31, 2022	6,740,000	26,526,892	41,820,841	26,075,081	1,776,359	1,525,626	104,464,798
Accumulated depreciation:							
Balance at December 31, 2020	-	2,943,257	32,379,019	17,980,779	1,529,988	-	54,833,043
Depreciation	-	895,174	1,181,960	1,894,849	103,827	-	4,075,810
Write offs	-			(15,590)	(68,091)	-	(83,681)
Balance at December 31, 2021	-	3,838,431	33,560,979	19,860,038	1,565,724	-	58,825,172
Depreciation	-	902,669	1,132,800	2,010,379	73,275	-	4,119,123
Balance at December 31, 2022	-	4,741,100	34,693,779	21,870,417	1,638,999	-	62,944,295
Net book value:-							
December 31, 2022	6,740,000	21,785,792	7,127,062	4,204,664	137,360	1,525,626	41,520,503
December 31, 2021	6,740,000	21,291,026	7,570,144	4,997,442	133,023	2,783,701	43,515,336

(Expressed in Bahamian dollars)

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

Depreciation	2022	2021
Depreciation of PPE	$ 4,119,123	$ 4,075,812
Depreciation of ROU assets	2,331,464	2,548,581
	6,450,587	6,624,393

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 was performed as at 31 December, 2021 by a qualified independent appraiser, using the income approach at a discount rate ranging from 11% to 12%. There is no gain/loss on revaluation in 2022 [2021: ($1,200,000)].

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 (2021: $1,200,000) from the revaluation of land and buildings was recognized in other comprehensive income.

There are no capital commitments on work in progress projects.

Had there been no revaluation, the carrying value of land would have been $6,690,449 (2021: $6,690,449) and of buildings would have been $21,309,192 (2021: $23,824,162).

11. Other intangible assets

Intangible assets consist of computer software as follows:

	2022	2021
Cost:		
Balance at January 1	6,136,732	5,975,968
Additions	637,736	160,764
Balance at December 31	6,774,468	6,136,732
Accumulated amortisation:		
Balance at January 1	4,438,747	4,018,180
Amortisation	457,636	420,567
Balance at December 31	4,896,383	4,438,747
Net book value:	1,878,085	1,697,985

(Expressed in Bahamian dollars)

12. Accounts payable and accrued expenses

Accounts payable and accrued expenses comprise the following:

	2022	2021
Accounts payable - third parties	8,953,433	8,721,538
Accounts payable - related parties	1,915,436	4,350,514
Accrued expenses	5,449,609	3,393,218
	16,318,479	16,465,270

13. Loans and borrowings

The Group has no principal bank loan outstanding (2021: $5,000,000) at December 31, 2022.

14. Share capital

Authorised, issued and fully paid share capital at December 31, 2022 and 2021:

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

15. Commitments and contingencies

Other commitments and contingencies

At December 31, 2022 the Group was contingently liable under customs bond guarantees of $1,888,417 (2021: $1,628,906). These facilities are under joint and several liability of the Group in favor of each other.

As at 31 December, 2022 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 December 31, 2022 the Group had Corporate Credit Card issued to the Management Team of $75,000 in collective credit.

(Expressed in Bahamian dollars)

16. 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.

	2022	**2021**
Balances with the Parent		
Trade receivables, net (note 5)	72,360	79,105
Accounts payable and accrued expenses (note 12)	1,443,313	4,029,614
Transactions with the Parent		
Know-how fee (note 18)	481,348	417,224
IT related and other fee (note 18)	1,983,502	2,092,361
Royalties (note 18)	249,532	205,588
Balances with affiliates		
Accounts payable and accrued expenses (note 12)	390,214	320,900
Royalties (note 12)	81,909	-
Transactions with affiliates		
IT related fee and other fee (note 18)	379,993	-
Supply chain fee (note 18)	157,272	365,704
Director's fee (note 18)	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.

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 18). Related payments are made and/or accrued for in the normal course of business.

(Expressed in Bahamian dollars)

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

Compensation of key management personnel

Compensation of key management personnel for the year ended 31 December 2022 comprised $1,850,308 (2021: $1,062,145) for salaries and other short-term benefits and $ 28,760 (2021: $17,158) for pension benefits.

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 recognized amounted to $109,047 (2021: $101,456).

17. Other income/(expense), net

		2022	**2021**
Miscellaneous income/(expense)	$	53,156	$ (80,784)
Exchange gain/(loss)		178,762	(904,831)
Gain on disposal of property, plant and equipment		694	9,816
	$	232,612	$(975,799)

18. Raw materials, consumables and services

	2022	2021
Cost of inventories (including related import duties)	59,551,003	50,986,301
Other expenses	4,603,921	3,329,381
Distribution & Marketing expenses	3,747,230	2,696,178
IT expenses	2,232,743	1,869,287
Occupancy expenses	2,219,896	1,561,514
Utilities	2,129,868	1,732,596
Royalties	1,841,400	1,768,771
Duties and taxes	1,818,928	1,287,153
Repairs & Maintenance	1,760,560	1,537,472
Bank charges	1,531,775	1,427,038
Bad debt expense	1,120,425	239,694
Insurance	1,113,557	1,170,975
Security services	919,231	945,895
Know-how fee	479,588	417,224
	85,070,125	**70,969,479**

(Expressed in Bahamian dollars)

19. 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% (2021: 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 $427,228 (2021: $374,684).

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.

20. 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.

		2022	2021
Net income	$	13,679,500	8,204,810
Weighted average number of shares		30,000,000	30,000,000
Basic and diluted earnings per share	$	0.46	0.27

21. Dividends

Dividends declared by the Group amounted to $6,000,000 (2021: $nil). Dividends declared are based on basic earnings per share rounded to two decimal places.

The Group paid stamp duties and other financing costs of $71,333 (2021: $nil) related to the distribution of dividends.

22. Changes in working capital

	2022	2021
Increase in trade receivables	(530,278)	(758,817)
(Increase)/decrease in prepaid expenses and other assets	(680,935)	752,832
(Increase)/decrease in inventory	(5,736,232)	2,970,020
Decrease in accounts payable and accrued expenses	(146,791)	(2,392,445)
	(7,094,236)	571,590

(Expressed in Bahamian dollars)

23. Principal subsidiary

The following significant operating subsidiary, which is incorporated in The Bahamas, is owned by the Group. This subsidiary currently holds real-estate contracts.

	Percentage (%) Owned	
	2022	2021
Todhunter-Mitchell Distillers Limited	100	100

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.

The Group's total net liability exposure to fluctuations in foreign currency exchange rates (B$ vs. Euro) at 31 December, 2022 was $1,915,436 (2021: $4,350,514).

The average exchange rate between the B$ and the Euro was B$1 = Euro 0.95 (2021: B$1 = Euro 0.85). The spot rate at December 31, 2022 was B$1 = Euro 0.94 (2021: B$1 = Euro 0.88).

(Expressed in Bahamian dollars)

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

Sensitivity analysis

A 10 percent strengthening of the B$ against the Euro at 31 December 2022 would have increased equity and net income by approximately $377,599 (2021: $685,116). This analysis assumes that all other variables, in particular interest rates, remain constant. A 10 percent weakening of the B$ against the Euro at December 31, 2022 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:

		2022	2021
Cash held with banks (note 4)	$	10,694,178	12,225,871
Trade receivables, net (note 5)		3,491,290	3,528,302
Other receivables, net (note 6)		4,397,981	3,708,970
Balance at end of the year	$	18,583,449	19,463,143

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 $10,694,178 (2021: $12,225,871) 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.

(Expressed in Bahamian dollars)

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

(c) Liquidity risk *(continued)*

The following tables detail the Group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	0 - 12 Months	1 - 5 Years	5+ Years	Total	Carrying Amount
Accounts payable and accrued liabilites	16,318,479	-	-	16,318,479	16,318,479
Short Term Liabilities	2,440,283	-	-	2,440,283	2,440,283
Long Term Lease Liabilities	-	2,579,447	4,372,185	6,951,632	6,951,632
Balance at December 31, 2022	18,758,762	2,579,447	4,372,185	25,710,394	25,710,394

	0 - 12 Months	1 - 5 Years	5+ Years	Total	Carrying Amount
Accounts payable and accrued liabilites	16,465,270	-	-	16,465,270	16,465,270
Loans and Borrowings	4,999,995	-	-	4,999,995	4,999,995
Short Term Liabilities	2,063,364	-	-	2,063,364	2,063,364
Long Term Lease Liabilities	-	6,093,743	-	6,093,743	6,093,743
Balance at December 31, 2021	23,528,629	6,093,743	-	29,622,372	29,622,372

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

	2022	2021
Wholesale	78,232,662	74,763,377
Retail	56,757,255	42,025,331
	134,989,917	116,788,708

(Expressed in Bahamian dollars)

25. Segment information *(continued)*

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

	2022	2021
Wholesale	7,797,315	5,561,851
Retail	5,882,185	2,642,959
	13,679,500	8,204,810

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

	2022	2021
Wholesale	66,476,703	64,067,475
Retail	37,478,787	36,120,493
Total segment assets	103,955,490	100,187,968
Unallocated	-	-
Total assets	103,955,490	100,187,968

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:

	2022	2021
Wholesale	21,582,434	24,866,320
Retail	4,127,960	4,756,052
	25,710,394	29,622,372

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

	2022	2021
Wholesale	1,932,346	2,590,613
Retail	191,944	257,331
	2,124,290	2,847,944

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

	2022	2021
Bahamas	134,965,581	116,724,518
United States	24,336	64,190
	134,989,917	116,788,708

25. Segment information *(continued)*

Included in revenues arising from direct sales from the Group's wholesale segment to its customers is $10,091,350 (2021: $8,622,578) which arose from sales to the Group's top five customers.

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.

COMMONWEALTH BREWERY LIMITED
THE BAHAMAS
Part of the HEINEKEN Company