

Management Discussion and Analysis

This management discussion and analysis (MD&A) should be read in conjunction with the audited consolidated financial statements for the year end December 31 2012 and related notes. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are expressed in Bahamian dollars. This MD&A is dated March 5th 2013.

Financial performance

Revenue in 2012 grew \$5.0 million or 4.5% mainly driven by sales volume, which grew from 187 khls (or 2.08 million nine liter cases) to 194 khls (or 2.16 million nine liter cases) in 2012. Commonwealth Brewery's beer portfolio contributed significantly to this volume growth. Sales volume benefitted from higher tourist arrivals in 2012 (spring break was excellent), especially in the first quarter and from a higher level of activities in the domestic market. Due to the strong revenue performance net income grew to \$ 19.3 million, which represented an increase of \$ 2.0 million or 11.5% over 2011.

Other income declined \$1.0 million, which is mainly due to a combination of non-recurring losses in 2012 and non-recurring gains in 2011. These non-recurring items (\$0.7 million) include reimbursements from suppliers for claims and loss on disposal of impaired assets. Commonwealth Brewery also received less proceeds from own organized events, rent and franchise fees in 2012.

Costs were overall under control. The increase in excise duties and taxes (\$1.2 million), distribution and marketing expenses (\$0.7 million), repair & maintenance (\$0.3 million) and royalties (\$0.1 million) were partially offset by savings in bad debt expenses (\$0.1 million) and occupancy expenses (\$0.1 million). Excise duties and taxes increased \$1.2 million directly driven by higher sales volume of beer, while distribution and marketing expenses increased due to higher investments in the marketing of our brands. These cost increases are related to the higher sales volume realized. Repair & maintenance expenses were impacted by higher cleaning costs and to a lesser extent by preventive maintenance on equipment that was not part of the maintenance plan in 2011 (bottle recycle center, canning line). Utilities stayed stable. Although the rates increased, Commonwealth Brewery managed to offset this to a large extent by realizing higher efficiency in utilization.

At the end of 2012 Commonwealth Brewery remained debt free with \$ 11.8 million in cash and equivalents following a \$7.5 million interim dividend payment to shareholders in December 2012.

In many ways 2012 was an exceptional year with a high level of domestic activities and tourist arrivals especially in the first half of the year. The trend remained positive in the second half of the year, but at a clearly lower pace.

Results from operations

Results from operations amounted to \$19.3 million, close in line with net income. The company has limited finance costs.

Due to successful promotions and marketing campaigns Commonwealth Brewery managed to reverse the declining sales volume trend that started in 2010. Volume grew 4% compared to 2011. Average revenue per hl increased to \$611, up 0.6 % year-over-year, mainly due to price increases to compensate for increases charged by suppliers, which were partially offset by a sales mix that featured a higher growth of products with a relative low price per liter.

The results per reportable segment in note 24 of the consolidated financial statements show a solid growth of revenue in all segments. As a result of the revenue growth, net income in both wholesale and retail increased respectively 34% and 38%. Net income in production went down 9% as result of amongst other higher input costs (raw / packaging materials, transport costs). Revenue from exporting Kalik to the USA declined 20% due to the competitive landscape in the USA market, where beers from other Caribbean nations have a price advantage due to lower production costs.

Consolidated statement of financial position

Cash and cash equivalents amounted to \$11.8 million at December 31st 2012 (+4% compared to 2011). This is the remaining balance after the company paid \$7.5 million interim dividend in December 2012.

Trade receivables, inventories and accounts payable third parties / related parties were up compared to 2011. Working capital items were higher due to a higher level of sales activity than in the previous year. Outstanding accrued liabilities reduced compared to 2011.

Property, plant and equipment and intangible assets declined respectively \$0.4 million (1%) and 0.2 million (42%). In 2012 the company continued to execute a prudent investment program at a level below depreciation, although commercial and supply chain investments were prioritized.

Retained earnings increased due to the solid net income generated in 2012, which exceeded the amounts related to final dividend of 2011 and the interim dividend of 2012.

Liquidity

Commonwealth Brewery's cash flow generation from operating activities in 2012 amounted to \$ 20.3 million of which \$ 2.4 million was used for investments. The remaining cash flow was mainly allocated to dividend payout. Cash flow from operating activities was \$0.8 million lower than in 2011 due to higher working capital requirements (which are linked to a higher sales activity). Net cash from operations before working capital changes was up \$ 1.7 million. Under stable market conditions the company normally does not experience major fluctuations in liquidity. The company does not employ derivative financial instruments and is free of long term debt. The liquidity risk of the company is described in notes 14 and 23(c) of the disclosures to the consolidated financial statements and relates mainly to accounts payable obligations and operating leases. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities and other commitments when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The table below provides an aging analysis of Commonwealth Brewery's contractual obligations at December 31, 2012.

Contractual obligations 2012 (all figures in \$)	Payment due by period				
	Total	< 1 year	1-2 years	2-5 years	> 5 years
Long term debt	NIL	NIL	NIL	NIL	NIL
Capital leases	NIL	NIL	NIL	NIL	NIL
Operating leases	5,625,666	1,820,405	1,242,774	1,689,145	873,342
Purchase obligations	NIL	NIL	NIL	NIL	NIL
Accounts payable and accrued expenses	13,202,341	13,202,341	NIL	NIL	NIL
Total contractual obligations	18,828,007	15,022,746	1,242,774	1,689,145	873,342

Capital resources

At December 31, 2012, Commonwealth Brewery had \$361,763 commitment of capital resources in place amongst others related to the upgrade of retail stores. The company generates sufficient cash from operations for its needs. In 2012 the Group had access to \$1 million overdraft facilities with local banks for contingency purposes. At December 31st 2012 these facilities were not in use. In view of the robust cash flow development and in order to fine-tune the short-term facilities and related bank charges, the level of overdraft facilities was reduced to \$1 million in 2012. Commonwealth Brewery agreed on termination and release of all collateral with the banks.

With effect from January 1st, 2011 the dividend policy of Commonwealth Brewery is 100% of net income. The frequency and payout ratio for any dividend remains the discretion of the Board of Directors and is subject to ratification at the Annual General Meeting of shareholders.

Should the company need funding for large investment projects, the company has the option to initiate long-term debt.

Off balance sheet arrangements

As of December 31st, 2012 the company had no off balance sheet arrangements with any parties. Note 14 of the consolidated financial statements lists the commitments and contingent liabilities of the company. The majority of commitments relate to lease contracts for commercial real estate, most of which are short-term with duration of 1 to 5 years. The main contingent liabilities are related to Customs bond guarantees and standby letters of credit. Commonwealth Brewery reached agreement with a number of suppliers to cancel letters of credit.

Transactions with related parties

Commonwealth Brewery has a number of transactions and agreements with other entities of the Heineken Group in place. These transactions and agreements relate to the secondment of senior employees, purchasing of raw and packaging materials, supply chain consultancy, transport of products,

bottling, trademark licensing, IT services and management services. The amounts related to these transactions are specified in note 15 to the consolidated financial statements.

In 2012 the IT service charges from Heineken Group Companies increased. This was for a substantial extent due to a shift towards use of global network services that were made available through the Heineken Group as opposed to direct purchase from third party contractors like in prior years. Commonwealth Brewery's total out-of-pocket IT expenses in 2012 increased by \$0.3 million. This was among other factors linked to the upgrade of the local infrastructure to improve connectivity between retail stores and head-office as well as a number of projects to upgrade application software.

Critical accounting estimates

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

Note 8 details the assumption used to test impairment on goodwill annually. The company carries net \$4.5 million goodwill, resulting from the acquisition of 100% ownership interest in Butler & Sands Company Limited in the year 2000. Goodwill by its nature is subject to the risk of impairment if key assumptions like the projected sales volume of acquired wine and spirit brands change. However using reasonable expectations only a limited change in key assumptions would occur, and this would not cause a material impact on results.

Changes in accounting policies

Commonwealth Brewery has not applied new standards or reporting policies in the current period. As described in note 3(u) of the consolidated financial statements, the company does not plan to adopt IFRS 9 Financial Instruments before 2015 and the extent of the impact has not yet been determined.



Consolidated Financial Statements of

COMMONWEALTH BREWERY LIMITED

Year ended December 31, 2012

COMMONWEALTH BREWERY LIMITED

Consolidated Financial Statements

Year ended December 31, 2012

	Page
Independent Auditors' Report	1
Consolidated Statement of Financial Position	2
Consolidated Statement of Comprehensive Income	3
Consolidated Statement of Changes in Equity	4
Consolidated Statement of Cash Flows	5
Notes to Consolidated Financial Statements	6 - 30



KPMG
PO Box N-123
Montague Sterling Centre
East Bay Street
Nassau, Bahamas

Telephone +1 242 393 2007
Fax +1 242 393 1772
Internet www.kpmg.com.bs

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Commonwealth Brewery Limited

We have audited the accompanying consolidated financial statements of Commonwealth Brewery Limited ("the Company"), which comprise the consolidated statement of financial position as at December 31 2012, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

March 5, 2013

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Financial Position

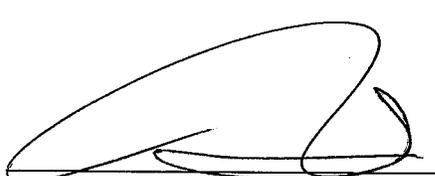
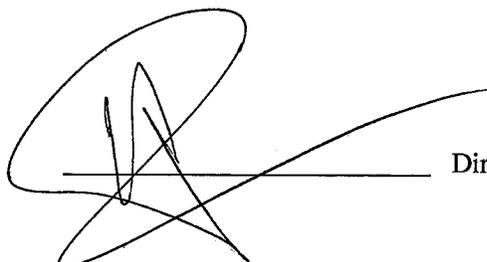
December 31, 2012, with corresponding figures for 2011

(Expressed in Bahamian dollars)

	Note(s)	2012	2011
Assets			
Current Assets:			
Cash and cash equivalents	4	\$ 11,848,434	11,359,313
Trade receivables	5	2,859,718	1,786,488
Prepaid expenses and other assets	6, 15	2,013,603	2,126,341
Inventories	7	16,804,392	16,402,004
Total current assets		33,526,147	31,674,146
Non-current Assets:			
Goodwill	8	4,487,242	4,487,242
Property, plant and equipment	9	35,002,959	35,388,064
Intangible assets	10	263,831	458,957
Total non-current assets		39,754,032	40,334,263
Total assets	24	\$ 73,280,179	72,008,409
Liabilities and Equity			
Current Liabilities:			
Accounts payable and accrued expenses	11, 15	\$ 13,202,341	13,847,253
Total current liabilities	24	13,202,341	13,847,253
Equity:			
Share capital	12	150,000	150,000
Share premium		12,377,952	12,377,952
Contributed surplus		16,351,369	16,351,369
Revaluation surplus	13	4,269,587	4,269,587
Retained earnings		26,928,930	25,012,248
Total equity		60,077,838	58,161,156
Commitments and contingencies	4, 14		
Total liabilities and equity		\$ 73,280,179	72,008,409

See accompanying notes to consolidated financial statements.

These consolidated financial statements were approved for issue on behalf of the Board of Directors on March 5, 2013 by:

 Director  Director

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Comprehensive Income

Year ended December 31, 2012, with corresponding figures for 2011
(Expressed in Bahamian dollars)

	Note(s)	2012	2011
Income:			
Revenue	24	\$ 118,468,483	113,409,201
Other income	16	367,364	1,316,560
Total income		118,835,847	114,725,761
Operating expenses:			
Raw materials, consumables and services	7, 15, 17	80,881,348	79,062,744
Personnel costs	15, 18	15,830,588	15,504,317
Depreciation	9	2,632,278	2,666,036
Amortisation	10	195,126	214,181
Total operating expenses		99,539,340	97,447,278
Results from operating activities		19,296,507	17,278,483
Finance income		20,175	41,836
Net and total comprehensive income	24	\$ 19,316,682	17,320,319
Basic and diluted earnings per share	19	\$ 0.64	0.58

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Changes in Equity

Year ended December 31, 2012, with corresponding figures for 2011
(Expressed in Bahamian dollars)

	Share capital	Share premium	Contributed surplus	Revaluation surplus	Retained earnings	Total equity
Balance at December 31, 2010	\$ 150,000	12,377,952	16,351,369	4,269,587	32,845,316	65,994,224
Net income and total comprehensive income	-	-	-	-	17,320,319	17,320,319
Transactions with owners, recorded directly in equity						
Dividends declared (note 20)	-	-	-	-	(25,153,387)	(25,153,387)
Balance at December 31, 2011	150,000	12,377,952	16,351,369	4,269,587	25,012,248	58,161,156
Net income and total comprehensive income	-	-	-	-	19,316,682	19,316,682
Transactions with owners, recorded directly in equity						
Dividends declared (note 20)	-	-	-	-	(17,400,000)	(17,400,000)
Balance at December 31, 2012	\$ 150,000	12,377,952	16,351,369	4,269,587	26,928,930	60,077,838

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Consolidated Statement of Cash Flows

Year ended December 31, 2012, with corresponding figures for 2011
(Expressed in Bahamian dollars)

	Note(s)	2012	2011
Cash flows from operating activities			
Net income		\$ 19,316,682	17,320,319
Adjustments for:			
Depreciation	9	2,632,278	2,666,036
Amortisation	10	195,126	214,181
Bad debt expense	5, 6	(57,411)	97,113
Provision for obsolescence	7	–	162,504
Loss on disposal of property, plant and equipment	16	197,922	12,674
Loss on disposal of vehicles	15	–	88,315
Finance income		(20,175)	(41,836)
Net cash from operations before changes in working capital		22,264,422	20,519,306
Changes in non-cash working capital	21	(1,950,381)	562,841
Net cash from operating activities		20,314,041	21,082,147
Cash flows from financing activities			
Dividends paid	20	(17,400,000)	(25,153,387)
Net cash used in financing activities		(17,400,000)	(25,153,387)
Cash flows from investing activities			
Additions to property, plant and equipment	9	(2,445,095)	(1,314,743)
Proceeds from sale of property, plant and equipment		–	150,842
Interest received		20,175	41,836
Net cash used in investing activities		(2,424,920)	(1,122,065)
Net increase/(decrease) in cash and cash equivalents		489,121	(5,193,305)
Cash and cash equivalents, beginning of year		11,359,313	16,552,618
Cash and cash equivalents, end of year	4	\$ 11,848,434	11,359,313

See accompanying notes to consolidated financial statements.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(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”). The principal activity of the Group is the production of alcoholic and non-alcoholic beverages, liquor importation, distribution and sales. The Company’s principal place of business and registered office is located at Clifton Pier, Nassau, Bahamas. Effective May 24, 2011, the Company’s shares were listed on The Bahamas International Securities Exchange.

The Company is a subsidiary of Heineken International B.V. (“Heineken”). 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 Company are owned by Heineken and remaining 25% are owned by the Bahamian public.

2. Basis of preparation

(a) *Statement of compliance*

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

(b) *Basis of measurement*

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.

(c) *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.

(d) *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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(Expressed in Bahamian dollars)

2. Basis of preparation *(continued)*

(d) Use of estimates and judgements (continued)

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

Note 5	Trade receivables
Note 6	Prepaid expenses and other assets
Note 7	Inventories
Note 8	Goodwill
Note 9	Property, plant and equipment
Note 10	Intangible assets
Note 14	Commitments and contingencies
Note 23	Financial instruments and associated risks

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) Basis of consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases. Subsidiaries are entities controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those adopted by the Group. All intra-group transactions, balances, income and expenses and unrealised income and expense arising from inter-group transactions 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 a controlling interest in a subsidiary is disposed of, the difference between the proceeds from the disposal and the carrying amount of the Group's interest in the subsidiary's assets and liabilities, plus the carrying amount of goodwill related to the subsidiary disposed of, is recognised in net income as a gain or loss on disposal.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012

(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(a) Basis of consolidation (continued)

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 Company.

(b) Financial instruments

Classification

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

Recognition

The Group recognizes 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 financial asset and the transfer qualifies for derecognition in accordance with International Accounting Standard 39.

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

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(c) Cash and cash equivalents

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

(d) Accounts receivable

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

(e) Inventories

Inventories are stated at the lower of cost and net realizable 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 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.

(f) Goodwill

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

(g) 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 equity 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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(g) Property, plant and equipment (continued)

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

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

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

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

Land	No depreciation
Buildings	15 to 40 years
Leasehold improvements	Over the lease term
Plant & machinery	5 to 30 years
Furniture, fixtures & equipment	3 to 25 years
Vehicles & transportation equipment	5 years
Capital work in progress	No depreciation

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

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(h) Intangible assets

Acquired computer software licenses are capitalized 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.

(i) Impairment

Financial assets

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

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

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

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

Non-financial assets

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

Impairment losses are recognised in the consolidated statement of 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 comprehensive income. 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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(i) 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.

(j) Related parties

(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. If the reporting entity is itself such a plan, the sponsoring employers are also 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).

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(k) Leases

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

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

(l) Share capital

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

(m) 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.

(n) 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 comprehensive income.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(o) Revenue recognition

Products sold

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

Services

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

(p) 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 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.

(q) Finance income

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

(r) Earnings per share

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

(s) Dividends

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

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(Expressed in Bahamian dollars)

3. Significant accounting policies *(continued)*

(t) 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 organized into three business segments: (i) Wholesale (ii) Retail and (iii) Production. These divisions are the basis on which the Group reports its operating segment information.

(u) Standards and interpretations effective in the current period

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant impact on the consolidated financial statements of the Group except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

4. Cash and cash equivalents

	2012	2011
Cash on hand	\$ 49,968	57,230
Cash held with banks	11,798,466	11,302,083
Cash and cash equivalents	\$ 11,848,434	11,359,313

The Company has an overdraft facility of \$1,000,000 (2011: \$1,000,000). As at December 31, 2012 and 2011, \$Nil of the overdraft facility had been utilized. This facility bears interest at the rate of Bahamian prime plus 0.625% per annum (2011: Bahamian prime plus 1.50% per annum). The facility is secured by unlimited guarantee of Burns House Limited ("BHL" or "Principal Subsidiary").

BHL had a secured overdraft facility of \$3,000,000 up to December 31, 2011 with no specific terms of repayment which bore interest at the rate of Bahamian prime plus 0.625% per annum. This facility was not renewed in 2012, which resulted in termination and release of all collateral.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(Expressed in Bahamian dollars)

5. Trade receivables

	2012	2011
Trade receivables, gross	\$ 3,288,898	2,705,508
Allowance for doubtful debts	(429,180)	(919,020)
	\$ 2,859,718	1,786,488

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

	2012	2011
Current	\$ 2,265,015	1,585,814
Past due but not impaired	594,703	200,674
Past due and impaired	429,180	919,020
	\$ 3,288,898	2,705,508

Movement in the allowance for doubtful debts:

	2012	2011
Balance at beginning of the year	\$ 919,020	786,907
Increase in allowance	–	132,113
Reversal of allowance	(120,905)	–
Amounts written off as uncollectible	(368,935)	–
Balance at end of the year	\$ 429,180	919,020

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

	2012	2011
The Bahamas	\$ 2,779,956	1,494,992
United States of America	79,762	291,496
Balance at end of the year	\$ 2,859,718	1,786,488

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(Expressed in Bahamian dollars)

6. Prepaid expenses and other assets

	2012	2011
Other receivables - third parties	\$ 1,395,288	1,353,414
Prepaid expenses	933,734	875,408
Staff loans	193,805	343,249
	2,522,827	2,572,071
Allowance for doubtful debts	(509,224)	(445,730)
	\$ 2,013,603	2,126,341

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

	2012	2011
Balance at beginning of the year	\$ 445,730	480,730
Increase in allowance	63,494	—
Amounts recovered during the year	—	(35,000)
Balance at end of the year	\$ 509,224	445,730

7. Inventories

	2012	2011
Goods bought for resale	\$ 13,102,917	11,996,166
Raw materials and packaging	2,602,567	2,040,637
Finished goods	200,024	751,427
Work-in-progress	120,117	146,853
Spare parts	531,715	528,188
Other stock items	716,922	1,443,827
	17,274,262	16,907,098
Provision for obsolescence	(469,870)	(505,094)
	\$ 16,804,392	16,402,004

Movement in the provision for obsolescence:

	2012	2011
Balance at beginning of the year	\$ 505,094	802,688
Increase in provision	—	162,504
Inventories written off	(35,224)	(460,098)
Balance at end of the year	\$ 469,870	505,094

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(Expressed in Bahamian dollars)

7. Inventories (continued)

As outlined in note 17, the cost of inventories recognised as an expense during the year was \$43,850,764 (2011: \$43,981,742).

8. Goodwill

Goodwill comprises the following:

	2012	2011
Cost	\$ 6,363,448	6,363,448
Accumulated amortisation	(1,876,206)	(1,876,206)
Balance at end of the year	\$ 4,487,242	4,487,242

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

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

- Cash flows are projected based on actual operating results and the three year business plan. Cash flows for a further two year period are projected using expected annual growth rates.
- Cash flows after the first five years were projected using expected annual long-term inflation, based on external 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, expected growth rate and the expected long-term inflation rate are as follows:

WACC	9.89%
Expected annual long-term inflation	2.42%
Expected growth rate	1.18%

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). A limited change in key assumptions will not lead to a materially different outcome. Based on the value in use calculation management has determined that there has not been any impairment in the carrying amount of goodwill as at December 31, 2012 and 2011.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial Statements

Year ended December 31, 2012
(Expressed in Bahamian dollars)

9. Property, plant and equipment

	Land	Building	Leasehold improvements	Plant and machinery	Furniture and fixtures equipment	Vehicle and transportation equipment	Capital work in progress	Total
Cost/revalued amount:								
Balance at December 31, 2010	\$ 6,455,460	15,794,540	2,173,948	31,284,322	12,995,209	1,095,228	1,031,377	70,830,084
Additions	-	-	-	-	-	-	1,314,743	1,314,743
Transfers	-	-	267,494	207,341	452,551	67,883	(995,269)	-
Disposals/Write Offs	-	-	-	(151,083)	(69,632)	(223,356)	-	(444,071)
Balance at December 31, 2011	6,455,460	15,794,540	2,441,442	31,340,580	13,378,128	939,755	1,350,851	71,700,756
Additions	-	-	-	-	-	-	2,445,095	2,445,095
Transfers	-	62,425	60,308	1,619,383	492,395	417,031	(2,651,542)	-
Disposals/Write Offs	-	-	-	-	-	-	(197,922)	(197,922)
Balance at December 31, 2012	\$ 6,455,460	15,856,965	2,501,750	32,959,963	13,870,523	1,356,786	946,482	73,947,929
Accumulated depreciation:								
Balance at December 31, 2010	\$ -	-	1,708,828	19,919,634	11,434,854	775,579	-	33,838,896
Depreciation	-	457,649	194,512	1,391,798	482,957	139,120	-	2,666,036
Disposals/write offs	-	-	-	(8,408)	(54,190)	(129,642)	-	(192,240)
Balance at December 31, 2011	-	457,649	1,903,340	21,303,025	11,863,621	785,057	-	36,312,692
Depreciation	-	400,119	238,949	1,368,289	466,032	158,889	-	2,632,278
Disposals/write offs	-	-	-	-	-	-	-	-
Balance at December 31, 2012	\$ -	857,768	2,142,289	22,671,314	12,329,653	943,946	-	38,944,970
Net book value:-								
December 31, 2012	\$ 6,455,460	14,999,197	359,461	10,288,649	1,540,870	412,840	946,482	35,002,959
December 31, 2011	\$ 6,455,460	15,336,891	538,102	10,037,555	1,514,507	154,698	1,350,851	35,388,064

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial statements

Year ended December 31, 2012

(Expressed in Bahamian dollars)

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

The latest revaluation of land and buildings was done on December 31, 2010 by a qualified independent appraiser, Robin Brownrigg, using the income approach, except for one property where the cost basis was used. Had there been no revaluation, the carrying value of land would have been \$1,689,070 (2011: \$1,689,070) and of buildings would have been \$6,172,242 (2011: \$7,082,767).

10. Intangible assets

Intangible assets consist of computer software as follows:

	2012	2011
Cost:		
Balance at January 1 and December 31	\$ 3,277,317	3,277,317
Accumulated amortisation:		
Balance at January 1	\$ 2,818,360	2,604,179
Amortisation	195,126	214,181
Balance at December 31	\$ 3,013,486	2,818,360
Net Book Value	\$ 263,831	458,957

11. Accounts payable and accrued expenses

Accounts payable and accrued expenses comprise the following:

	2012	2011
Accounts payable - third parties	\$ 7,645,274	5,886,566
Accounts payable - related parties	1,525,438	1,240,052
Accrued liabilities	4,031,629	6,720,635
	\$ 13,202,341	13,847,253

12. Share capital

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

	No. of shares	Amount
2012 and 2011:		
Ordinary shares of \$0.005 each	30,000,000	\$ 150,000

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial statements

Year ended December 31, 2012

(Expressed in Bahamian dollars)

13. Revaluation surplus

As discussed in note 9, the latest revaluation of land and buildings was carried out by an independent appraiser on December 31, 2010 which resulted in a surplus of \$2,566,757. The remaining amount relates to previous revaluations including those done in the pre-acquisition period for BHL.

	2012	2011
Balance at January 1 and December 31	\$ 4,269,587	4,269,587

14. Commitments and contingencies

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

	Less than 1 year	1 - 2 years	2 - 5 years	More than 5 years	Total
2012	\$ 1,820,405	1,242,774	1,689,145	873,342	5,625,666
2011	\$ 1,931,110	1,460,132	1,606,571	247,704	5,245,517

Commitments and contingencies other than lease commitments are as follows:

At December 31, the Group was contingently liable under customs bond guarantees totalling \$341,500 (2011: \$805,100).

At December 31, the Group was contingently liable under standby letters of credit totalling \$522,000 (2011: \$1,288,500).

At December 31, the Group had capital commitment of \$361,763 (2011 - \$344,562).

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

15. Balances and transactions with related parties

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

	2012	2011
<i>Balances with parent (Heineken)</i>		
Accounts payable	\$ 652,615	1,083,167

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial statements

Year ended December 31, 2012

(Expressed in Bahamian dollars)

15. Balances and transactions with related parties (continued)

	2012	2011
<i>Transactions with parent (Heineken)</i>		
Know-how fee	439,110	399,108
Royalties	438,946	414,318
IT related fee	\$ 478,519	58,857
Directors' fee	—	32,300
Dividends paid	13,050,000	5,625,000
<i>Balances with affiliates</i>		
Other receivables	—	34,985
Accounts payable	872,823	156,885
<i>Transactions with affiliates</i>		
Purchases of inventories	763,072	639,614
IT related fee	860,329	593,700
Supply chain fee	134,505	151,125
Directors' fee	78,000	28,000
Loss on disposal of vehicles	—	88,315

IT related fees, supply chain fee and other fees are charged by Heineken and other Heineken group entities as incurred.

Compensation of key management personnel

During the year, key management personnel received compensation amounting to \$1,543,095 (2011: \$2,002,981), including short-term employee benefits of \$1,309,949 (2011: \$1,929,516), and post employment benefits of \$233,146 (2011: \$73,465).

Included in key management costs are costs relating to a Long Term Incentive Plan. This is a share based plan which provides senior employees of Heineken NV shares based on the performance of the Heineken Group as a whole. The amount recognised in personnel cost amounted to \$18,615 (2011: \$51,526).

16. Other income

	2012	2011
Exchange loss	\$ (96,584)	(85,648)
Loss on disposal of property, plant and equipment	(197,922)	(12,674)
Miscellaneous income	661,870	1,414,882
	\$ 367,364	1,316,560

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial statements

Year ended December 31, 2012

(Expressed in Bahamian dollars)

17. Raw materials, consumables and services

	2012	2011
Cost of inventories (including related import duties)	\$ 43,850,764	43,981,742
Excise duties and taxes	14,106,360	12,877,498
Distribution and marketing expenses	5,740,590	5,091,157
Occupancy expenses	3,034,360	3,148,533
Utilities	3,513,740	3,521,784
Royalties	1,887,615	1,809,565
Bad debt expense	(57,411)	97,113
Insurance	1,133,328	1,170,106
Repairs and maintenance	1,994,123	1,689,815
Know-how fee	439,110	399,108
Other expenses	5,238,769	5,276,323
Total	\$ 80,881,348	79,062,744

With effect from May 18, 2010, the Company entered into an agreement with Heineken to pay 0.4% per annum of revenue to Heineken as a know-how fee.

18. Employee pension plans

In 1997, the Company commenced a defined contribution pension plan. In accordance with the terms of the plan both employer and employees are required to contribute 5% of the participants' earnings to the plan. Employees are permitted to make additional contributions in order to increase their retirement benefits. The Company's contribution to the plan included in personnel costs was \$92,900 (2011: \$152,568).

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

BHL has a defined contribution plan for eligible employees. The employees contribute 5% (2011: 4% up to March 1 and 5% thereafter) of gross salary, and BHL contributes 5% (2011: 4% up to March 1 and 5% thereafter) of eligible earnings. BHL's contribution to the pension costs net of forfeitures in respect to the plan for the year included in personnel costs amounted to \$286,472 (2011: \$246,277).

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial statements

Year ended December 31, 2012

(Expressed in Bahamian dollars)

19. Basic and diluted earnings per share

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

	2012	2011
Net income attributable to owners of the Company	\$ 19,316,682	17,320,319
Weighted average number of shares	30,000,000	30,000,000
Basic and diluted earnings per share	\$ 0.64	0.58

20. Dividends

Dividends declared and paid by the Company amounted to \$17,400,000 (2011: \$25,153,387) including interim dividends of \$7,500,000 (2011: \$7,500,000).

21. Changes in non-cash working capital

	2012	2011
Change in trade receivables	\$ (952,325)	(659,576)
Change in prepaid expenses and other assets	49,244	(387,700)
Change in inventories	(402,388)	(1,264,673)
Change in accounts payable and accrued expenses	(644,912)	2,874,790
	\$ (1,950,381)	562,841

22. Principal subsidiary and other significant operating subsidiaries

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

	<i>Percentage (%) Owned</i>	
	2012	2011
Burns House Limited	100	100
Butler & Sands Company Limited	100	100
Kerland Limited	100	100
Todhunter-Mitchell Distillers Limited	100	100
Todhunter-Mitchell Wines & Spirits Limited	100	100
Wholesale Wines and Spirits Limited	100	100

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial statements

Year ended December 31, 2012

(Expressed in Bahamian dollars)

23. Financial instruments and associated risks

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

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

(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 optimizing the return on risk.

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 Euro. The Group does not hedge against movements in foreign currency exchange rates.

The Group's total net liability exposure to fluctuations in foreign currency exchange rates (B\$ vs. Euro) at December 31 was \$700,935 (2011: \$478,887).

The average exchange rate between the B\$ and the Euro was B\$1 = Euro 0.78 (2011: B\$1 = Euro 0.72). The spot rate at December 31, was B\$1 = Euro 0.76 (2011: B\$1 = Euro 0.77).

Sensitivity analysis

A 10 percent strengthening of the B\$ against the Euro at December 31, would have increased equity and net income by approximately \$70,094 (2011: \$47,889). 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, 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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial statements

Year ended December 31, 2012

(Expressed in Bahamian dollars)

23. Financial instruments and associated risks (continued)

(a) Market risk (continued)

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 long-term 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.

Interest rates on all facilities are tied to the Bahamian prime rate, which at the reporting date was 4.75% percent per annum and stayed stable in 2012.

The Group believes that interest rate risk is minimal as the Group does not have any outstanding loans and has not utilised its overdraft facility as outlined in note 4.

(b) Credit risk

Credit risk is the risk that a counterparty 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:

	2012	2011
Cash held with banks	\$ 11,798,466	11,302,083
Trade receivables, net	2,859,718	1,786,488
Other receivables, net	886,064	907,684
Staff loans	193,805	343,249
	<u>\$ 15,738,053</u>	<u>14,339,504</u>

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 \$11,798,466 (2011: \$11,302,083) was deposited with regulated financial institutions. Accordingly management considers this to bear minimal credit risk.

(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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial statements

Year ended December 31, 2012

(Expressed in Bahamian dollars)

23. Financial instruments and associated risks (continued)

(c) Liquidity risk (continued)

A maturity analysis of financial liabilities is as follows:

At December 31, 2012	Carrying Amount	Contractual cash flows	On demand	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Accounts payable and accrued expenses	\$ 13,202,341	13,202,341	-	13,202,341	-	-	-	-
	\$ 13,202,341	13,202,341	-	13,202,341	-	-	-	-

At December 31, 2011	Carrying Amount	Contractual cash flows	On demand	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years
Accounts payable and accrued expenses	\$ 13,847,253	13,847,253	-	13,847,253	-	-	-	-
	\$ 13,847,253	13,847,253	-	13,847,253	-	-	-	-

24. Segment information

The Group has adopted IFRS 8 for reporting 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

	2012	2011
Wholesale	\$ 101,507,447	97,748,759
Retail	36,017,347	33,900,768
Production	51,140,342	48,451,544
	\$ 188,665,136	180,101,071

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial statements

Year ended December 31, 2012

(Expressed in Bahamian dollars)

24. Segment information (continued)

Inter-segment revenue

	2012	2011
Wholesale	\$ 19,836,775	19,220,741
Retail	–	–
Production	50,359,878	47,471,129
	\$ 70,196,653	66,691,870

Revenue from external customers

	2012	2011
Wholesale	\$ 81,670,672	78,528,018
Retail	36,017,347	33,900,768
Production	780,464	980,415
	\$ 118,468,483	113,409,201

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

	2012	2011
Wholesale	\$ 5,854,089	4,376,597
Retail	4,879,976	3,540,657
Production	8,582,617	9,403,065
	\$ 19,316,682	17,320,319

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

	2012	2011
Wholesale	\$ 22,061,785	21,633,550
Retail	4,678,702	3,850,260
Production	30,626,772	28,662,249
Total segment assets	57,367,259	54,146,059
Unallocated	15,912,920	17,862,350
Total assets	\$ 73,280,179	72,008,409

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.

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial statements

Year ended December 31, 2012

(Expressed in Bahamian dollars)

24. Segment information *(continued)*

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

	2012	2011
Wholesale	\$ 7,685,121	7,065,074
Retail	862,814	1,319,896
Production	4,654,406	5,462,283
	\$ 13,202,341	13,847,253

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

	2012	2011
Wholesale	\$ 465,375	273,419
Retail	303,122	481,445
Production	1,676,598	559,879
	\$ 2,445,095	1,314,743

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

	2012	2011
Bahamas	\$ 117,688,019	112,428,786
United States	780,464	980,415
	\$ 118,468,483	113,409,201

Included in revenues arising from direct sales from the Group's wholesale segment to its customers is \$27,814,995 (2011: \$18,773,406) which arose from sales to the Group's top five customers.

25. Fair values of financial instruments

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

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

COMMONWEALTH BREWERY LIMITED

Notes to Consolidated Financial statements

Year ended December 31, 2012

(Expressed in Bahamian dollars)

25. Fair values of financial instruments *(continued)*

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

26. Capital management

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

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

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

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